
President's report

Proposed loan

Federative Republic of Brazil

**Sustainable Atlantic Rainforest Development Project
(Parceiros da Mata)**

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 69.

Technical questions:

Claus Reiner
Country Director
Latin America and the Caribbean Division
e-mail: c.reiner@ifad.org

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

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Project delivery team

Regional Director:	Rossana Polastri
Country Director:	Claus Reiner
Country Programme Coordinator:	Hardi Vieira
Technical Lead:	Rikke Grand Olivera
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.

IFAD Map compiled by IFAD | 22-11-2023

Financing summary

Initiating institution:	Inter-American Development Bank
Borrower:	State of Bahia, Federative Republic of Brazil
Executing agency:	Secretariat of Rural Development
Total project cost:	US\$150.0 million
Amount of IFAD loan:	US\$18.0 million
Terms of IFAD loan:	Ordinary, with a maturity period 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\$100 million
Terms of cofinancing:	Loan
Contribution of borrower:	US\$32.0 million
Amount of IFAD climate finance:	US\$15.3 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 2022, Brazil's GDP showed good performance in the first two quarters of 2023, driven primarily by the agriculture sector. The growth expectation for 2024 is 1.5 per cent and the inflation expectation 3.92 per cent. The government is undertaking significant reforms, including a new fiscal framework and tax reform. Nevertheless, inequalities in the country are deep and persistent.
2. Some 52 million Brazilians (24 per cent of the population) currently live below the poverty line, and 14 million (6.5 per cent) in extreme poverty. Almost half the poverty in Brazil is concentrated in the country's northeast region, which has less than a third of the nation's population. In 2022, 125.2 million Brazilians were food insecure, and over 33 million were hungry. The northeast region is one of the country's most vulnerable to climate change.
3. Family farming is strategic for reducing poverty (Sustainable Development Goal 1), for promoting food and nutrition security (Sustainable Development Goal 2), and for sustaining the livelihoods of most of the rural population. The sector employs three quarters of the agricultural labour force, accounts for 77 per cent of farms and is responsible for one third of the nation's agricultural revenue. However, family farmers have limited access to human and financial resources, which limits their adaptive capacity, increases their poverty and food insecurity and drives their exodus from rural areas.
4. **State of Bahia.** In 2023, the State of Bahia had a population of over 14 million (7 per cent of Brazil's population), and its GDP accounted for 4 per cent of the country's total. Some 45.3 per cent of its population experiences food insecurity, and 6.3 per cent hunger. In rural areas, poverty stems from low agricultural productivity and difficulty accessing land, financing and technical knowledge.

Special aspects relating to IFAD's corporate mainstreaming priorities

5. In line with IFAD's mainstreaming commitments, the Sustainable Atlantic Rainforest Development Project (Parceiros da Mata) has been validated as:
 - Including climate finance
 - Gender-transformational
 - Nutrition-sensitive
 - Youth-sensitive Including adaptive capacity
6. **Gender-transformational.** New income opportunities will be created for women through productive development plans and business plans, and their access to and control over natural resources will be increased. The use of agroecological logbooks will make women's economic contribution visible. 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 and organizational levels. Women's workload will be reduced through time-saving social technologies for water access. Awareness-raising on preventing and addressing gender-based violence is foreseen.
7. **Youth-sensitive.** The project will build on the experience of other IFAD-supported projects in Brazil. It will support youth involvement in sustainable natural resource management, the creation of new jobs and opportunities, the strengthening of youth organizations, youth empowerment in decision-making at the community and organizational levels, the engagement of Family Farming Schools (EFAs) to link

education with productive activities, social communication activities and support for rural youth networks.

8. **Nutrition-sensitive.** The project's nutrition entry points are improved water access for households and agricultural and social technologies such as renewable energy, water harvesting and storage and water reuse. Nutrition education will cover basic nutrition, food safety practices, sanitation, hygiene and nutrition-sensitive processing and preservation practices.
9. **Climate finance and building adaptive capacity.** All project components contribute to climate finance. In line with the multilateral development bank methodologies for tracking climate change adaptation and mitigation finance, the total climate finance for this project is estimated at US\$15,333,000 or 85.8 per cent of the IFAD investment, US\$8,854,000 of which supports climate change adaptation activities and US\$6,479,000, climate change mitigation activities.
10. **Indigenous Peoples and traditional communities.** The preparation of productive development plans will consider social and cultural aspects and traditional knowledge and ways of life. These 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 organization of traditional peoples and communities, from community-level associations to regional and state commissions with political representation.

Rationale for IFAD involvement

11. IFAD and the Inter-American Development Bank (IDB) signed a partnership agreement in 1978. This will be the second IDB cofinanced loan operation and the second type-C project in Brazil. The partnership with IDB enables IFAD to respond to the State's request to scale up the ongoing Rural Sustainable Development Project in the Semi-arid Region of Bahia (Pro-semi-arid Project [PSA]).
12. The project will expand IFAD's approach to sustainable agricultural intensification through rural organizations to the Atlantic rainforest. The partnership will have the following outputs for IFAD: (i) leveraging additional resources to invest in rural people, and applying its development priorities and experience to this cofinancing; (ii) expanding IFAD's intervention and knowledge base to the Atlantic rainforest, benefitting from IDB's previous experience in the biome; (iii) increasing outreach; (iv) increasing public investment in social inclusiveness and sustainability; (v) lowering administrative costs for design and supervision; (vi) leveraging the complementary knowledge and expertise of IFAD and IDB; (vii) consolidating IFAD work in knowledge management (KM) and South-South and Triangular Cooperation (SSTC); and (viii) consolidating IFAD's partnership with State of Bahia after three successive successful projects.

B. Lessons learned

13. An experienced team is critical for rapid project start-up, especially for planning, procurement and the preparation of community plans. The successful ongoing IFAD-supported PSA project contributed its experiences in the design and will be vital in the start-up. Maintaining part of the PSA's core team will be critical in leveraging the human capital built during the project.
14. IFAD's grant for the Semear Programme has paved the way for its KM engagement in Brazil and helped document and exchange good practices. The PSA recruited KM consultants to consolidate its learning and experience, thus building robust capacities.
15. The PSA has gathered positive experiences through international exchanges. It received technical visits from Angola and Mozambique and organized the first workshop for IFAD projects in MERCOSUR countries.

16. Sound data and evidence-based information are key to shedding light on project implementation, the identification of new operations and policy dialogue. They also make the case for IFAD-type interventions. The state has a robust monitoring and evaluation (M&E) system.
17. IFAD's ongoing dialogue with state authorities, civil society and farmers' organizations has strengthened its relationship with policymakers and facilitated many PSA innovations, such as the agroecological logbooks, to be introduced in public programmes. The new project will also influence public policies directly through its innovations in the Atlantic rainforest.
18. Using local civil society organizations for technical assistance has enabled the PSA to benefit from local experience and expertise and build local implementation capacity. This is particularly useful for agroecology, gender transformation and youth inclusion. It will be especially important in a new project biome.
19. IFAD's experience in Brazil has demonstrated the importance of meeting households' need for clean water for human consumption, especially in the context of climate change. It has also proven the importance of social technologies such as cisterns, biodigestors, ecostoves, greywater reuse, etc. for climate resilience. The project will seek to apply these solutions and expand them with other innovative sanitation technologies that improve people's health and nutrition and reduce environmental degradation.
20. Productive investments need to be complemented with product marketing, as the project will work with consolidated value chains such as cocoa. It will partner with private companies, NGOs, cooperative federations that employ the Central da Caatinga Storehouse model, and cooperative unions to innovate in marketing.
21. In Brazil, IFAD's introduction of agroecological elements in rural schools has fostered effective youth participation and sparked the young generation's interest in sustainable production and diversified nutrition. The PSA's substantial experience with EFAs will be scaled up in the Parceiros da Mata project.
22. The PSA has employed youth from the communities as rural community agents (ACRs in Portuguese). As part of the project team, the ACRs supported implementation by strengthening local organizations, while assuring community ownership, proximity and trust. This model will be applied by Parceiros da Mata.
23. IFAD's office in Salvador, Brazil, plays a critical role in assembling cofinancing from other partners and scaling up interventions. It was critical in the identification of the project and the collaboration with IDB. The design, supervision and implementation support from the Salvador office will be a key element in the project's success, as will the PSA.

II. Project description

A. Objectives, geographical area of intervention and target groups

24. The project's **general objectives** are to improve income, nutrition and food security, access to basic services and adaptation to climate change of the rural population and protect the region's natural resource base. The **specific objectives** are to: (i) increase the adoption of agricultural technologies, with emphasis on technologies for adaptation to climate change, prioritizing women, youth, and traditional peoples and communities (TPCs); (ii) improve the integration of producers into value chains, prioritizing women, youth and TPCs; (iii) improve environmental conditions for rural families and their surroundings; and (iv) improve access to drinking water and sewage treatment in rural communities.
25. Parceiros da Mata will target smallholder households living in poverty and extreme poverty. The project will directly reach 88,000 households (about 352,000 people)

in rural communities. Fifty per cent of beneficiary households will be women-led, 30 per cent youth-led and at least 5 per cent from traditional communities.

26. **Geographical targeting.** The project area will cover rural areas in 77 municipalities in four territories in the Atlantic rainforest of the State of Bahia: Baixo Sul, Litoral Sul, Médio Rio das Contas and Vale do Jiquiriçá. These municipalities were prioritized because of their low Human Development Index, poor water and sanitation services, limited agricultural productivity, poor access to technical assistance services and the presence of environmental degradation processes.
27. **Social targeting.** The target population comprises poor family farmers and poor rural populations, with priority given to women, youth, traditional communities and LGBTQIAPN+ (lesbian, gay, bi, trans, queer, intersex, asexual/aromantic/agender, pan/poli, non-binary and more) persons from priority rural communities. A combination of direct targeting and self-targeting methods will ensure the strong participation and social inclusion of target groups. Target group-specific activities will be complemented with clearly defined selection criteria, quotas and the use of capacity-building and awareness-raising to ensure the participation of the most vulnerable groups.

B. Components, outcomes and activities

Component 1: Resilient production systems, environmental recovery and capacity-building

28. This component will finance plans to improve production and marketing, restore degraded areas, strengthen the capacity of families and their organizations and provide technical assistance. It will include Community Sustainable Development Plans (PCDSs) for groups of contiguous rural communities, focusing on the target groups and based on a participatory diagnosis. Each PCDS will include a productive development plan to finance inputs, tools and equipment to allow for the adoption of technologies for improved food security and sustainable production, helping to reduce deforestation and facilitate adaptation to climate change, and a socio-cultural strengthening plan that will finance training and equipment to strengthen the capacity of women, youth and community organizations and foster the inclusion of priority groups in project activities. This component will also include payment for environmental services (PES) initiatives, land and environmental regularization, and business plans for cooperatives and other economic organizations in the selected territories to add value to products and improve marketing by financing investments and specialized technical assistance.

Component 2: Water security and rural sanitation

29. This component will finance small-scale works in rural communities, including: (i) structures to improve access to drinking water, such as household cisterns for rainwater and community networks with household connections; (ii) sewage systems for treating effluent and grey water and (iii) household sanitation modules that include both toilets and laundry sinks. It will also provide technical support and equipment for the design and implementation of a rural solid waste management pilot, based on the classification and proper treatment of waste, in coordination with municipal governments and community organizations such as sorting cooperatives and multi-community organizations.

Component 3: Institutional strengthening and knowledge management

30. This component will strengthen the main public rural development institutions, contracted technical assistance providers and beneficiaries' organizations. Capacity-building plans may include training and improvements to information systems, equipment and vehicles. This component will support the establishment of multi-community water management systems to ensure the sustainability of interventions under component 2. It will also support KM and SSTC, including

learning routes and a rural youth programme. It will include M&E activities, strengthening the project's result-based management.

31. **Project management.** This will include: (i) project administration and management; (ii) M&E; and (iii) audits.

C. Theory of change

32. The project seeks to improve the income, nutrition and food security, access to basic services and climate resilience of the poor rural population and protect the region's natural resource base. It will increase farmer resilience and address the underlying causes of poverty and malnutrition. It will also address gender inequalities and social exclusion and strive to empower women, youth, TPCs and the LGBTQIAPN+ community.
33. Production systems are currently characterized by low productivity, lack of diversification and growing degradation of the Atlantic rainforest, especially due to deforestation and high levels of vulnerability to climate change. They are marked by various social, generational and racial ethnic inclusion gaps, resulting in the perpetuation of poverty, vulnerability, food insecurity and malnutrition. There are few opportunities for family farmers to access adapted technologies, services and markets aimed at the development of sustainably produced food and employment opportunities. To tackle these challenges, the project will work along three components that will lead to project results and help achieve its goal.
34. Through component 1, rural households and farmers' organizations will improve their food production systems and nutrition by increasing the adoption of climate change technology. This component will integrate producers into value chains by accessing new markets and increasing sales and ensure that rural families and their communities enjoy better environmental conditions. This will be accomplished by: investing in communities and farmers' organizations through territorial development plans to enhance diversified, resilient and nutritious production systems, improve sustainable natural resource management and increase income; guaranteeing investments in improvements/adaptations with cooperative units via business plans to improve the marketing of agroecological family farm products; supporting land and environmental regularization, especially for *quilombola* communities; and promoting PES initiatives to enhance conservation and reforestation of the Atlantic rainforest.
35. Component 2 will ensure that rural families and communities increase their access to water and sanitation through social technologies. This will be accomplished by: guaranteeing investments in collective solutions for access to water and household sanitation, including multi-community management; and promoting investment in social technologies for capturing and storing rainwater for human consumption and production.
36. Through component 3, Parceiros da Mata will support training and knowledge generation as fundamental to achieving the sustainability of investments.

D. Alignment, ownership and partnerships

37. The project objectives align with the 2030 Agenda of leaving no one behind – in particular, the following SDGs: 1 (no poverty), 2 (zero hunger and sustainable agriculture), 5 (gender equality), 6 (clean water and sanitation), 7 (affordable and clean energy), 10 (reduced inequalities), 12 (responsible consumption and production), 13 (climate action) and 15 (life on land).
38. The project will contribute to five Twelfth Replenishment of IFAD's Resources (IFAD12) mainstreaming themes and to the strategic objectives of the IFAD Strategic Framework 2016–2025: SO1 (increased production), SO2 (increased market participation) and SO3 (increased resilience). It will also contribute to the strategic objectives of the Brazil country strategic opportunities programme (COSOP) 2016–2022 and the new COSOP currently in the final stages of

preparation: (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 refinement and scaling of best practices; and (iii) strengthen the capacities of government institutions and organizations of the rural poor to drive sustainable rural development while safeguarding global public goods.

39. The project is fully aligned with the state's rural development policies, particularly Bahia's Pluriannual Plan for 2020–2023 and the Integrated Development Plan of Bahia 2035. It is also aligned with several national policies and programmes for sustainable rural development, such as the: Nationally Determined Contribution; National Adaptation Strategy and National Adaptation Plan to Climate Change; National Water Security Plan; National Rural Sanitation Program; National Technical Assistance and Rural Extension for Family Farming and Agrarian Reform; Food Procurement Programme; National School Feeding Programme; and rural credit programme for family farming. It is aligned with the National Policy on Sustainable Development of Peoples and Traditional Communities and the National Plan for Promotion of LGBTQIAPN+. It will also be aligned with the National Policy on Agroecology and Organic Production, under preparation by the Federal Government with IFAD support.

E. Costs, benefits and financing

Project costs

40. The total project cost will be US\$150 million, US\$100 million of which (66.7 per cent) will be financed through an IDB loan, US\$18 million (12.0 per cent) through an IFAD loan and US\$32 million (21.3 per cent) as a counterpart state contribution. In addition, project beneficiaries will contribute around US\$15 million; this has not been included in the total costs as per IDB's standard practice but will be monitored by the project management unit (PMU) and accounted for by IFAD during supervisions. The Federal Government will provide its sovereign guarantee for the operation.
41. The project will be financed proportionally by IFAD, IDB and the State of Bahia across all components, ensuring IFAD's full engagement and visibility. Counterpart funding from the State of Bahia will be in cash.

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

Component	State of Bahia		IFAD loan		IDB loan		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Resilient production systems, environmental recovery and capacity-building	18 000	56	10 100	56	56 000	56	84 100	56
2. Water security and rural sanitation	7 900	25	4 400	25	24 600	25	36 900	25
3. Institutional strengthening and knowledge management	3 000	9	1 700	9	9 500	9	14 200	9
Project management	3 100	10	1 800	10	9 900	10	14 800	10
Total	32 000	100	18 000	100	100 000	100	150 000	100

Table 2

Project costs by component and project year (PY)

(Thousands of United States dollars)

<i>Component</i>	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY4</i>	<i>PY5</i>	<i>PY6</i>	<i>Total</i>
	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>	<i>Amount</i>
1. Resilient production systems, environmental recovery and capacity-building	3 900	9 700	15 800	20 600	20 800	13 300	84 100
2. Water security and rural sanitation	1 700	4 200	6 900	9 100	9 100	5 900	36 900
3. Institutional strengthening and knowledge management	700	1 600	2 700	3 500	3 500	2 200	14 200
Project management	700	1 700	2 800	3 600	3 700	2 300	14 800
Total	7 000	17 200	28 200	36 800	37 100	23 700	150 000

Financing and cofinancing strategy and plan

42. 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. The table on project costs by expenditure category and financier is therefore not included.

Disbursement

43. The State of Bahia will open a designated account in United States dollars, to be used exclusively for resources furnished by IFAD. Funds will be transferred in local currency from the designated account to the operational accounts of the State of Bahia. *Pari passu* will be applied for components cofinanced by IDB and IFAD.
44. The project will use the IDB templates and procedures for presenting justifications of expenditure and requests for the disbursement of advances, which are aligned with IFAD disbursement procedures. The project will submit withdrawal applications (justifications of expenditure and requests for the disbursement of advances) to the IDB for review and at the same time to IFAD through the IFAD Client Portal. IDB will review withdrawal applications to ensure compliance with the provisions of the IFAD financing agreement and provide written confirmation to IFAD that the conditions for disbursement have been met to proceed with payment.

Summary of benefits and economic analysis

45. The cost-benefit analysis evaluates the benefits of the loan, including higher farm income, lower costs and gains associated with improved access to water and sanitation. The results confirm the project's economic viability, with a net present value of US\$32 million and an internal rate of return of 18 per cent over a 20-year period.

Exit strategy and sustainability

46. Project management will implement a project exit strategy aimed at the sustainability of interventions. Several factors will contribute to sustainability: (i) the intense training programme for beneficiaries and technical assistance teams; (ii) the dissemination of contextualized agroecological practices and strengthened market access; (iii) partnerships with civil society and farmers' organizations; (iv) strengthened institutions; (v) the dissemination of experiences through KM and SSTC activities.
47. Moreover, the territorial approach will ensure that project activities are integrated into the dynamics of the identity territories, allowing complementarity between different projects, programmes and policies implemented in these territories by the

Bahia Government. The project will also support the creation of community sanitation systems, with the direct involvement of beneficiaries in their management, maintenance and operation.

III. Risk management

A. Risks and mitigation measures

48. The integrated project risk matrix was prepared according to IFAD's 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	Substantial	Moderate
Sector strategies and policies	Moderate	Moderate
Environment and climate context	High	Moderate
Project scope	Moderate	Low
Institutional capacity for implementation and sustainability	Moderate	Low
Financial management	Moderate	Moderate
Project procurement	Moderate	Moderate
Environment, social and climate impact	Moderate	Low
Stakeholders	Moderate	Low
Overall	Moderate	Moderate

B. Environment and social category

49. IFAD conducted a "gap analysis," comparing the IDB's Environmental and Social Policy Framework (ESPF) with IFAD's updated Social, Environmental and Climate Assessment Procedures (SECAP) of 2021. This analysis confirmed that IFAD's social, environmental and climate change commitments will be adequately met with the use of the ESPF. According to IDB's ESPF, the project is classified as environmental and social impact Category B, because the planned activities may generate moderate and medium-term negative environmental and social impacts that are reversible with available mitigation measures. Adequate monitoring and verification of safeguard compliance is considered throughout project duration.

C. Climate risk classification

50. The risk of disaster and climate change to the operation has been classified as "moderate" due to the impact of floods and droughts on project works and activities. The measures to mitigate risks are identified, and the project will include a climate and disaster risk analysis.

D. Debt sustainability

51. The State of Bahia's debt was rated "CAPAG-A" in 2023, based a debt ratio of 51.55 per cent. In addition, the rating by the National Treasury Secretariat of the Ministry of Economy, which covers indebtedness, current savings and liquidity, qualifies the state for a sovereign guarantee by the Federal Government of Brazil. The loan will be guaranteed by the Federal Government of Brazil.

IV. Implementation

A. Organizational framework

Project management and coordination

52. The executing agency will be the Secretariat of Rural Development (SDR) of the Government of Bahia. The SDR will sign a subsidiary agreement with the Regional Development and Action Company (CAR), which will be responsible for the technical and fiduciary management of the project and create a PMU within its

structure. CAR is a public enterprise linked to the SDR; it has extensive experience executing projects financed by international organizations and has managed three previous IFAD-financed projects.

Financial management, procurement and governance

53. **Financial management.** The finance team in the PMU established in CAR is responsible for the project's financial management. The IDB will be appointed as cooperating institution and be responsible for managing and supervising the implementation of IFAD's financing, based on a cooperation agreement between IFAD and IDB that includes the details of supervision arrangements, such as missions, financial reporting and audits, with an arrangement similar to that of the previously approved Piauí Rural Inclusive and Sustainable Project. To simplify implementation arrangements, IFAD will accept the application of the IDB financial policies and procedures, which IFAD has reviewed to confirm their alignment with IFAD's fiduciary requirements. As per its General Conditions for Agricultural Development Financing, IFAD will maintain the requirement of retaining implementation records for a minimum of 10 years, although the required retention period under IDB conditions is 3 years.
54. **Retroactive financing.** As an exception to the provisions of section 4.07(a)(ii) of the General Conditions, expenses of up to US\$700,000 will be considered admissible when incurred after 24 January 2024, the date of the Quality Assurance Group (QAG) approval, for activities related to: consulting services for studies and diagnostics, the salaries and benefits of PMU staff and necessary operating costs, including the purchase of IT equipment. The borrower may request reimbursement of such expenses once the prior conditions for withdrawals have been met.
55. **External audit.** As per the IDB Audited Financial Reports and External Audit Management Handbook, the project shall submit Audited Financial Statements Prepared in Accordance with Special Purpose Frameworks, based on accounting standards aligned with International Public Sector Accounting Standards and audited by the State of Bahia Court of Accounts, in compliance with international auditing standards. IDB shall submit the audited financial statements to IFAD no later than six months after the end of every fiscal year.
56. **Project implementation manual.** The arrangements for financial management, procurement and governance are detailed in the project implementation manual (PIM) and are based on the Financial Management Guidelines for IDB Financed Projects (OP-273-12) and procurement (GN-2349-15 for procurement of goods and works and GN-2350-15 for procurement of consultants). They will also draw from the implementation experience of the ongoing IFAD-supported PSA.
57. The procurement plan will identify the items subject to ex ante or ex post procurement review and will require IFAD's No Objection. As per the gap analysis of the IDB guidelines and procedures, the following IFAD procedures will be applied 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

58. Project design included a hybrid public consultation with multiple stakeholders, people from the project area and potential implementation partners, such as the State Secretariat for the Environment (SEMA).

Grievance redress

59. The IDB grievance mechanism will be adopted in line with the IDB Environmental and Social Policy Framework, which includes a specific grievance redress

mechanism, to be established during the consultations and maintained during project implementation.

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

60. The project's planning and M&E system is aligned with its logical framework. To align with IFAD's mainstreaming criteria, the logical framework includes several IFAD core indicators on outreach, the number of persons with new jobs/employment opportunities, the percentage of women reporting minimum dietary diversity, households provided with targeted support to improve their nutrition, tons of CO₂e avoided/sequestered and IFAD's empowerment indicator, among others. The project will conduct baseline, midterm and impact surveys.

Innovation and scaling up

61. Parceiros da Mata is a collaborative effort by IFAD and IDB in response to the request of the Government of the State of Bahia to scale up the PSA, one of the best-performing ongoing IFAD projects worldwide.
62. The project will transfer and scale IFAD's sustainable agricultural development approach through rural organizations from the semi-arid region to the Atlantic rainforest. It will also introduce innovations, such as PES and solid waste management.
63. The project will scale elements of inclusive and sustainable transformation and mainstreaming, for which IFAD has achieved recognition. IFAD's comparative advantage lies in investing in poor rural communities with differentiated approaches for youth, women, *quilombolas* and Indigenous Peoples. The approach of participatory investment in communities and farmers' organizations, accompanied by capacity-building and technical assistance on resilient agroecological practices, sustainable natural resource management, value addition and access to markets has proven effective in reducing rural poverty. Its investments in social technologies of proven efficacy for access to water, sanitation and renewable energy align with the conditions of vulnerable communities.

C. Implementation plans

Implementation readiness and start-up plans

64. The PSA substantially increased the implementation readiness of the State of Bahia for the Parceiros da Mata project, thus facilitating a smooth and rapid project start-up. IDB and IFAD will also prepare a start-up mission and provide for retroactive financing to support the start-up process.

Supervision, midterm review and completion plans

65. IFAD will engage IDB as the project's cooperating institution through a coordination agreement between the institutions. Under the agreement, IDB will coordinate with IFAD to advance the plans for supervision and other missions. IFAD's 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 (gender, youth, nutrition and climate change), procurement, M&E, KM and fiduciary arrangements.

V. Legal instruments and authority

66. A financing agreement between the State of Bahia of the Federative Republic of Brazil and IFAD, and a guarantee agreement between the Federative Republic of Brazil and IFAD, will constitute the legal instruments for extending the proposed financing to the borrower. A copy of the negotiated agreements are attached as appendix I.
67. The State of Bahia is empowered under its laws to receive financing from IFAD.

68. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

69. 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 Bahia with a sovereign guarantee from the Federative Republic of Brazil in an amount of eighteen million United States dollars (US\$18,000,000) 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

Sustainable Atlantic Rainforest Development Project

(Parceiros da Mata)

(Negotiations concluded on 16 May 2024)

Loan No: _____

Project Name: Sustainable Atlantic Rainforest Development Project (*Parceiros da Mata*) (Projeto de Desenvolvimento Sustentável da Mata Atlântica da Bahia) ("the Project")

State of Bahia - 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 one hundred million United States Dollars (USD 100 000 000) 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 "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 Loan is eighteen million United States dollars (USD 18 000 000)
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 February and 15 August.
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 Bahia in a bank selected by the Borrower.
8. The Borrower shall provide counterpart financing for the Project in the amount of thirty-two million United States dollars (USD 32 000 000), which shall also include the payment of taxes and duties, and of which four million nine hundred thousand United States dollars (USD 4 900 000) is considered as counterpart funding towards the IFAD Loan.

Section C

1. The Lead Project Agency shall be the Rural Development Secretariat (SDR) acting through the Regional Development Agency (CAR) 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 authorised 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 CAR and the following members appointed: (i) project coordinator; (ii) a financial specialist; and (iii) a procurement specialist.
 - (e) A subsidiary execution agreement between the SDR of the State of Bahia and CAR 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 Bahia
 3a Avenida, Centro Administrativo da Bahia 390
 Centro Administrativo da Bahia
 Salvador Bahia CEP.: 41.745-005
 email: governador@governadoria.ba.gov.br

Copy to:

Secretaria do Planejamento - 2a Avenida, Centro Administrativo da Bahia 250
 Centro Administrativo da Bahia
 Salvador Bahia CEP.: 41.745-003
 email: gasec.seplan@seplan.ba.gov.br

Secretaria da Fazenda 2a Avenida, Centro Administrativo da Bahia 260
 Centro Administrativo da Bahia
 Salvador Bahia CEP.: 41.745-003
 email: apoiogasecsefaz@sefaz.ba.gov.br

For the Lead Project Agency:

Secretaria de Desenvolvimento Rural - SDR
 2a Avenida, Centro Administrativo da Bahia 250
 Conjunto Seplan
 Centro Administrativo da Bahia
 Salvador Bahia CEP.: 41.745-001
 email: presidencia@car.ba.gov.br, gabinete@sdr.ba.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 BAHIA

 "[Authorised Representative Name]"
 "[Authorised Representative title]"

Date: _____

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

 Alvaro Lario
 President

Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project will target smallholder families in poverty and extreme poverty. The Project will directly reach approximately 88,000 families (about 352,000 people) in rural communities, prioritized at municipality level for their low Human Development Index (HDI), poor water and sanitation services, limitations in agricultural productivity, poor access to technical assistance services and the presence of environmental degradation processes. 50% of beneficiary families will be women-led, 30% youth-led, and at least 5% of families will be from traditional communities. To be aligned with the IFAD portfolio in Brazil and IDB requirements, the Project will target families in groups and communities.

2. *Project area.* The Project area will cover 77 municipalities in four territories in the Atlantic Rainforest of Bahia State: Baixo Sul, Litoral Sul, Médio Rio das Contas, and Vale do Jiquiriçá (the "Project Area"). Its total area is 42,695 km², and its population is 1.8 million, of which 30% are rural. Beneficiary communities will be selected based on technical indicators to be included in the Project Implementation Manual (PIM), such as high levels of poverty and vulnerability to climate change, food and nutrition insecurity, and a low HDI.

3. *Goal.* The Project's general objectives are to improve income, nutrition and food security, access to basic services and adaptation to climate change of the poor rural population and protect the region's natural resource base.

4. *Objectives.* The specific objectives are: (i) increase the adoption of agricultural technologies, with emphasis on technologies for adaptation to climate change, prioritizing women, youth, *Povos Originários* and Traditional Peoples and Communities (PCT); (ii) improve the integration of producers into value chains, prioritizing women, youth and PCT; (iii) improve environmental conditions for rural families and their surroundings; and (iv) improve access to drinking water and sewage treatment in rural communities.

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

5.1 Component 1. Resilient production systems, environmental recovery and capacity building

5.1.1 The component will finance plans to improve production and marketing, recover degraded areas, strengthen the capacities of families and their organizations, and provide technical assistance (TA). It will include: 1) Community Sustainable Development Plans (PCDSs) for groups of contiguous rural communities, focusing on women, young people, *Povos Originários* and traditional peoples and communities and based on a participatory diagnosis. Each PCDS will include a Productive Development Plan (PDP) to finance inputs, tools and equipment to enable the adoption of technologies for improved food security and sustainable production, contributing to reducing deforestation and adapting to climate change, and a Socio-Cultural Strengthening Plan (SCSP) that will finance training and equipment to strengthen the capacities of women, youth and community organizations, and to foster the inclusion of priority groups in Project activities, such as organizations led by women, youth, traditional communities and individuals from the LGBTQIAPN+ community. Activities from this component will include Payment for Environmental Services (PES) initiatives, as well as land and environmental regularization.; 2) Business Plans (BP) for cooperatives and other economic organizations, to add value to products and improve marketing, by financing investments and specialized technical assistance.

5.2 Component 2. Water security and rural sanitation

5.2.1 It will finance small-scale works in rural communities, which will be identified during the elaboration of the PCDSs, and will include: (i) structures to improve access to drinking water, such as family cisterns for rainwater and community networks with metered household connections; (ii) sewage systems for treating effluent and grey water, as well as household sanitation modules that include toilets and tanks for washing clothes. The types of water and sanitation works will depend on population density, physical, environmental and climatic characteristics, and local cultural factors, particularly in traditional communities. They will consider people with special needs due to disabilities. Similarly, training will be given to communities, and a multi-community water management system will be put in place (supported through component 3). The component will also provide technical support and equipment for the design and implementation of rural solid waste management pilots, based on the classification and proper treatment of waste, in coordination with municipal governments and community organizations such as sorting cooperatives and multi-community organisations.

5.3 *Component 3. Institutional strengthening and knowledge management*

5.3.1 It will strengthen the rural development institutions of the Borrower, the contracted technical assistance providers, and the beneficiaries' organizations. Capacity building plans may include training, improvements to information systems, equipment and vehicles. This component will also provide support the establishment of multi-community water management system (to ensure sustainability of interventions under component 2). The Component will also support knowledge management (KM) and South-South and Triangular Cooperation (SSTC), including learning routes and a rural youth program. It will also include monitoring and evaluation (M&E) activities to support the project's result-based management.

II. Implementation Arrangements

6. *Lead Project Agency.* The Lead Project Agency shall be the Rural Development Secretariat (SDR) acting through the Regional Development Agency (CAR).

7. *Project Steering Committee.* The Project will have a Management Committee (CGT), whose function will be carried out by the CAR Board of Directors, which will have a strategic planning function, including, among other things, reviewing the annual reports and approving the Annual Work Plans and Budgets (AWPBs). In addition, the Sustainable Territorial Development Committees (CODETER) in the Project Area, organizations for local participation and coordination of government actions, and civil society organizations will have a consultive role over the plans financed by component I.

8. *Project Management Unit (PMU).* The Lead Project Agency, through the PMU, will be responsible for the overall management and coordination of the Project, and will ensure compliance with this Agreement and the PIM. Among other attributions, it will be responsible for: (i) maintaining formal communication with the IDB; (ii) submit justification of expenditure (iii) manage the external audit; (iv) coordinate M&E activities; (v) submit to the IDB the consolidated AWPB, Financial Plan, Multiannual Execution Plan and progress reports; and (vi) coordinate with partners the execution of activities, monitor the execution of the budget and obtain the necessary inputs for the financial records and the due financial reporting to the IDB. The PMU will have the following key staff: (i) Project coordinator; (ii) a financial specialist; (iii) a procurement specialist; (iv) an environmental safeguards specialist; (v) a social safeguards specialist; and (vi) a monitoring and evaluation specialist.

9. *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).

10. *Monitoring and Evaluation (M&E)*. The Project will also fund equipment and consultancy needed for administration and management, M&E, knowledge management and auditing.

11. *Knowledge Management (KM) and South-South and Triangular Cooperation (SSTC)*. The Project will produce Knowledge Management materials to enhance the effectiveness of Project activities.

12. *Project Implementation Manual (PIM)*. 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 PIM will require prior no objection from the IDB and shall be communicated to IFAD. The PIM will include operational details regarding the IDB and IFAD financing and supervision arrangements.

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, environmental recovery and capacity building	10 100 000	100% net of taxes
2. Water security and rural sanitation	4 400 000	100% net of taxes
3. Institutional strengthening and knowledge management	1 700 000	100% net of taxes
Project Management	1 800 000	100% net of taxes
TOTAL	18 000 000	

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

- (i) "Resilient production systems, environmental recovery and capacity building": Eligible Expenditures under Component 1 including small works, consultancies, studies, technical assistance, workshops, training, goods, services, equipment, and materials.
- (ii) "Water security and rural sanitation": Eligible Expenditures under Component 2, including grants and subsidies for productive investments, small works, consultancies, studies, technical assistance, workshops, training, goods, services, equipment and materials;
- (iii) "Institutional strengthening and knowledge management": Eligible Expenditures under Component 3, including small works, consultancies, studies, technical assistance, workshops, training, goods, services, equipment and materials.
- (iv) "Project management": Eligible Expenditures for the operation of the PMU and monitoring and evaluation of the Project including salaries and allowances, consultancies, external audits, studies, workshops, training, goods, services, equipment, and materials.

2. Disbursement arrangements

- (a) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs (in Component 3 and Project management) 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.

- (b) *Retroactive financing.* As an exception to section 4.07(a) (ii) of the General Conditions, specific eligible expenditures incurred as of 2 January 2024 until the date of entry into force of this Agreement shall be considered eligible up to an amount equivalent to seven hundred thousand US dollars (USD 700 000) for activities relating to: consulting services for studies and diagnostics and salaries and benefits of PMU staff and necessary operating costs, including purchase of IT equipment. Activities to be financed by retroactive financing and their respective components will require prior no-objection from IFAD to be considered eligible. Pre-financed eligible expenditures shall be reimbursed to the Borrower once additional conditions precedent to the first disbursement of funds specified in Section E.2 are fulfilled.

Schedule 3*Special Covenants*

1. Prior to the start of the execution of the works of the collective systems in the rural area within the framework of Component 3 of the Project: (i) the Borrower and each municipality that will own a water management and sanitation centre shall sign a legal instrument which shall enter into force in order to formalize the rights and obligations of the Borrower to carry out water and basic sanitation works in the municipal jurisdiction; and (ii) each respective municipality and water management and sanitation centre shall sign a cooperation agreement which shall enter into force to formalize the obligations related to the operation and maintenance of the collective water and sanitation system.

Negotiated financing agreement

Sustainable Atlantic Rainforest Development Project

(Parceiros da Mata)

(Negotiations concluded on 16 May 2024)

GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT is signed on _____, 2024 between the FEDERATIVE REPUBLIC OF BRAZIL (hereinafter referred to as "Guarantor") and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter referred to as "IFAD" or "the Fund" and together the "Parties").

WHEREAS:

Through Financing Agreement No. _____ (hereinafter referred to as "Financing Agreement"), entered into on this same date, between IFAD and the State of Bahia (hereinafter referred to as "Borrower"), IFAD has agreed to provide the Borrower with Financing of a Loan of eighteen million United States dollars (USD 18 000 000), provided that the Guarantor guarantees the Borrower's financial obligations for the Loan and remains fully bound until full payment of such obligations stipulated in the referred Financing Agreement and that the said Guarantor contracts the additional obligations specified in this Agreement.

The Guarantor, given the fact that IFAD signed the Financing Agreement with the Borrower, agreed to guarantee unconditionally and irrevocably the due and timely payment of the principal, interest and other charges of the Loan, in accordance with the provisions of this Agreement.

THE PARTIES agree the following:

1. The following documents collectively constitute an integral part of this Agreement: this Agreement, the Financing Agreement, and the Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as amended in December 2022 (the "General Conditions"). Unless the context otherwise requires, the several terms defined in the General Conditions and the Financing Agreement have the respective meanings therein set forth.
2. The Guarantor hereby unconditionally and irrevocably guarantees, as primary obligor and not as surety merely, the due and timely payment of the principal of, and the payment of interest and other charges on the Loan due under the Financing Agreement whose terms the Guarantor declares to be fully aware of. These financial obligations do not include the commitment by the Borrower to provide additional resources to the execution of the Project.
3. The Guarantor undertakes not to take any action or allow, within the scope of its competence, measures to be taken that hinder or prevent the execution of the Project or obstruct the fulfillment of any obligation of the Borrower established in the Financing Agreement.

4. In cases of amendments to the Financing Agreement, the Borrower must obtain the prior approval of the Guarantor to any modifications or amendments to the Financing Agreement.
5. The Guarantor undertakes to:
 - (a) cooperate, within the scope of its competence, to ensure the fulfillment of the objectives of the Financing;
 - (b) inform IFAD, as urgently as possible, of any fact that makes it difficult or may make it difficult to achieve the objectives of the Financing, or the fulfillment of the Borrower's obligations;
 - (c) within its competence, provide IFAD with the information it reasonably requests regarding the Borrower's situation;
 - (d) facilitate IFAD's representatives, within the scope of its competence, in the exercise of their functions related to the Financing Agreement and the execution of the Project; and
 - (e) inform IFAD, as urgently as possible, if it is, in compliance with its obligations as a joint debtor, making payments corresponding to the Loan.
6. The Guarantor agrees that both the principal and interests, and other charges on the Loan will be paid without any reduction or restriction, free of any taxes, fees, duties or charges set forth in the laws of the Federative Republic of Brazil, and that both this Agreement and the Financing Agreement will be exempt from any applicable tax, fee or duty in connection with the execution, registration and execution of contracts.
7. The Guarantor will not be released from any liability with IFAD until the Borrower has fully complied with all the financial obligations assumed in the Financing Agreement. In the event of any default by the Borrower, the Guarantor's obligation will neither be subject to any notification or challenge, nor to any procedural formality, demand or prior action against the Borrower or against the Guarantor itself. In the event of default by the Borrower, the Fund shall not be required to exhaust its remedies against the Borrower prior to enforcing its rights against the Guarantor. The Guarantor also expressly waives any rights, order or excussion benefits, faculties, favors or resources that assist, or may assist the Guarantor. The Guarantor declares itself aware that it will not release any of its liability to IFAD if there is: (a) an omission or abstention by IFAD in the exercise of any rights, powers or remedies that has against the Borrower; (b) IFAD's tolerance or agreement with the Borrower's default or delays that he may incur in fulfilling its obligations; (c) deadlines, extensions or any other concessions made by IFAD to the Borrower, provided that it has the prior consent of the Guarantor; (d) alteration, amendment or revocation, in whole or in part, of any of the provisions of the Financing Agreement, provided that they are made with the prior consent of the Guarantor.
8. IFAD's delay or abstention in the exercise of the rights agreed in this Agreement cannot be interpreted as a waiver of such rights, nor as an acceptance of the circumstances that would allow it to exercise them.
9. Any dispute that arises between the Parties regarding the interpretation or application of this Agreement, which cannot be resolved by mutual agreement, will be subject to arbitration, as established in Section 14.04 of the General Conditions. For the purposes of this arbitration, all references made to the Borrower in the aforementioned Section apply to the Guarantor.

10. Unless a written agreement stipulates another procedure, all notices, requests or communications that the contracting Parties must send to each other under this Agreement must be made, without exception, in writing and will be considered effective upon their delivery to the addressee, by any usual means of communication, at the address indicated below:

For IFAD:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy
Email: ifad@ifad.org

For the Guarantor:

Ministério da Fazenda
Procuradoria-Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco P, 8º Andar
CEP: 70.048-900 Brasília, DF
Brasil
Email: apoioconf.df.pgfn@pgfn.gov.br

Copy to:

Ministério da Fazenda
Secretaria do Tesouro Nacional
Coordenação-Geral de Controle da Dívida Pública
Esplanada dos Ministérios, Bloco P, Ed. Anexo, Ala A, 1º andar,
sala 121
CEP 70048-900
Brasília – DF – Brasil
Email: gecod.codiv.df.stn@tesouro.gov.br;
codiv.df.stn@tesouro.gov.br

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

FEDERATIVE REPUBLIC OF BRAZIL

INTERNATIONAL FUND FOR AGRICULTURAL
DEVELOPMENT (IFAD)

[Name]
[Position]

Alvaro Lario
President

Date: _____

Date: _____

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 System	M&E	Annual	Project Unit	M&E
	Males - Males	0	17600	44000					
	Females - Females	0	17600	44000					
	Young - Young people	0	10560	26400					
	Indigenous people - Indigenous people	0	1760	4400					
	Total number of persons receiving services - Number of people	0	35200	88000					
	1.a Corresponding number of households reached				Project System	M&E	Annual	Project Unit	M&E
	Households - Households	0	35200	88000					
	1.b Estimated corresponding total number of households members				Project System	M&E	Annual	Project Unit	M&E
	Household members - Number of people	0	123200	308000					
	Groups that receive services promoted or supported by the project				Project System	M&E	Annual	Project Unit	M&E
	Groups - Number	0	280	700					
	Communities that receive services promoted or supported by the project				Project System	M&E	Annual	Project Unit	M&E
Communities - Number	0	280	700						
Project Goal Improve income, food and nutritional security, access to basic services and adaptation of the rural population to climate change, in addition to protecting the natural resource base.	Percentage of families that are in poverty or extreme poverty				Impact Survey	Baseline, Mid-Term and End of Project	Consultancy firm	Continuity of public policies and programmes that support rural poverty reduction	
	Households Percentage (%)	49	45	39					
Development Objective Contribute to the protection of the natural resource base, to the environmentally sustainable and diversified growth of rural production, to the increase in income, and to the expansion of access to essential services such as water resources infrastructure and rural sanitation	IE.2.1 Individuals demonstrating an improvement in empowerment				Impact Survey	Baseline, Mid-Term and End of Project	Consultancy firm	Food security policies are maintained. Macroeconomic and fiscal policies are maintained, as well as policies and incentives that favor agro-ecological productive transformation.	
	Total persons Percentage (%)	0	15	15					
	Total persons - Number of people	0	5280	13200					
	Females - Percentage (%)	0	67	67					

Females - Females	0	3520	8800			
Males - Percentage (%)	0	33	33			
Males - Males	0	1760	4400			
1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm
Total number of household members - Number of people	0	49280	123200			
Households - Percentage (%)	0	40	40			
Households - Households	0	14080	35200			
1.2.8 Women reporting minimum dietary diversity (MDDW)				Impact Survey	Baseline, Mid-Term and End of Project	Consultancy firm
Women (%) - Percentage (%)	0	50	50			
Women (number) - Females	0	3520	8800			
Households (%) - Percentage (%)	0	20	20			
Households (number) - Households	0	7040	17600			
Household members - Number of people	0	28160	70400			
Women-headed households - Households						
2.2.1 Persons with new jobs/employment opportunities				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm
Males - Males	0	40	100			
Females - Females	0	40	100			
Young - Young people	0	60	150			
Total number of persons with new jobs/employment opportunities - Number of people	0	80	200			
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	External consultant
Hectares of land - Area (ha)	0	0	20074			
tCO2e/20 years - Number	0	0	-749637			

	tCO2e/ha - Number	0	0	-18.37				
	tCO2e/ha/year - Number	0	0	-0.92				
	3.2.4 Biodiversity improvements at ecosystem-level				Adaptation, Biodiversity and Carbon Mapping (ABC-Map)	Baseline, Mid-term and End of Project	Biodiversity team in IFAD's Environment, Climate, Gender and Social Inclusion (ECG) Division.	
	Area of Intact Biodiversity (AIB) in Ha - Number	0	0	547				
	Average Natural Capital per ha (ANC) in US\$/ha - Number	3235.87	0	3236.41				
	Ecosystem based indicator in 0 or 1 - Number	0	0	1				
Outcome C1. Increase the adoption of agricultural technologies, with an emphasis on technologies for adaptation to climate change, prioritising women, young people and Traditional Peoples and Communities (PCT)	Hectares recovered through Payments for Environmental Services (PES)				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	Continuation of public policies for poverty reduction; conducive environment for coordination of public policies and programmes
	Hectares of land - Number	0	320	800				
	Farmers with better access to investments and agricultural services				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	
	Family Farmer - Number	0	8000	20000				
	Area of rural properties registered with CEFIR with environmental regularization analysis carried out				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	
	Hectares of land - Number	0	28800	72000				
	Communities with land title regularization delivered				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	
	Community - Number	0	4	10				
	Family farmers who sell their production in markets				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	
	Family Farmer - Number	0	480	1200				
	Percentage of women holding management positions in rural organizations				Impact Survey	Baseline, Mid-Term, and End of Project	Consultancy firm	
	Females - Percentage (%)	0	12	31				
	1.2.9 Households with improved nutrition Knowledge Attitudes and Practices (KAP)							
	Indigenous households - Households							
	Women-headed households - Households							
	Households (number) - Households							

	Households (%) - Percentage (%)									
	Household members - Number of people									
Output C1. Sustainable productive investments and product and income generators	Agreement on Productive Development Plans				Project System	M&E	Annual	Project Unit	M&E	Continuation of public policies for poverty reduction; Conducive environment for coordination of public policies and programmes
	Plan - Number	0	150	150						
	Families with access to payments for the provision of environmental services (PES)				Project System	M&E	Annual	Project Unit	M&E	
	Households - Number	0	320	800						
	Economic organizations with agreed business plans				Project System	M&E	Annual	Project Unit	M&E	
	Organization - Number	0	18	45						
	Families receive TA				Project System	M&E	Annual	Project Unit	M&E	
	Households - Number	0	8000	20000						
	Families receive training on access to public policies				Project System	M&E	Annual	Project Unit	M&E	
	Households - Number	0	19440	48600						
	Community Organization Strengthening Plans prepared and agreed				Project System	M&E	Annual	Project Unit	M&E	
	Plan - Number	0	150	150						
	Gender and Diversity Plan prepared				Project System	M&E	Annual	Project Unit	M&E	
	Plan - Number	0	1	1						
	Youth Plan prepared				Project System	M&E	Annual	Project Unit	M&E	
	Plan - Number	0	1	1						
	Quilombola communities with collective CEFIR carried out				Project System	M&E	Annual	Project Unit	M&E	
	Community - Number	0	37	72						
	Geo-registration to promote land regularization in remaining quilombo communities carried out				Project System	M&E	Annual	Project Unit	M&E	
	Community - Number	0	32	72						
1.1.8 Households provided with targeted support to improve their nutrition				Project System	M&E	Annual	Project Unit	M&E		
Total persons participating - Number of people	0	8000	20000							
Males - Males	0	4000	10000							
Females - Females	0	4000	10000							
Households - Households	0	10000	20000							

	Household members benefitted - Number of people	0	35000	70000					
	Young - Young people	0	2400	6000					
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				Project System	M&E	Annual	Project Unit	M&E
	Total size of groups - Number of people	0	8000	20000					
	Groups supported - Groups	0	240	600					
	Males - Males	0	4000	10000					
	Females - Females	0	4000	10000					
	Young - Young people	0	2400	6000					
	3.1.4 Land brought under climate-resilient practices				Project System	M&E	Annual	Project Unit	M&E
	Hectares of land - Area (ha)	0	7400	18500					
Outcome C2. Improve access to water and sanitation in rural communities	Households with new or improved access to drinking water				Impact Survey		Baseline, Mid-Term, and End of Project	Consultancy firm	Drought or climate change is managed with appropriate adaptation measures
	Households - Number	0	5598	13995					
	Families with new or improved access to adequate sanitation				Impact Survey		Baseline, Mid-Term, and End of Project	Consultancy firm	
	Households - Number	0	4679	11697					
	Percentage of households with water treatment for human consumption				Impact Survey		Baseline, Mid-Term, and End of Project	Consultancy firm	
	Households - Percentage (%)	0	40	100					
	Percentage of families with access to a garbage collection service with adequate final disposal				Impact Survey		Baseline, Mid-Term, and End of Project	Consultancy firm	
Households - Percentage (%)	0	40	100						
Output C2. Water infrastructure for consumption, production and rural sanitation systems	Families benefiting from rehabilitation or implementation of treated water supply systems				Project System	M&E	Annual	Project Unit	Providers remain conducive to deliver TA services; droughts at acceptable ranges and continuity of investment for accessing water
	Households - Number	0	5598	13995					
	Families benefiting from home sanitary improvements and complete domestic sewage treatment				Project System	M&E	Annual	Project Unit	
	Households - Number	0	4925	12313					
	Communities benefiting from the domestic waste collection and treatment pilot				Project System	M&E	Annual	Project Unit	
	Community - Number	0	2	5					
Co-executing Organization trained in solid waste management						Annual			

	Organization - Number	0	10	24	Project System M&E		Project M&E Unit	
Outcome C3. Improving the environmental conditions of rural families and their surroundings	SF.2.1 Households satisfied with project-supported services				Impact Survey	Baseline, Mid-term and End of Project	Consultancy firm	Food security policies are maintained; extreme weather events have limited effects on production; Service providers provide quality goods and services
	Household members - Number of people	0	92400	231000				
	Households (%) - Percentage (%)	0	75	75				
	Households (number) - Households	0	26400	66000	Impact Survey	Baseline, Mid-term and End of Project	Consultancy firm	
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers							
	Household members - Number of people	0	92400	231000				
	Households (%) - Percentage (%)	0	75	75				
Households (number) - Households	0	26400	66000	Project System M&E	Annual	Project M&E Unit		
Institutional Strengthening Plans prepared								
Plan - Number	0	5	5					
Management Centers formed								
Central - Number	0	2	2					
Knowledge Management material products generated								
Product - Number	0	38	91					
Communication/knowledge circulation actions carried out								
Action - Number	0	40	103					
Young communicators trained								
Young - Number	0	100	250					
CSST events carried out								
Event - Number	0	2	4					

Integrated project risk matrix

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Substantial	Moderate
Political Commitment	Moderate	Moderate
Governance	Moderate	Low
Macroeconomic	Substantial	Moderate
Fragility and Security	Substantial	Moderate
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Policy Development and Implementation	Moderate	Moderate
Environment and Climate Context	High	Moderate
Project vulnerability to environmental conditions	High	Moderate
Project vulnerability to climate change impacts	Substantial	Moderate
Project Scope	Moderate	Low
Project Relevance	Low	Low
Technical Soundness	Moderate	Low
Institutional Capacity for Implementation and Sustainability	Moderate	Low
Implementation Arrangements	Moderate	Low
Monitoring and Evaluation Arrangements	Moderate	Low
Project Financial Management	Moderate	Moderate
Project Organization and Staffing	Moderate	Moderate
Project Budgeting	Moderate	Moderate
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Project Internal Controls	Low	Low
Project Accounting and Financial Reporting	Moderate	Moderate
Project External Audit	Moderate	Moderate
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
Accountability and Transparency	Low	Low
Capability in Public Procurement	Moderate	Moderate
Public Procurement Processes	Moderate	Moderate
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
Resource Efficiency and Pollution Prevention	Moderate	Low
Cultural Heritage		No risk envisaged - not applicable
Indigenous People	Low	Low
Labour and Working Conditions	Moderate	Low
Community Health and Safety		No risk envisaged - not applicable
Physical and Economic Resettlement		No risk envisaged - not applicable

Risk Category / Subcategory	Inherent risk	Residual risk
Greenhouse Gas Emissions	Moderate	Low
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Low
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Low	Low
Stakeholder Grievances	Moderate	Low
Overall	Moderate	Moderate
Country Context		Substantial Moderate
Political Commitment		Moderate Moderate
Risk: Changes in political authorities at the state and national levels are relevant and could alter the executing agency's priorities and produce changes in the technical teams, delaying the Project implementation. Considering the project addresses a demand from the Bahia state government, there is a high political commitment. Parceiros da Mata enjoys full political support from the State Government's current leadership, elected in 2022's elections.	Moderate	Moderate
Mitigations: The Project responds directly to the State Government's priorities and interests. It aligns with programs and public policies that are not expected to change in the medium term. The Parceiros da Mata also fits the Federal Government's priorities according to the criteria established for external financing, as evidenced by the high rating of the Project by the Commission for External Financing (COFIEX). The risks will be mitigated through the involvement of several other partners in the Project development, including public state agencies, civil society, and the private sector. Also, IADB (Inter-American Development Bank) and IFAD (International Fund for Agricultural Development) will 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. IFAD Office in Salvador will play a critical role in monitoring changes in the political scenario.		
Governance	Moderate	Low
Risk: Weakening of State Government secretariats aimed at rural development, family farming, environmental conservation, and poverty reduction due to increased political power of the agribusiness sectors (monoculture for export) may interfere in the allocation of resources to rural development. Nevertheless, this risk is not significant as the country and state institutions are solid and exhibit a long-term commitment to family farming and poverty alleviation policies targeting the poorest and most vulnerable rural populations.	Moderate	Low
Mitigations: The Project will adopt a multisectoral approach to tackle the main problems affecting the rural populations of the Project area. Parceiros da Mata will strengthen, integrate, and develop government programs and policies related to sustainable rural development. Besides, the Project will include an institutional strengthening component to help strengthen key rural development institutions and secretariats at the state level.		
Macroeconomic	Substantial	Moderate

<p>Risk:</p> <p>i) Unstable political and economic environment with trends of increase in inflation, unemployment, decreasing/low GDP growth, and deterioration of public accounts. ii) If the Brazilian Real appreciates compared to the Dollar, the Program costs could increase (in Dollars), and the budget would be insufficient to execute the Project activities as planned. iii) The effects of the Ukraine war in Brazil, and in Bahia in particular, are the increase in costs of fertilizers imported and in commodities prices, especially corn, wheat, oil and sunflower oil. The restrictions of the supply – or just the possibility of lower availability – already boost prices and worsen the national inflation rates. Iv) Difficulty in mobilizing the state government’s counterpart.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>i) Close monitoring of the macroeconomic situation and policies. ii) Elaborating Parceiros da Mata action plans considering the most likely future scenarios and adjusting priority actions and Project disbursement accordingly to contextual changes whenever necessary. iii) Regarding the impacts of the war in Ukraine, the Project will partner with procurement consultant to map a wider network of suppliers, how their peers are handling the crisis, and support innovative solutions to manage the impacts of the war in supply availability and costs. Besides, the investment plans that will benefit producers will take current and future inflation macroeconomic tendencies into consideration in their economic feasibility analysis. iv) The project's design is fully aligned with Bahia’s Pluriannual Plan (PPA) 2020-2023 and the design coincided with the drafting of the Pluriannual Plan 2024-2027, in which the project will be considered as a priority action of the Bahia government, guaranteeing a counterpart budget.</p>		
Fragility and Security	Substantial	Moderate
<p>Risk:</p> <p>The economic fragility in the past years, coupled with the drastic effects of a pandemic, led to high unemployment rates and an exponential increase in the population living below the poverty line in Brazil. That figure, which was 9.5 million people in August 2020, tripled to more than 27 million in February 2021. With the upsurge of the pandemic, the number of people in food insecurity also considerably increased, especially in the North and Northeast regions. In 2021, food and nutrition insecurity affected 68% of households in the Northeast region.</p>	Substantial	Moderate
<p>Mitigations:</p> <p>Parceiros da Mata’s integrated resilience approach shall help address various climate, economic and environmental shocks. Besides activities aimed at improving family farmers' ability to recover from hazards, Project interventions aim to assure food and nutritional security, poverty reduction, and minimization of target groups' economic losses to external shocks. The Project has in its specific objectives improve the food and nutrition security of the most vulnerable populations.</p>		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
<p>Risk:</p> <p>There is a risk that possible public policies are not sufficiently aligned with IFAD and IADB’s priorities (especially regarding access to land, environment, climate, gender, diversity, youth, food and nutrition), potentially limiting the scope of Parceiros da Mata’s development objectives and operation. In addition, there may be discrepancies between state and federal political priorities, which may also affect the Project.</p>	Moderate	Moderate

<p>Mitigations:</p> <p>The Project design is fully aligned with Bahia's Pluriannual Plan (PPA) 2020-2023 and the strategies of the Integrated Development Plan (PDI) of Bahia 2035. The Project will be implemented at the state level and in an area of poverty prevalence, where family farming is a consensual priority, reducing the risks of misalignment. At the federal level, Parceiros da Mata is aligned with several policies and programs, such as Brazil's Determined National Contribution (NDC) objective of establishing sustainable agriculture that is resilient to climate change; National Adaptation Strategy (ENAA), and National Adaptation Plan to Climate Change (PNA); National Rural Environmental Registry System (SICAR), National Technical Assistance and Rural Extension Policy for Family Farming and Agrarian Reform (PNATER), Food Procurement Program (PAA), National School Feeding Program (PNAE), and PRONAF. The high rating of the project by the Commission for External Financing (COFIE) illustrates the sound alignment with federal policies. IFAD and IADB will continue dialoguing with the federal agencies to ensure their awareness of the Project objectives and activities.</p>		
Policy Development and Implementation	Moderate	Moderate
<p>Risk:</p> <p>The Project will build a solid basis for collaboration with research institutions and civil society partners with strong experience regarding the Atlantic Rainforest context, besides counting on the capacity and experience of a strong M&E system to ensure that empirical data and information can guide its implementation. Parceiros da Mata will be based on a bottom-up rural development approach, facilitating beneficiary participation in Project implementation and building the capacity of poor rural people and their organizations.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) IADB and IFAD will ensure the Project receives constant feedback on innovative approaches, good practices, and policies from other projects in their portfolios. ii) The partnership between IFAD and the IADB, both international bodies with a state and federal impact, will help to minimize the risks. iii) In addition, IFAD grants, such as DAKI-Semiárido Vivo and AKSAAM (Adapting Knowledge for Sustainable Agriculture and Access to Markets), can help and support the preparation for Project implementation. iv) Finally, the project will focus on knowledge management, valuing the results of the monitoring and evaluation system, good practices, and lessons learned. These will form the basis for policy dialogue so that the project's experiences contribute to improving public policies to combat rural poverty. IFAD continues to support policy dialogue instruments, such as the Forum of Family Farming Managers and the Family Farming Thematic Chamber of the Northeast Governors' Consortium, to ensure the effective implementation of the Parceiros da Mata.</p>		
Environment and Climate Context	High	Moderate
Project vulnerability to environmental conditions	High	Moderate

<p>Risk:</p> <p>Deforestation of large areas for agricultural or grazing use is the most visible environmental problem in the Project area. It is estimated that the Atlantic Forest currently occupies only 13.8% of its original area in the region. The use of unsustainable land management practices, such as selective logging, deforestation (including in steep slopes), downhill tillage, the use of fire for pasture management, overgrazing, has resulted in increased compaction and exposure of the soils to weathering agents, causing soil degradation and productivity losses. In turn, the intense anthropogenic interferences in the environment and particularly the deforestation of riparian vegetation (which is protected according to Brazilian Law) have had a significant impact on the water cycle, causing the drying up of springs, reduced water infiltration and the siltation of the region's watercourses, decreasing water availability in the region. At the same time, more intense precipitation related to climate change and exposed soils is leading to flooding and landslides. The combination of the processes cited here has a significant negative impact on biodiversity due to the suppression of natural habitats and their fragmentation. From a longer-term perspective, the sum of these factors (including predicted climate change) associated with more frequent 'extreme' events (droughts and floods, for example), could trigger a significant loss of environmental quality. This, in turn, is likely to have a direct effect on the productive potential of agricultural systems and on the quality of life of the population. Another risk factor to be considered is the witch's broom, a disease that contributed to the cacao crisis in the region in the 1990s and is caused by a fungus called <i>Moniliophthora perniciosa</i>. This and other fungi (e.g. <i>Moniliophthora roreri</i>) represent a risk for cacao production in the region if not properly controlled. Additionally, most families channel domestic effluents to a rudimentary pit built by the families themselves without sanitary protection, causing seepage and contamination of soil and water.</p>	High	Moderate
<p>Mitigations:</p> <p>i) The Project's interventions include the environmental recovery of priority areas of the Atlantic Rainforest (e.g. riparian forests) to improve environmental services, co-benefits for biological corridors, environmental regularization initiatives, investments in basic rural sanitation, and institutional strengthening in territorial environmental management. ii) The Project productive component will also contribute to reducing environmental vulnerability by supporting family farmers and communities with technical assistance to adopt agroecological and resilient productive practices (i.e. water access technologies, soil conservation, agroforestry systems, integrated pest management, etc.) that restore and conserve natural habitats function and structure and productive systems, combatting soil degradation. In response to pests and diseases that threaten cacao production, mitigation measures will include promoting resistant varieties, diversification of the production systems and other agroecological pest and disease management measures. iii) The project will finance small works to increase access to basic sanitation services to improve the population's quality of life, health, and environmental sustainability.</p>		
<p>Project vulnerability to climate change impacts</p>	Substantial	Moderate
<p>Risk:</p> <p>Regarding expected climate changes, models predict a reduction in precipitation and an increase in temperature for the entire state, with the reduction in precipitation being even more important in the coastal regions and reaching up to 70%. At the same time, the probability of extreme weather events increases, such as the drought recorded in the northwestern municipalities of the area in the period 2012 - 2015, or even the large-scale floods verified at the end of 2021, mainly in the South Coastal (Litoral Sul) Identity Territory. Combined with the deforestation and soil degradation trends mentioned in the section above, these changes could impact on the productive potential of local agricultural systems.</p>	Substantial	Moderate

<p>Mitigations:</p> <p>The project aims to mitigate vulnerability to climate change by promoting planned adaptation measures, such as: i) increasing water capture and storage; ii) increasing water use efficiency through the promotion of technologies such as household cisterns, greywater reuse systems and micro-irrigation; iii). Restoring water sources and riparian forest through conservation of existing forests and reforestation of degraded areas; and iv) support to the adoption of agroecological soil conservation practices that increase soil water retention capacity. The promotion of diversified agroforestry systems will also increase resilience in the face of higher temperatures by providing a shadier, cooler, and thus more comfortable work environment for animals and local communities.</p>		
Project Scope	Moderate	Low
Project Relevance	Low	Low
<p>Risk:</p> <p>No relevant risk for the Project's objectives and interventions being not fully aligned with IFAD's or the country's development priorities, including current COSOP (2016-2022) and the new COSOP (2024-2032) in design. The Project corresponds to the central challenges of production and access to services for the rural poor, and the design is also aligned with state policies and priorities.</p>	Low	Low
<p>Mitigations:</p> <p>Mitigation measures will be taken through contact dialogue with the state government and the full involvement of stakeholders during design and implementation, including civil society and farmers' organizations. Besides, the Project has a participatory approach that will allow ownership, relevance, and alignment with target groups' needs and priorities.</p>		
Technical Soundness	Moderate	Low
<p>Risk:</p> <p>There is a risk in implementation due to the current capacities of state-level public institutions as Project activities require strong coordination and integrated planning.</p>	Moderate	Low
<p>Mitigations:</p> <p>i) Designing the Project based on lessons learned from IFAD projects in Bahia, as the Pro-Semi-arid Project (PSA), and IADB projects in the Brazilian Northeast (1633/OC-BR, 5440/OC-BR, 4723/OC-BR, 4732/OC-BR, ATN/LC-17432-BR). The Project is highly robust also based on IFAD's and IADB's solid technical experience. ii) Establishing effective management and coordination structure. iii) The Project includes an institutional strengthening component of different state entities. iv) Building alliances with third-party suppliers of technical assistance to producers and communities, which are very common in IFAD projects in Brazil and have achieved excellent results in innovation and technical quality.</p>		
Institutional Capacity for Implementation and Sustainability	Moderate	Low
Implementation Arrangements	Moderate	Low

<p>Risk:</p> <p>i) There is a 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) For some works, such as technical assistance and specialized service delivery, such as the sanitation component, there is a low risk of lack of qualified personnel in the state. iii) The Project will involve considerable managing complexity within a 6-year timeframe given the inclusion of multiple activities ranging from payments for environmental services (PES), land and environmental regularization, business plans development in support of marketing, technical assistance, water, sewage and waste management, KM and SSTC.</p>	Moderate	Low
<p>Mitigations:</p> <p>i) Establishment of a Project Management Unit (PMU) in CAR that has extensive experience in project execution, including from International Financial Institutions, as IFAD and the World Bank. This PMU will coordinate planning, financial management and implementation and report on the technical and financial progress of the Project. This PMU should be supported by a project management institution as was done successfully in the PSA project. ii) Institutional strengthening of component 3 will provide training and capacity-building. The PMU should provide contracting/partnership with institutions experienced in TA and sanitation to provide training to its staff. iv) Provision of training and technical assistance to community organizations and beneficiary households to ensure proper management, operation and maintenance of project investments. v) Funds have been earmarked to hire specialized technical consultancy services to develop and implement all the Business Plans. vi) For PES activities, the Environmental Secretariat (SEMA), with experience in PES schemes, will be a key Project partner. vii) For land titling, funding will be provided for the costs of a specialized company to carry out the fieldwork, the issuing of titles, their registration at the land registry office, and the delivery of the property title to the Quilombola Association. Regarding environmental regularization, CAR has already developed capacity during the PSA implementation, and Parceiros da Mata will hire a specialized support office for this activity. viii) The Project will maintain a close relationship with IFAD's Center for Knowledge and South-South and Triangular Cooperation, which will support KM and SSTC activities.</p>		
Monitoring and Evaluation Arrangements	Moderate	Low
<p>Risk:</p> <p>The risk of poor M&E performance is considered low because PSA has built a strong M&E capacity, based on which Parceiros da Mata will improve and develop the necessary systems. The Project may have difficulties in composing a specialized M&E team to work at the PMU, both in the state's professional staff and in hiring specialist consultants.</p>	Moderate	Low
<p>Mitigations:</p> <p>IADB and IFAD will prepare a robust M&E Plan, which will define key aspects and methodologies for monitoring and evaluating Project's results. This plan will be updated by the M&E team at the beginning of the execution, to include the monitoring arrangement to guarantee the fluidity of information between the bodies responsible for implementing the Project and define each professional's roles. SDR/CAR will consolidate the M&E data of the Project as a whole. The PSA system will be used, adapted, and made available. There will be budget planned for the system improvement and this will be an important legacy for the state. Strengthening the M&E team's capacities is planned in the context of developing the institutional capacities of key state entities.</p>		
Project Financial Management	Moderate	Moderate
Project Organization and Staffing	Moderate	Moderate

Risk: i) The CAR finance team supports the execution of a portfolio of project and staff are not 100% dedicated to financial management of the project. ii) Inexperience of the CAR finance team with IDB fiduciary processes and policies which will be applicable to IFAD financing as well	Moderate	Moderate
Mitigations: i) A Program Coordination Unit (PCU) will be created within CAR, which will be responsible for the overall management and coordination of the program; and a specialized contracting agency will be hired to support contracting and procurement for project management. As part of the PCU two finance professionals will be hired; ii) Training and support from IDB in fiduciary requirements.		
Project Budgeting	Moderate	Moderate
Risk: Insufficient gvt counterpart funding is made available or delays in the allocation of fiscal space affecting project implementation.	Moderate	Moderate
Mitigations: The IFAD and IDB teams will ensure that SEPLAN is firmly committed to ensuring the allocation of sufficient counterpart financial resources for project implementation. SDR will ensure timely submission of request for fiscal space and counterpart funds to ensure sufficient and timely resources for Project implementation. Monitoring by IFAD of the availability of counterpart funds at least every six months.		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial
Risk: i) Timing differences IDB and IFAD loan which could affect the availability of funds under the parri passu arrangements and delay project implementation ii) Beneficiary organizations, which will manage the resources and implement the investment, may have weak capacity around resource management and may not be able to submit timely and quality investment plans, establish bank accounts and report on the use of funds, which could delay disbursements, implementation and reporting	Substantial	Substantial
Mitigations: i) Alignment of dates entry into force financing agreements BID and IFAD and EIF BIF Financing Agreements as a condition for disbursement IFAF ii) Contracting of adequate technical services for the design and support to organizations during implementation of investment plans		
Project Internal Controls	Low	Low
Risk: Adequate controls in place as confirmed during supervision Pro Semi Arid Project and confirmed by audits	Low	Low
Mitigations: Final review of the Financial Management sections of the Program's Operating Regulations, No objection as a condition for disbursements Disseminate the Project's Operating Regulations to all involved parties; Publicize anti-corruption measures and the ombudsman and complaint systems.		
Project Accounting and Financial Reporting	Moderate	Moderate

<p>Risk:</p> <p>i) The State Financial Management System does not generate automated IFRS and annual financial statements as required by IFAD/IDB which could result in human error and delays in reporting;</p> <p>ii) Insufficient staff assigned to manage implementation and ensure financial reporting on business plans;</p> <p>ii) counterpart funds will come from various sources, including indirect in the form of contributions from other programs of the SDR and CAR,</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) Clear reporting requirements agreed between IDB and IFAD with formats documented in the PIM</p> <p>ii) As required by BID, ensure before the start of the project the implementation of a system to automate the generation the financial reports including counterpart funding as required by the IDB in the currency of operation (U.S. dollars), either through the acquisition, development or contracting of a commercial software that allows for processing of payments;</p> <p>iii) Ensure sufficient staff is assigned to accompany the implementation and reporting on investment plans;</p> <p>iv) Establish and document in the PIM clear criteria for recording and valuing both direct and indirect government counterpart financing.</p>		
Project External Audit	Moderate	Moderate
<p>Risk:</p> <p>Audit reports issued not in compliance with IFAD audit manual in particular compliance with accounting standards acceptable to IFAD</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) Agree with IDB before entry into force and as part of finalization cooperation agreements the applicable of accounting standards applicable.</p> <p>ii) In cooperation with IDB Liaise with state court of auditors to clarify requirements as per IFAD Manual and to agree on Terms of Reference</p>		
Project Procurement	Moderate	Moderate
Legal and Regulatory Framework	Moderate	Moderate
<p>Risk:</p> <p>The new federal regulatory framework for tenders and administrative contracts (Law no. 14.133/2021), establishes important changes that will have direct repercussions on state public procurement. The new law mandatory application may cause delays. In addition, the risk linked to changes and innovations brought by the new legislation can directly impact the development of the Project as the teams may find it difficult to assimilate and implement the changes at the appropriate time. It is also possible to identify the risk related to the weaknesses of public access to information on procurement and contracts, which can generate gaps for irregular practices, distrust of the legitimacy of activities, and questioning by control bodies.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>To reduce the risks inherent to the changes brought by the new regulatory framework, it is recommended that the conditions and methods peculiar to the selection and contracting contained in the IFAD and IADB norms, when applicable, are indicated in the Grant Agreement, and their use is subject to a favorable opinion from the legal body of the grantee prior to the execution of said Agreement. Providing training and retraining on the rules applicable to the personnel involved in procurement activities and continuous monitoring of the Project's procurement team regarding the changes in the new law are also strongly recommended.</p>		

Accountability and Transparency	Low	Low
<p>Risk:</p> <p>In terms of accountability, the absence of clear protocols in the National systems can lead to failures in the direction of demands and, consequently, impact the investigations and solving any irregularities, with a potential risk of questioning the legitimacy of some decisions taken under an apparent conflict of interests. The inexistence of a 2-tiered system to handle complaints can generate a lack of exemption in the evaluation, mistaken conclusions and/or ineffective treatment of the information, directly impacting the necessary corrective measures and affecting the reputation, and culture of the Project. Another risk is the start-up of procurement processes before the establishment of the PMU, hindering accountability.</p>	Low	Low
<p>Mitigations:</p> <p>i) Implement specific protocols for receiving/handling complaints that include general and exception rules, dissemination, training, and communication plans, as well as non-retaliation policies against whistle-blowers, among others;</p> <p>ii) adopt a 2-tiered system for handling complaints with rules well defined in a specific manual;</p> <p>iii) implement an ethics and compliance council to deliberate on complaints; iv) adopt the practice of conducting prior research in procurement/contracting activities (third party due diligence) through consultation of federal and state debarred lists and other relevant tools.</p> <p>The PMU will be established before the start of procurement processes to avoid any risk associated to lack of transparency and accountability.</p>		
Capability in Public Procurement	Moderate	Moderate
<p>Risk:</p> <p>The first risk is the fact that hiring according to IADB guidelines and procedures is unusual for the state government and needs specific capabilities in public procurement, although executing agencies already have professionals with experience in biddings of this nature. A second risk refers to acquisitions being carried out by rural organizations that will receive funds for the implementation of investment plans, which will have to carry out a large volume of contracts.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>To mitigate the first risk, the Project will provide training and retraining on the rules applicable to the personnel involved in procurement activities, including producer organizations. To mitigate the risk of acquisitions being carried out by multiple entities, the Project will establish a Procurement Management sector at the PMU to coordinate the procurement issues and carry out the primary and more complex selection and acquisition processes and coordinate the operations on the topic of acquisitions with the entities involved in Project execution.</p>		
Public Procurement Processes	Moderate	Moderate

<p>Risk:</p> <p>Procurement processes follow a fragmented flow between different sectors of the executing agency, showing a low degree of communication and interaction between those involved, especially regarding the planning phase of activities. This can lead to a lack of understanding of the procurement and contracting processes, problems with specification and identification of needs, difficulties in choosing the applicable method, adoption of unrealistic plans, and non-compliance with deadlines for each process, among others. Such risks can severely impact the efficiency and quality of the Project's procurement and contracting activities. Lack of knowledge about IADB's procurement rules represents a risk that can lead to delays and failures in the development of activities in the area.</p>	Moderate	Moderate
<p>Mitigations:</p> <p>i) The Project shall adopt participative and integrated planning of procurement involving its coordination and the technical and financial area; ii) procurement and contracting flows and procedures will be clearly described in the Program Operating Regulations Manual; iii) the project procurement team will be trained on IADB guidelines which are in line with IFAD's.</p>		
Environment, Social and Climate Impact	Moderate	Low
Biodiversity Conservation	Moderate	Low
<p>Risk:</p> <p>In the project area, the Atlantic Forest, a biodiversity hotspot, which harbours a high level of biodiversity has been and is under threat due to deforestation, much of which is linked to conversion to pastures for cattle ranching. It is estimated that only 13.8% of the State's Atlantic Forest remains. The project will work with Indigenous People, traditional communities and small-scale farming communities with varying degrees of biodiversity conservation of their territories and properties. Risks include the unintended introduction of pests and diseases, the introduction of invasive species and deforestation.</p>	Moderate	Low
<p>Mitigations:</p> <p>The project will promote agroecological production systems and practices that avoid negatively impacting surrounding biodiversity. In addition, reforestation activities, the promotion of traditional cabruca cacao production (that conserves the Atlantic Forest) and a payment for ecosystem services activity will contribute to ecosystem restoration and conservation. Furthermore, it will strengthen the organisational capacities of Indigenous Peoples and traditional communities, thus enabling them to better counteract threats associated with large-scale tourism that are affecting their territories. Activities to improve family farmers' productivity and income will exclude critical habitat areas. In addition, in line with IADB policies, the Project will not be able to carry out any activities that cause significant conversion or degradation of natural habitats. The project will also avoid the introduction of invasive species.</p>		
Resource Efficiency and Pollution Prevention	Moderate	Low
<p>Risk:</p> <p>The development of productive activities generates the risk of soil degradation, loss of forest cover, deforestation, burning, contamination of soil and water, and the generation of solid/liquid waste. Furthermore, the lack of proper sanitation and sewage treatment is a leading cause of pollution in the project area.</p>	Moderate	Low

Mitigations: The Project will support communities in obtaining land titling, strengthening incentives for them to invest in conservation practices. The Project will invest in basic rural sanitation infrastructure, including individual systems for treating household sewage, greywater reuse systems, and green pits. It will also promote agroecological practices, including soil fertility enhancement, and pest and disease management that avoid soil and water pollution.		
Cultural Heritage		No risk envisaged - not applicable
There is no risk the Project may cause significant degradation of cultural or physical resources, including threats to resources of historical, religious, or cultural importance or their loss.		
Indigenous People	Low	Low
Risk: There is no risk the Project may have a significant physical, social, or economic negative impact on indigenous peoples, or that it threatens resources of historical or cultural importance to them or the loss of these resources. Indigenous peoples will not be adversely impacted by Project actions.	Low	Low
Mitigations: i) Project eligibility/exclusion criteria prohibit the acquisition or restriction of land use in areas of indigenous and traditional communities. ii) The Environmental and Social Management Framework (ESMF) 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. iii) The ESMF will also include a Social Communication and Community Participation program that respects and includes forms of documenting and means of communication accessible and adequate to the cultural specificities of indigenous peoples and traditional communities of the Project area.		
Labour and Working Conditions	Moderate	Low
Risk: Risk that the Project may result in abusive labor practices (for example, forced or child labour), cases of gender violence, discriminatory and unsafe/unhealthy working conditions for those employees of the Project, including third parties and large suppliers.	Moderate	Low
Mitigations: All contracts with contractors, suppliers, and third parties to be financed with IFAD funds will include provisions that prohibit child labour and promote decent work conditions. The Project will recruit a social inclusion specialist for the PMU. An Action Plan for Gender Equality will also be developed, examining measures to prevent and combat gender-based violence.		
Community Health and Safety		No risk envisaged - not applicable
There is no risk the Project will have adverse effects on the health and safety of the community.		
Physical and Economic Resettlement		No risk envisaged - not applicable

The Project's intervention should not cause the resettlement of families.		
Greenhouse Gas Emissions	Moderate	Low
<p>Risk:</p> <p>The risk of significantly increasing greenhouse gas emissions is very low as investment will only be made in small-scale infrastructure, such as processing units and micro-irrigation or renewable energy technology. Investment may be made in small-scale livestock systems, but these will be small in scale and integrated within mixed crop-livestock production.</p>	Moderate	Low
<p>Mitigations:</p> <p>The Project will promote renewable energy technologies (e.g., biodigesters, solar energy, efficient use of fuelwood) and ecosystem restoration through reforestation and agroforestry systems, which will increase the carbon capture and storage potential of the project area. These activities should counterbalance any GHG emissions linked to investment in small-scale infrastructure or in transportation for commercialisation that may be made. An Ex-ACT analysis will be carried out once the IADB equivalent of the PDR is elaborated to provide a precise estimation of the carbon balance of the Project.</p>		
Vulnerability of target populations and ecosystems to climate variability and hazards	Moderate	Low
<p>Risk:</p> <p>The Project will be supporting communities to increase their resilience to climate change and there is a small risk of maladaptation if project investments do not consider the climate risks and hazards that are specific to each community. The main risks to populations and ecosystems include drought, flooding and landslides due to intense precipitation.</p>	Moderate	Low
<p>Mitigations:</p> <p>Investment plans will include an analysis of the climate risks to ensure that the investments made reflect the climate variability and hazards faced by the community. Technical assistance teams will receive continued and in-depth training on climate-resilient agroecological practices and climate-resilient infrastructure and social technologies.</p>		
Stakeholders	Moderate	Low
Stakeholder Engagement/Coordination	Low	Low
<p>Risk:</p> <p>There is a risk that the main players invited to be part of the Project show little interest or commitment toward the Project's objectives and activities. Some civil society organizations represent different interests relevant to the Project, as the Movement of Landless Workers (MST) and Teia dos Povos. The IFAD and IADB teams met their representatives as part of the consultation process for this Project's design. The objectives and approaches of the Project align with the interests of these organizations. Also, IADB, in line with its Environmental and Social Policy Framework (ESPF) will carry out a public consultation process.</p>	Low	Low

<p>Mitigations:</p> <p>SDR/CAR will coordinate the participation of interested sectorial institutions (CDA, SEMA, INEMA, SEPROMI, CERB) both during Project design and implementation. During design, a virtual public consultation with multiple stakeholders was held when CAR clarified doubts about the project. At the community level, the Project will implement a participatory process to develop Productive Plans (PP) and Business Plans (BP) to ensure the participation and representation of the needs and aspirations of the different groups in defining the specific supports to be offered by the Project. The project will also establish continuous communication, awareness-raising, and coordination with the many partners at all levels (local, state, and federal) starting at the project design stage, and activities on visibility aimed at promoting and clarifying potential outcomes of project activities, both for target groups and partners involved in implementation.</p>		
Stakeholder Grievances	Moderate	Low
<p>Risk:</p> <p>Project implementation may entail the submission of complaints by several stakeholders involved or impacted by Project activities, thus affecting the continuity of activities and the established schedule.</p>	Moderate	Low
<p>Mitigations:</p> <p>The Project will incorporate a clear and effective Grievance and Redress mechanism (GRM), to be designed in a participatory way in line with IFAD's guiding documents - Framework for Operational Feedbacks from Stakeholders and IFAD's 2021 Guidelines on Project Target Group Engagement, Feedback and Grievance Redress. The procedure includes mechanisms to manifest the claim or complaint, response time, and resolution spheres. This mechanism shall be easily accessible to the population and have a speedy resolution, ensuring that submitted complaints are quickly reviewed and situations are mutually agreed upon in a satisfactory way for the parties involved. The project will raise awareness among stakeholders about the complaints and grievance mechanisms available. It will also include this information as part of IFAD missions and the training of technical assistance teams that will work directly with beneficiaries.</p>		