

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**PROGRAM TO SUPPORT AGRICULTURAL DEVELOPMENT IN THE NORTHEAST
(AGRONORDESTE)**

(BR-L1562)

**FIRST INDIVIDUAL OPERATION UNDER CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP)
SUSTAINABLE DEVELOPMENT AND AGRICULTURE PROGRAM**

(BR-O0008)

LOAN PROPOSAL

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ABBREVIATIONS

ALP	Área livre de praga [Pest-free area]
APF	Área de proteção fitossanitária [Phytopathological protection area]
CAR	Cadastro Ambiental Rural [Rural Environmental Cadastre]
CGU	Controladoria Geral da União [Office of the Comptroller General of the Union]
DAP	Declaração de Aptidão ao Programa Nacional de Fortalecimento da Agricultura Familiar [Declaration of Fitness for the National Program to Strengthen Family Farming]
DSV	Departamento de Sanidade Vegetal [Plant Health Department]
EMBRAPA	Empresa Brasileira de Pesquisa Agropecuária [Brazilian Agricultural Research Corporation]
ESMP	Environmental and social management plan
FTD	Flies per trap per day
GDP	Gross domestic product
GHG	Greenhouse gas
IFFM	Integrated fruit fly management
IICA	Inter-American Institute for Cooperation on Agriculture
INCRA	Instituto Nacional de Colonização e Reforma Agrária [National Colonization and Agrarian Reform Institute]
MAPA	Ministério da Agricultura, Pecuária e Abastecimento [Ministry of Agriculture and Supply]
MM-II	Multisector Modality II
NCB	National competitive bidding
PMR	Progress monitoring report
PMU	Program management unit
PNRA	Programa Nacional de Reforma Agrária [National Agrarian Reform Program]
QCBS	Quality- and cost-based selection
SAIN	Secretaria de Assuntos Internacionais do Ministério de Economia [International Affairs Department of the Ministry of Economy]
SDI	Secretaria de Inovação, Desenvolvimento Sustentável e Regio [Innovation, Sustainable Development, and Irrigation Department]
SFB	Serviço Florestal Brasileiro [Brazilian Forest Service]
SIACI	Sistema integrado de administração financeira [Integrated financial management system]
SICAR	Sistema de Cadastro Ambiental Rural [Rural Environmental Cadastre System]
SIT	Sterile insect technique
SSS	Single-source selection
TCP	Technical cooperation project

PROJECT SUMMARY

BRAZIL PROGRAM TO SUPPORT AGRICULTURAL DEVELOPMENT IN THE NORTHEAST (AGRONORDESTE) (BR-L1562)

FIRST INDIVIDUAL OPERATION UNDER CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) SUSTAINABLE DEVELOPMENT AND AGRICULTURE PROGRAM (BR-O0008)

Financial Terms and Conditions					
Borrower:				Flexible Financing Facility ^(a)	
Federative Republic of Brazil				Amortization period:	23.5 years
Executing agency:				Disbursement period:	6 years
Federative Republic of Brazil, through its Ministry of Agriculture and Supply (MAPA).				Grace period:	7 years ^(b)
Subexecuting agency:				Interest rate:	LIBOR-based ^(c)
The National Colonization and Agrarian Reform Institute (INCRA) will serve as subexecuting agency for the activities of Component 2 of the program.				Credit fee:	^(d)
				Inspection and supervision fee:	^(d)
Source	CCLIP (US\$)	First program (US\$)	%	Weighted average life:	15.25 years
IDB (Ordinary Capital):	1,200,000,000	230,000,000	85.2	Currency of approval:	U.S. dollar
Local contribution:	-	40,000,000	14.8		
Total:	1,200,000,000	270,000,000	100.0		
Project at a Glance					
Objectives of the CCLIP: The objectives of the CCLIP are to increase productivity and resilience in the agriculture sector, boost incomes, and expand access to basic services in rural Brazil.					
Objective of the first individual operation under the CCLIP: The general objective of the first individual loan operation under the CCLIP is to improve incomes and market access in the agriculture sector of the Northeast region, helping to increase the competitiveness of regional agriculture, including livestock. The specific objectives are to: (i) increase the adoption of agricultural technologies, including those for climate change adaptation and mitigation, by integrating producers into value chains; (ii) strengthen the legal certainty and environmental regularization of rural property; and (iii) improve phytosanitary conditions on fruit farms.					
Special contractual conditions precedent to the first disbursement of the loan: (i) the program Operating Regulations will have been approved and have entered into force under terms previously agreed upon with the Bank; and (ii) a program management unit will have been created and its members appointed (paragraph 3.11).					
Special contractual condition for execution: Before starting to execute the activities of Component 2 under the program, a legal instrument between MAPA and INCRA will have been signed and have entered into force, under terms previously agreed upon with the Bank (paragraph 3.12).					
Environmental and social contractual conditions: These conditions are described in Annex C of the Environmental and Social Management Report .					

Strategic Alignment			
Challenges:^(e)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
Crosscutting themes^(f):	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) In keeping with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate, upon notification to the borrower by the Bank, pursuant to the provisions of the loan contract.
- (d) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

1. Background and context of Brazil

- 1.1 **Macroeconomic context.** The COVID-19 pandemic has had a severe impact on the Brazilian economy. Gross Domestic Product (GDP) shrank by 4.1% in 2020, which, in conjunction with government measures to soften the impact of the pandemic, caused the fiscal deficit to widen to 10% of GDP. Social indicators (employed population, wage bill, households without earned income) deteriorated, with an estimated 9.4% drop in the population's average income relative to 2019 (21.5% in the poorest half of the population) owing to higher unemployment and cuts in wages and working hours. Inequality also worsened, with the Gini index rising from 0.6279 to 0.640 in the first quarter of 2021 (Neri, 2021). The vaccination rollout and increased economic activity have generated a more promising scenario in 2021, with GDP growth expected to exceed 5%. Nonetheless, challenges remain for a sustained economic recovery, job creation, and control of inflation which is above 8%. In this context, the agriculture sector has a fundamental contribution to make.
- 1.2 **Context of the agriculture sector in Brazil.** The agrifood sector generates 22% of the country's GDP, 44% of its exports, and 37% of employment nationwide (Vieira Filho and Fishlow, 2017; CNA and CEPEA, 2021). Primary activities account for 5.9% of GDP, and the corresponding commodity exports exceed US\$100 billion annually, with Brazil among the leading countries in world trade in soybeans and their derivatives, coffee, sugar, orange juice, beef, pork, poultry, maize, cotton, and bioethanol, etc. The growth of the agriculture sector since the 1960s contributed to lowering the relative prices of food products in the family shopping basket, thereby helping to combat poverty in urban and rural areas (Alves et al., 2010; Buainain et al., 2014, Vieira Filho and Fishlow, 2017).
- 1.3 **The COVID-19 context and the agriculture sector.** Unlike other sectors of the Brazilian economy, agriculture has remained buoyant in the midst of the pandemic. While Brazilian GDP in 2020 contracted by 4%, with industry shrinking by 3.5% and services by 4.5%, agricultural GDP grew by 2% (IBGE, 2021). Most agricultural export products reported growth in both value and volume exported, and the trend is continuing in 2021 (Ministry of Economy, 2021). Industrial food production also grew by 4.2%. Nonetheless, the sector suffered from a reduction in domestic consumption and the temporary closure of local fairs and markets. This affected family farmers, in particular (Schneider et al., 2020), who lost an average of 35% of their normal gross income (Del Grossi, 2020). While the prices of export products (e.g. soybeans, maize, meat, and sugar) rose in the wake of the devaluation of the national currency, products for domestic consumption (e.g. bananas, potatoes, and cassava) saw prices fall.
- 1.4 **Rationale of the Conditional Credit Line for Investment Projects (CCLIP).** Despite the expansion of recent decades, Brazil's agriculture sector faces challenges that could hamper its future growth, the sustainability of production, and its adaptation to the effects of climate change. Productivity growth has been

uneven—higher in crop farming (+56%) than in livestock (+40.3%) (Nin-Pratt, A. and Valdes, H., 2020),¹ with large differences between regions and between producers. Producer access to support services, such as technical assistance and credit, varies considerably. The dimensions of the country, the expansion of trade, and the length of its land borders create challenges for controlling diseases and pests. Insecure land tenure restricts access to credit, the adoption of technology, productivity growth, and long-term conservation of natural resources. It also generates frequent local conflicts. The expansion of agricultural activities has been associated with deforestation and the emission of greenhouse gases (GHG). These problems particularly affect the Northeast and North regions, which have the lowest productivity in the [agriculture sector](#), the highest rural poverty rates, and the greatest climate change mitigation and adaptation challenges.

- 1.5 With six different biomes (Amazon Forest, Cerrado, Caatinga, Pampa, Atlantic Forest, and Pantanal), the characteristics of land use, climate and natural resources, development, and the productivity of agricultural activities in Brazil are all highly varied. Furthermore, its federal structure makes the federal government responsible for formulating national policies (agricultural, environmental); but it also grants considerable autonomy to state governments, which have responsibilities for implementing programs and policies (e.g. agricultural health, land titling, environmental regularization) and for providing technical assistance to small-scale producers. These factors make it essential to address the challenges of the agriculture sector in a way that allows for interventions by the different levels of government.
- 1.6 In 2019, the Ministry of Agriculture and Supply (MAPA) approved a Strategic Plan for 2020-2031,² which states the mission of promoting the sustainable development of agricultural production chains, for the benefit of Brazilian society. It also defines objectives and performance indicators with a multisector approach for the transformation of the [Brazilian agriculture sector](#), which are aligned with the Federal Development Strategy for Brazil 2020-2031 and the Multiyear Plan for the Union 2020-2023. The Strategic Plan defines five priority policies, whose implementation requires participation from the states: (i) agricultural health; (ii) innovation (agricultural research, technical assistance, and rural extension); (iii) land titling (iv) environmental regularization; and (v) environmental sustainability and climate change resilience. The North and Northeast are defined as priority regions; and the action plan for the Northeast was launched in October 2019 to promote the economic, social and sustainable development of rural areas and [contribute to reducing regional differences](#) in the agriculture sector.
- 1.7 In this context, the federal government has expressed interest in having a CCLIP³ to support the transformation of the Brazilian agriculture sector, increase productivity in the less developed regions, and foster long-term sustainability. The timeframe and multisector nature of the CCLIP make it possible to support the

¹ The data relate to the period 2000-2016.

² Approved by MAPA Ordinance 375 of 23 November 2020. The 2020-2031 Federal Development Strategy was approved by Decree 10,531 on 26 October 2020; and the Multiyear Plan 2020-2023 was approved by Law 13,971 on 17 December 2019.

³ Notice 751/2019/GAB-GM/MAPA.

medium- and long-term vision of the Strategic Plan and policy mix, as well as the development objectives and programs stemming from them.

2. Background and context of the Northeast region

- 1.8 The first operation will target the Northeast region, as defined by the Superintendency for the Development of the Northeast (SUDENE).⁴ This region has an area of 1.79 million square kilometers (21% of national territory) and 60.6 million inhabitants (28% of the Brazilian population). In 2017 the region contributed 15% of national GDP.
- 1.9 The Northeast region was hit hard by the COVID-19 pandemic. In 2020 its GDP declined by 8.7%, with a steeper drop in services (-12.2%) than in agriculture (-2.5%) and industry (-1.5%). The region lost nearly 100,000 formal jobs (net) in the first nine months of the year (ETENE, 2020).
- 1.10 **The agriculture sector** contributes 18% of the GDP of the Northeast region (IBGE, 2017), and is the leading economic activity in terms of production and employment in most of the region's municípios. The Northeast is heavily influenced by the *caatinga* or *sertão* biome, where low annual rainfall impacts productivity in dryland conditions (Buainain et al., 2020). Family farming accounts for 79% of the 2.51 million producers and 44% of the total area of 82.6 million hectares; and it has the lowest development indicators in the country. In the last quarter of 2020, the agriculture sector regained roughly 102,000 jobs (net) (ETENE, 2020); and a growth trend is projected for nearly all crops and livestock production (Banco do Nordeste, 2021).
- 1.11 Afro-descendants face a particularly precarious situation. They represent 75% of the population of the Northeast (IBGE, 2017), where 83% of them work in agriculture (Nunes de Castro, 2012). There are more than 250 traditional Afro-descendant communities in the Northeast, known as *quilombolas* which participate in family farming and have received some rural extension service. The Northeast also accounts for 57% of all rural farms in Brazil headed by women, who are less likely than men to be members of cooperatives or associations (5.3% of women compared to 12.8% of men⁵) (Oliveira et al., 2020); and, despite the existence of regulations that guarantee their access to land, only 19% of women are owners. Women receive an annual average of 19.6% of loans under the National Program to Strengthen Family Agriculture (PRONAF).⁶ Income from production is lower in farms managed by women and Afro-descendant *quilombola* families. For example, while the average annual income of male dairy farmers in the Northeast is around US\$1,320, female producers earn around US\$1,120 and *quilombolas* around US\$1,140. In the case of honey production, women earn US\$420 and *quilombolas*

⁴ The definition corresponds to Laws 1,348/1951, 3,692/1959, 6,218/1975, and 9,690/1998, together with Complementary Law 125/2007 and Decree 8,276/2014, including the states of Maranhão, Piauí, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, and Bahia, and municípios located in the Mucuri and Jequitinhonha valleys and in the north of the state of Minas Gerais and in the north of the state of Espírito Santo.

⁵ Fewer than 8% of cooperative members in the program's intervention area are women.

⁶ PRONAF is the main source of financing for rural production in Brazil. In 2021, it is expected to provide financing valued at the equivalent of over US\$5.5 billion, representing an increase of 19% over 2020.

US\$560, compared to the overall average of US\$600.⁷ Knowledge of [gender and diversity](#) issues in the sector is also weak, owing to the lack of specific and rigorous research on the subject.

1.12 **General problem.** The first individual operation under the CCLIP will address the problems of low incomes and poor market access faced by producers, mainly family farmers and producers in agrarian reform settlements in the Northeast region. The main determinants of these problems are as follows:

- a. **Weak integration of producers in agroindustrial and commercial organizations and companies.** Business organization in agriculture is less developed in the Northeast than in the South, Southeast, and Center-West regions, where Brazil's most dynamic agriculture is concentrated. Agricultural value chains in those regions involve producers that are integrated into agricultural cooperatives and have contracts with agroindustrial and commercial companies. These play a fundamental role in providing technology, technical assistance, financing, and the marketing of products and inputs.⁸ Well-structured cooperatives and contractual arrangements with integrator companies are scarce in the Northeast, where producers depend mainly on public technical assistance services and marketing through government procurement programs. Low productivity and sparse adoption of soil and water conservation and climate change mitigation and adaptation technologies are characteristics of the Northeast, in a context of increasing water shortage, extreme temperatures, and [scenarios that presage an acceleration of desertification](#).
- b. **Legal uncertainty and noncompliance with environmental standards.** The legal certainty of land tenure in the Northeast is undermined by weaknesses in the registry and cadastre systems. Land registration is performed by private entities (*cartórios*) that have difficulties integrating with public land management agencies. Records are incomplete and outdated, there is no integrated database that includes public and private land, and there are various cadastres or systems created to meet specific needs (CPI, 2016). Moreover, a large proportion of small-scale producers in the Northeast region, beneficiaries of the National Agrarian Reform Program (PNRA), do not have legally established ownership of their properties. Fewer than 4% of the 380,000 families in 4,500 settlements created by the PNRA in the Northeast have received property titles. Studies show that titling and legal certainty in land tenure create incentives for investment, facilitate access to credit, and contribute to higher productivity and a better quality of life for the producers (Lawry, 2017 and World Bank, 2003). Furthermore, the Northeast region has a large proportion of producers who do not comply with the environmental standards of the Rural Environmental Cadastre (CAR). This national online public registry is mandatory for all rural properties to demonstrate compliance with environmental obligations and the control of deforestation, which limits

⁷ Data obtained on the basis of Declarations of Fitness for the National Program to Strengthen Family Farming (DAP), provided by the families as a requirement to access this program.

⁸ According to [Forbes Brasil](#), the ranking of the 100 largest Brazilian agribusiness companies in 2020 included 22 cooperatives, all of which were located in the South, Southeast, and Center-West regions.

their access to credit and public programs.⁹ Sixty percent of the rural properties in Brazil that are not registered in the CAR are in the Northeast.

- c. **Phytosanitary conditions of fruit production.** Irrigated fruit growing is one of the most important subsectors in agriculture in the Northeast, covering about 120,000 hectares with 4,000 producers located mainly in the São Francisco river valley (Bahia and Pernambuco) and Chapada de Apodi (the states of Rio Grande do Norte and Ceará). Brazil's annual exports of fresh fruit, the vast majority of which come from these regions, exceed US\$220 million. The prevalence of fruit flies (*Ceratitis capitata* and *Anastrepha sp*) is the main factor affecting productivity, costs, and access to international markets for fruit from the Brazilian Northeast. In the São Francisco Valley, which accounts for 90% of mango and grape exports, fruit flies generate losses estimated at up to US\$87 million per year. Ceará and Rio Grande do Norte have had an internationally recognized¹⁰ Fruit Fly (*Anastrepha grandis*) Pest Free Area since 2005, which reduces costs to producers and facilitates access to international markets. However, there are risks of existing pests expanding their range and of new pests being introduced.

1.13 **Empirical evidence.** There is considerable knowledge on the effectiveness of policies and programs to promote agricultural development and reduce rural poverty in the Northeast region, which provides the basis for the proposals of the AgroNordeste Program. [A wide range of studies](#) focus on the issues addressed by the program. The Brazilian Agricultural Research Corporation (EMBRAPA) and other agricultural research agencies have developed technologies to meet challenges in a semiarid region in the context of climate change. There are successful experiences of fruit growing in the Northeast that serve local, regional, and international demand, generating substantial employment and income. These are linked to investments in irrigation, mainly in the São Francisco river valley (Pernambuco and Bahia, and in Chapada de Apodi (Ceará and Rio Grande do Norte).¹¹ Dynamic dryland products, such as organic honey for export, and sheep and goat farming have also been developed, characterized by strong producer organizations, technologies suited to local conditions, and producer access to technical assistance. Nonetheless, producer organizations have weaknesses, and an effective technology transfer system is lacking.

1.14 **The Bank's experience in the region and lessons learned.** The proposed operation draws on the Bank's experience with projects to improve production and productivity, such as the Program to Modernize and Strengthen Agricultural Health and Food Safety Services (loans 4723/OC-BR and 4732/OC-BR) and the Low-Carbon Agriculture Programs in Cerrado and Caatinga

⁹ Created by [Law 12,651/2012](#) and regulated by Normative Instruction MMA 2 of 6 May 2014, the Rural Environmental Cadastre (CAR) is a mandatory national online public register of all rural properties. Registration in the CAR is the first step in the environmental regularization of a rural property.

¹⁰ The federal government created the São Francisco Valley Phytosanitary Protection Area in 2006, establishing a fruit fly control program.

¹¹ In the middle zone of the São Francisco river valley, approximately 71,000 hectares of irrigated fruit crops are cultivated, which produce 95% of Brazilian exports of mango and grapes, in addition to other fruits (mainly banana, guava and papaya) for the domestic market. Nearly 38,000 hectares of melon and watermelon are produced in Chapada do Apodi, mainly for export.

(loans ATN/LC-17408-BR and ATN/LC-17432-BR). These are currently in execution, have MAPA as beneficiary, and operate in the Northeast region. The Bank's experience in structuring CCLIPs in Brazil, focused on modernizing social spending (loan BR-O0009), digital transformation (loan BR-O0010) and citizen security (loan BR-O0011), was also harnessed. In addition, the design of the operation incorporates the following lessons learned from other projects (loans 1357/OC-BR, 1248/OC-BR, 1633/OC-BR, AR-X1006, and UR-L1064) that have already been implemented in Brazil and elsewhere in the region to support agricultural production plans: (i) the importance of supporting small-scale producers in an integrated manner, with market-focused business plans, including actions to improve production and productivity, and promote market integration; (ii) the importance of active participation by producers in the preparation and implementation of business plans; and (iii) the need for program Operating Regulations specifying the criteria that must be met by business plans to be eligible for program financing, in order to ensure targeting and results. In addition, lessons learned from land projects are incorporated. These include: the importance of integrating the cadastre and registry systems and the training of their users (loan 2461/OC-EC); and agricultural health (loan 2045/OC-PE), particularly the importance of having effective control posts and quarantine protection systems for controlling pests and diseases, and ways to implement the Sterile Insect Technique (SIT).

- 1.15 **Complementarity with other IDB Group operations.** This operation will supplement the Program to Modernize and Strengthen Agricultural Health and Food Safety Services (loans 4723/OC-BR and 4732/OC-BR), which finances complementary actions in agricultural health and has been in execution since December 2018. It will also supplement the Sustainable Rural Development in the Caatinga (technical cooperation operation ATN/LC-17432-BR), which promotes the adoption of low-carbon technology in the Northeast region. In addition, it will receive operational support from a technical cooperation project¹² to improve family farmers' access to information on technological innovations through digital information and communication technologies. This will finance virtual hubs for the management and dissemination of technological information, the expansion of which will be financed by AgroNordeste.
- 1.16 **Coordination with other donors.** The operation will coordinate actions with the Dom Helder Câmara Project – Phase II, financed by the International Fund for Agricultural Development (IFAD) and executed by MAPA; with rural development projects in states of the Northeast region, financed by the World Bank; and projects financed by the German Agency for International Cooperation (GIZ) that provide support in environmental regularization and land titling to the Brazilian Forest Service (SFB) and the National Colonization and Agrarian Reform Institute (INCRA).
- 1.17 **Strategic alignment.** The proposed operation is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the following challenges: social inclusion and equality, since it contributes to increasing the

¹² Technical cooperation operation ATN/OC-18781-BR "Technological Information Centers for Family Agriculture," was approved on 27 August 2021 with funding of US\$400,000.

income of beneficiaries (family farmers, women, Afro-descendant communities) through their integration into value chains and adoption of technologies; productivity and innovation, by contributing to increased agricultural productivity and the use of digital technologies to improve technology transfer; and economic integration, by offering agricultural health services that will improve producers' access to international markets. It is also aligned with the crosscutting themes of gender equity and diversity, by financing business plans for women and Afro-descendant communities; and climate change and environmental sustainability, by financing technologies for resource conservation (soil and water) and climate change adaptation and mitigation, and promoting the recovery and conservation of native vegetation through environmental regularization. According to the [joint methodology of the multilateral development banks on climate finance](#), it is estimated that 60.85% of the Bank's resources are invested to support increased climate change adaptation (indicator SO1.6 and environmental regularization through the CAR). These resources contribute to the Bank's target for climate-change financing (30% of the volume of approvals). It also contributes to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12) through the following indicators: "Farmers with improved access to agricultural services and investments." "Beneficiaries of enhanced disaster and climate change resilience," and "Agencies with strengthened digital technology and management capacity." The first operation is aligned with the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973) in its strategic objectives of: "Promote greater economic competitiveness." "Integrate the less developed regions," and "Promote e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises," through the development of digital platforms to improve technical assistance to producers. In addition, the operation is aligned with the crosscutting strategic themes of gender and diversity, and sustainability and climate change. The operation is part of the Multiyear Program 2021-2022 of the Country Office in Brazil, and is included in the Update of the Annex III of the 2021 Operational Program Report (document GN-3034-2). It is also consistent with the guidelines of the following sector framework documents: Agriculture (document GN-2709-10), through investments aimed at sustainably increasing productivity; Food Security (document GN-2825-8), through services that will contribute to improving food availability; and Climate Change (document GN-2835-8), by supporting the adoption of climate change adaptation and mitigation technologies and production models. It is aligned with the Update to the Gender Action Plan for Operations 2020-2021 (document [GN-2531-19](#)) and also with the Gender and Diversity Sector Framework (document GN-2800-8), in the areas of women's economic and productive opportunities and promoting equitable access to services and land ownership rights for women farmers. The operation is also aligned with the following strategic goals of Vision 2025: Reactivate the productive sector, by financing business plans and improvements to phytosanitary conditions that facilitate increased agricultural production and access to markets; Promote social progress, by facilitating access to production support services for small-scale producers, women, and Afro-descendant communities; and Strengthen good governance and institutions, by contributing to the digitalization of technical assistance services to producers.

B. Objectives, components, and cost

1. Agriculture and Sustainable Development CCLIP

- 1.18 **Objectives of the CCLIP.** The objectives of CCLIP are to increase productivity and resilience in the agriculture sector, boost incomes, and expand access to basic services in rural Brazil.
- 1.19 **Modality.** Development of the agriculture sector and rural areas in Brazil involves actions by different levels of government (federal, state, municipal) and various executing agencies (Ministries of Agriculture and Supply; Regional Development; Environment; state governments through various secretariats, and development banks). Given these characteristics, the CCLIP will be of the Multisector Modality II (MM-II) type, aligned with the Bank's Policy on the CCLIP instrument (document GN-2246-13) and its respective Operational Guidelines (document OP-1622-3). The liaison institution will be the International Affairs Department of the Ministry of Economy (SAIN), which will coordinate and supervise the flow of operations of each sector of the CCLIP, making sure its development objectives are achieved and proposing adjustments if necessary.¹³ The SAIN has the authority to fulfill this role given its institutional mandate to coordinate, monitor, and evaluate projects financed with resources from multilateral development agencies, which it has been executing satisfactorily and continuously in recent years. Furthermore, the CCLIP's objectives are among the priorities of the IDB Group's country strategy with Brazil, as required by the policy set forth in document GN-2246-13.
- 1.20 **Rationale.** The MM-II CCLIP will provide Brazil with a strategic instrument to promote sustainable and inclusive growth in rural areas, reducing disparities between regions and producers, and improving environmental sustainability and adaptation to climate change. It will also promote the integration of agricultural development policies between the three levels of government (Union, states, and municípios). The CCLIP will encompass the following sectors: **(a) agricultural services:** the objective here is to increase productivity on a sustainable basis, contributing to climate change mitigation and adaptation, by improving the quality of agriculture support services (generation and transfer of technologies, technical assistance in production and in business management, food safety and health, land titling, and environmental regularization) and producers' access to them; **(b) basic and productive infrastructure:** the objectives in this case are to improve productivity and market access, reduce product losses, improve energy and water use efficiency, and enhance the quality of life through the development of resilient infrastructure, including access roads (rural roads, bridges), irrigation systems, rural electrification, and drinking water and sanitation; and **(c) environment and natural resources:** here the objectives are to promote the conservation and sustainable use of natural resources, reducing GHG emissions and contributing to adaptation to climate change. This will involve initiatives to improve natural resource management, such as watershed management,

¹³ The SAIN acts as a liaison agency for the following CCLIPs: Pro-Segurança (BR-O0011), approved on 18 November 2020; the Social Spending Modernization Program in Brazil (BR-O0009), approved on 16 December 2020; and Brasil Mais Digital (BR-O0010), approved on 7 April 2021.

development of payment mechanisms for environmental services, agroforestry-based plans, and the development of biodiversity products.

- 1.21 **Institutional arrangements.** The CCLIP will have three possible channels for resource allocation: (i) federal, using the Federative Republic of Brazil as borrower and federal government agencies as potential executing agencies; (ii) subnational, with states or municípios that have borrowing capacity serving as borrowers, requesting loans for sustainable agriculture and rural development programs in one or more of the CCLIP sectors; and (iii) national or regional development banks that make subloans for specific investments that contribute to the sustainable development of agriculture and rural areas in Brazil.
- 1.22 **Amount and term.** The CCLIP will be for up to US\$1.2 billion, to be allocated over a period of up to 10 years, in approximately 10 individual operations. These may include the financing of loans to support investment projects, according to the CCLIP Policy (document GN-2246-13) and the respective Operational Guidelines (document OP-1622-3). The timespan of the CCLIP is justified because it matches the periods of the sector development plans, promotes a medium-term multisector transformation model that straddles government terms of office and includes a growing number of states to achieve results and impacts on a larger scale.
- 1.23 **Beneficiaries.** The beneficiaries will be rural families, especially in the North and Northeast regions. Thanks to better services and infrastructure, and the availability of new technologies, these families will be in a better position to adopt technologies, increase production and productivity, improve marketing, deploy sustainable production and conservation practices for natural and forest resources, and adapt to the effects of climate change.

2. First operation under the CCLIP – the AgroNordeste Program

- 1.24 **Objectives of AgroNordeste.** The general objective of the first individual loan operation under the CCLIP¹⁴ is to improve incomes and market access in the agriculture sector of the Northeast region, helping to increase the competitiveness of regional agriculture, including livestock. The specific objectives are to: (i) increase the adoption of agricultural technologies, including those for climate change adaptation and mitigation, by integrating producers into value chains; (ii) strengthen the legal certainty and environmental regularization of rural property; and (iii) improve phytosanitary conditions on fruit farms. These objectives will be achieved through the implementation of interrelated actions to promote changes in the beneficiaries' individual, organizational, and institutional capacities.
- 1.25 **Component 1: Development of economic opportunities in agricultural value chains (estimate: IDB: US\$134.4 million, Local: US\$11.7 million).** The objective of this component is to increase the adoption of agricultural technologies, including those for climate change adaptation and mitigation, by integrating producers into value chains. It will finance the design and implementation of business plans to develop local production arrangements that benefit agricultural

¹⁴ In the agricultural services sector.

producers, including those in agrarian reform settlements, women,¹⁵ and Afro-descendant communities. These plans will foster the development of producer organizations, the structuring of agricultural activities, value added, and provision of services to producers. The [Program Operating Regulations](#) specify key requirements of the business plan, including eligibility and prioritization criteria; investments that may and may not be financed; maximum amounts per plan and per beneficiary; minimum percentage counterpart contribution by the beneficiaries; and so forth, as well as criteria and conditions for the possible incorporation of new territories during program execution.

- 1.26 Beneficiaries will be family farmers located in the prioritized territories (paragraph 1.31), who have their properties regularized or are willing to receive support from the program in the titling and environmental regularization of their properties. The business plans will focus on the prioritized territories and value chains, will contribute to climate change adaptation or mitigation, strengthen producer organizations, be economically and financially viable, and satisfy the environmental and social criteria established in the Economic and Social Management Plan (ESMP). To close the income gap for women, 13% of the total funds for business plans will be devoted exclusively to women's associations and cooperatives.¹⁶ Each plan will cover a minimum of 50 producers and will finance a maximum of US\$5,500 per beneficiary and US\$1.1 million per plan. Beneficiaries will be required to provide a counterpart contribution of at least 20% of the value of the plan. The plans may include: (i) technical assistance to producers and productive organizations, including to facilitate technology adoption and improve business management; (ii) partial investment cost associated with technology adoption; (iii) equipment enabling production organizations to improve the processing, storage and marketing of products; (iv) implementation of certification processes; and/or (v) complementary infrastructure, such as processing and storage of production, etc., for a maximum of 15% of the value of each business plan. The prioritization criteria include higher profitability and lower risks of the business plan, a greater number of beneficiary producers, higher income generation and job creation, greater inclusion of women and Afro-descendant communities, and greater cofinancing from other sources. Through the Inter-American Institute for Cooperation on Agriculture (IICA), the program will undertake the contracting provided for in each business plan and will donate the respective goods to the beneficiaries and organizations.
- 1.27 In addition, the component will finance actions to structure the prioritized value chains, including: (i) research and studies to solve technological problems faced by family farmers (including those in agrarian reform settlements), women, and Afro-descendant communities; (ii) consulting services and procurement of equipment needed for technological innovation centers that promote the dissemination of

¹⁵ This targeting will be done through the prioritization of associations and cooperatives of women in productive activities with a high level of women's participation, such as beekeeping and dairy production. The targeting also considers the identification of some pilot associations and cooperatives with potential to engage in activities where women's participation has been historically low.

¹⁶ This percentage is significantly higher than the financing for women's associations and cooperatives under PRONAF, where the vast majority of financing for women is in the form of individual loans. In Brazil, only 8.6% of cooperative members are women.

technology to producers, primarily through digital means; and (iii) consulting services and equipment to strengthen the local institutions that support value chain development.

- 1.28 **Component 2: Land titling and environmental regularization (estimate: IDB: US\$56.6 million, Local: US\$18.64 million).** The objective of this component is to increase legal certainty and environmental regularization of rural property. It will target farmers who are beneficiaries of agrarian reform, located in federal settlements in the territories prioritized by the program. Financing will be provided for the services needed for property titling, as follows: (i) supervision of the occupancy status of parcels in the settlements; (ii) georeferencing; (iii) regularization of occupied parcels; (iv) correction of any irregularities; (v) registration of parcels and settlements in the CAR; and (vi) issuance of property titles and their registration in the public real estate property register. Nonfinancial support will also be provided for the environmental regularization of rural properties, including nonfinancial support to enable the responsible state-level institutions to effectively analyze CAR records as needed to issue certificates of compliance with the Forest Code and prepare environmental recovery projects. To reduce the risk of conflict, settlements where the expropriation process has not been completed will not be considered. Lastly, financing will be provided to strengthen the National Rural Cadastre System (SNC) and the Rural Environmental Cadastre System (SICAR), to unify the various existing cadastre systems and allow access to multiple users. This will be done through specialized consulting services, staff training, equipment, maps and images, and demarcation of properties.
- 1.29 **Component 3: Plant health (estimate: IDB: US\$26.1 million, Local: US\$2.96 million).** The objective of this component is to improve phytosanitary conditions on fruit farms by: (i) strengthening and expanding the existing *Anastrepha grandis* fruit fly pest-free area (ALP) in the states of Rio Grande do Norte and Ceará; and (ii) consolidating the *Ceratitis capitata* and *Anastrepha sp* fruit fly phytosanitary protection area (APF) in the São Francisco Valley (Pernambuco and Bahia). It will also finance the procurement of services and equipment for systematic monitoring and the generation of information on fruit fly prevalence rates and pest control.
- 1.30 **Other costs (estimate: IDB: US\$12.9 million, Local: US\$6.7 million).** The program will finance administration, management, evaluation, and audit costs.
- 1.31 **Beneficiaries.** More than 162,000 family farmers in the Northeast region will be direct beneficiaries of this first operation. They will be better able to adopt technologies, increase productivity, improve marketing, apply sustainable practices for the production and conservation of natural and forest resources, and adapt to the effects of climate change. The beneficiaries include some 33,500 producers in business plans, of whom 12,000 are in federal agrarian reform settlements. In addition, 125,000 families in federal settlements will benefit from land titling, and 3,500 fruit producers in the pest-free area (ALP) of Rio Grande do Norte and Ceará and the Phytosanitary protection area (APF) of the São Francisco valley will benefit from phytosanitary improvements. During program execution, the information will be broken down to ascertain the number of women and Afro-descendant beneficiaries.

C. Key results indicators

- 1.32 **Expected outcomes.** The program impact indicators are: (i) increased income from beekeeping among farmers benefited by the virtual hub; (ii) increased income of producers benefited by business plans, including women farmers and those in *quilombola* communities; (iii) increased value of exports of gourd products produced in the fruit-fly-free area; and (iv) reduced costs of fruit fly control in properties registered for mango exports.
- 1.33 The expected outcome indicators for the program's specific objectives are as follows:

Table 1. Key outcome indicators

Specific Objective	Outcome
1. Increase the adoption of climate-smart agricultural technologies by integrating producers into value chains.	1.1 Increased annual honey production of producers benefited by business plans.
	1.2 Increased monthly milk production by producers benefited by business plans.
	1.3 Increased percentage of beekeepers who do not lose swarms between harvest periods.
	1.4 Increased percentage of fixed-location beekeepers who feed their colonies.
	1.5 Increased percentage of beekeepers replacing queen bees.
	1.6 Beneficiaries of increased resilience to disasters and the effects of climate change.
	1.7 Farmers with improved access to agricultural investments and services.
	1.8 Institutions with strengthened digital and managerial capacities.
	1.9 Percentage of financing in business plans that directly benefit women.
2. Increase legal certainty and environmental regularization of rural property.	2.1 Increased proportion of landowners in rural settlements in the Northeast who feel secure in their property rights.
	2.2 Increased area of rural properties registered in the CAR with analysis of environmental regularization carried out.
3. Improve the phytosanitary conditions of fruit farms.	3.1 Reduction in the annual mean indicator of fruit fly infestation in the APF.
	3.2 Reduced fruit fly damage suffered by small and medium producers in APF.
	3.3 Increased in total area declared fruit-fly-free (ALP).
	3.4 Number of producers registered for fruit exports in the Northeast.

- 1.34 **Economic viability.** The [economic analysis](#) consisted of estimating the benefits of the program through a cost-benefit analysis for Components 1 and 3, and a cost-effectiveness analysis for Component 2. The benefits considered in the cost-benefit analysis were: (i) increased income for beneficiary farms in Component 1, stemming from improved productivity and integration into value chains; (ii) higher sales value for beneficiary producers in Component 3; and (iii) lower pest control

costs for fruit producers in the APF. The results of the cost-benefit analysis, using efficiency prices and a 20-year horizon, confirm that the program is economically viable, with a net present value of US\$66.8 million and an internal rate of return of 20.2%. The Component 2 cost-effectiveness analysis compares a reasonable alternative to that of the program for issuing 125,000 property titles to settled families. The results suggest that the program makes it possible to issue a final title at a cost per parcel that is 6.9% lower than that of the current system.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The first individual operation of the CCLIP will be financed through a Specific Investment Loan of US\$270 million, of which US\$230 million will be financed from the Bank's Ordinary Capital resources and US\$40 million through a local contribution (Table 2).

Table 2. Estimated program costs (US\$ million)¹⁷

Components	IDB	Local	Total	%
Component 1. Development of economic opportunities in agricultural value chains	134.40	11.70	146.10	54.1
▪ Business plans - Local production arrangements	73.80	5.00	78.80	29.2
▪ Business plans in agrarian reform settlements	48.30	3.70	52.00	19.3
▪ Structuring actions to support the productive chains	12.03	3.00	15.30	5.6
Component 2. Titling and environmental regularization	56.60	18.64	75.24	27.9
▪ Land titling	46.60	15.00	61.60	22.8
▪ Environmental regularization	10.00	3.64	13.64	5.1
Component 3. Plant health	26.10	2.96	29.06	10.8
▪ Expansion of the pest-free area in Ceará and Rio Grande do Norte	1.00	0.16	1.16	0.4
▪ Strengthening of the São Francisco Valley phytosanitary protection area	25.10	2.80	27.90	13.4
Administration and management	12.90	6.70	19.60	7.2
▪ Administration and management	11.10	4.30	15.40	5.7
▪ Monitoring and evaluation	1.80	2.40	4.20	1.5
Total	230.00	40.00	270.00	100.0

- 2.2 The disbursement period will be six years, according to the characteristics of the activities envisaged in the proposal approved by the federal government (Table 3).¹⁸

¹⁷ The activity costs shown for each component are indicative.

¹⁸ Consultation letter approved by the External Financing Commission (COFLEX) of the Ministry of Economy through Resolution 21 of 29 July 2020.

Table 3. Tentative disbursement schedule (US\$ million)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	14.4	9.2	5.6	4.2	4.1	2.4	230.0
Local	17.4	32.4	57.5	60.2	45.0	17.6	40.0
% per year	11.8	15.4	23.4	23.9	18.2	7.3	100.0

2.3 **CCLIP eligibility criteria.** The CCLIP meets all the eligibility requirements applicable to the MM-II CCLIP under the CCLIP Policy (document GN-2246-13) and its Operational Guidelines (document OP-1622-3), since: (a) its objectives are among the following priority areas defined in the IDB Group Country Strategy with Brazil 2019-2022 (document GN-2973): (i) Promote national and international integration to boost productive capacity, through the strategic objective of integrating the less developed regions; (ii) Reduce social inequality and inequality of opportunities by enhancing public policy efficiency, by improving the quality and accessibility of agricultural services and rural infrastructure; (iii) Improve the business climate and reduce disparities in sustainable infrastructure for enhanced competitiveness, through investments in rural infrastructure; and (iv) Provide crosscutting support for the country's efforts to overcome the challenges of gender inclusion and diversity, environmental sustainability and adaptation to climate change, and innovation and digital transformation; and (b) the SAIN liaison entity is empowered to coordinate and monitor the flow of operations of each CCLIP sector.

2.4 **Eligibility of the first individual operation under the CCLIP.** The first operation meets the requirements specified in the CCLIP Policy (document GN-2246-13) and Operational Guidelines (document OP-1622-3), since: (i) a comprehensive assessment of the institutional capacity of MAPA and INCRA found that the two institutions have the capacity needed to execute the program, as well as areas for improvement; (ii) the operation's objective contributes to the achievement of the multisector objectives of the CCLIP, since it promotes the adoption of agricultural technologies through the integration of producers into value chains; (iii) the operation is included in the first agricultural services sector under the CCLIP; and (iv) it includes the actions to be undertaken in the areas for improvement identified in the institutional capacity assessment.

B. Environmental and social risks

2.5 In accordance with both the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703) and the preliminary environmental and social assessment, this is classified as a category "B" operation. Negative impacts are associated with the implementation, rehabilitation, or remodeling of basic or small-scale productive infrastructure included in the business plans. These could include: slaughterhouses; milk, cassava, or honey processing units; and the construction and upgrading of silos, hangars, and sales outlets, rural collective-use facilities, or hydrothermal treatment stations for fruit-fly control. The impacts identified will all be mainly localized and short-term; and effective mitigation measures are available.

2.6 The potential environmental impacts include the conversion and degradation of critical and noncritical natural habitats on a moderate level, owing to the expansion of farming areas; the generation of noise and vibrations, and emission of

- atmospheric pollutants by construction machinery; temporary production of solid, liquid, and gaseous waste, pesticides, or any other agrochemicals to improve production; and the removal and loss of organic soil. Potential social impacts include local traffic congestion caused by road works, increased insecurity among the population, and conflicts between the community and the workers because of the works to be undertaken, conflict with the beneficiary populations in the event of boundary problems in the titling processes, and the potential for workplace accidents and health risks for workers and communities arising from COVID-19.
- 2.7 No impacts on indigenous peoples or involuntary resettlement are foreseen. There is a moderate natural disaster risk, mainly due to drought. The design of the agricultural activities to be financed by the program will include measures to adapt to this threat, based on an evaluation of the specific conditions and risks of each situation. During preparation of the first operation under the CCLIP, which is a specific investment operation, an [environmental and social analysis](#) and an [ESMP](#), including a consultation plan, were prepared. The CCLIP has a strategic environmental and social assessment containing an environmental and social management framework ([SESA-ESME](#)) to be applied to the projects of subsequent CCLIP operations. In addition, clauses specifying environmental and social requirements will be written into the loan contract and the program Operating Regulations.
- 2.8 Consultations were held between 24 September and 13 October 2021. The topics raised by stakeholder groups included the importance of beneficiary participation in program execution and of considering the conservation and sustainable use of biodiversity. The report and final version of the social and environmental documents have been published on the Bank's website, taking account of the public consultation.
- C. Fiduciary risks**
- 2.9 Potential implementation delays were identified as a medium-high risk owing to insufficient management capacity to oversee the large number of procurement processes. To avoid this risk, the Inter-American Institute for Cooperation on Agriculture (IICA) will be contracted as a specialized agency, to support program management and the implementation of Component 1.
- D. Other key issues and risks**
- 2.10 The following additional risks were identified in the preparation stage:
- a. **Economic and financial execution environment.** A medium-high risk was identified that budget cuts, which have affected federal government entities in recent years, could hamper program activities, especially if the negative fiscal effects of COVID-19 are prolonged. To mitigate this, the Bank will maintain continuous dialogue and monitoring with federal government counterparts to reduce the impact on the program.
 - b. **Political environment.** A medium-high risk was identified that changes in the authorities, resulting from electoral processes (among other reasons), could alter the executing agency's priorities and lead to changes in the organizational structure and technical staff, thereby delaying execution. To mitigate this risk, the Bank will maintain ongoing dialogue to inform new authorities of the

features and benefits of the program; and training will be provided to technical personnel on key fiduciary and project management issues that are identified as necessary.

- c. **Interagency coordination.** A medium-high risk was identified in the potential for a lack of effective coordination between the different MAPA and INCRA agencies taking part in the program, both at the central level and in the intervention areas, which could impact the technical quality of outputs and the execution schedule. To mitigate this: (i) a program management unit (PMU) will be created under the Innovation, Sustainable Development, and Irrigation Department, which will be tasked with the overall management and coordination of the program; (ii) a formal cooperation agreement will be signed between MAPA and INCRA, specifying the terms and conditions for the transfer and use of the loan proceeds and responsibilities during program execution; and (iii) coordination committees will be set up at the central and state levels, consisting of technical representatives from the agencies involved in the implementation of program actions.
- 2.11 **Sustainability of the investments.** The business plans to be financed by the program will include the provision of technical assistance to enable producer organizations to strengthen their administrative and management capacities; and they will develop maintenance plans for the investments. The platforms that the program will finance to promote the digitalization of technology transfer processes for producers will generate greater efficiency and reduce the cost of technical assistance. The MAPA technology team will manage the centralized system, monitoring physical and cyber security, and developing maintenance and updating plans. The technology team will be reinforced with suitable technical and management staff with a commitment to long-term maintenance. Pest control programs supported by the program have been funded by the Brazilian government for many years; and, even in situations of severe recession and public expenditure cuts, they have not been affected. Moreover, the wages of MAPA and INCRA technical staff, who are important for the sustainability of all components given their knowledge-intensity, are fixed costs that are not subject to budget cuts.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The CCLIP counterpart and borrower in the first individual loan operation under the CCLIP will be the Federative Republic of Brazil, which will also serve as executing agency, through the Ministry of Agriculture and Supply (MAPA). The latter has performed well since 2019 as executing agency of the Program to Modernize and Strengthen Agricultural Health and Food Safety Services (loans 4723/OC-BR and 4732/OC-BR). The National Colonization and Agrarian Reform Institute (INCRA) will act as subexecuting agency of the cadastre and land titling activities in Component 2. The results obtained by the Institutional Capacity Assessment Platform (ICAP) indicate that MAPA and INCRA will need to strengthen their project management capacity, particularly in the technical, procurement, financial, and socioenvironmental safeguard areas (paragraph 2.4).

- 3.2 **Liaison institution.** In its capacity as CCLIP liaison institution, the SAIN will monitor the operation and its progress in fulfilling objectives and obtaining results, making recommendations where necessary.
- 3.3 **Program execution, administration, and coordination mechanisms.** Technical execution of the program will be carried out by MAPA units, including the SDI and the Family Farming Department (SAF) (Component 1), the Agricultural Protection Department (SDA) (Component 3), the SFB (environmental regularization of Component 2), and by INCRA (cadastre and titling activities in Component 2) or other agencies that assume similar legal authority and jurisdiction, with the Bank's no objection.
- 3.4 A PMU will be formed in the Territorial Projects Directorate of the MAPA's SDI and it will have technical teams in the MAPA departments and units to execute actions under the program (including the SFB) and INCRA. The PMU will coordinate technical execution, carry out administrative and financial management, and supervise and monitor program activities. It will have a basic team made up of a program director and the technical, administrative, and financial staff necessary to perform coordination and execution activities. It will also have the support of other MAPA units for legal, administrative, financial, accounting, procurement, and audit-related matters. The MAPA and INCRA technical support teams will also be strengthened at the central level and in the territories where the program will operate. The composition of INCRA's technical unit will be specified in the legal instrument it will sign with MAPA. MAPA will contract the IICA to support the management of Component 1 and to hire consultants to join the PMU (paragraph 3.9).
- 3.5 **Coordination mechanisms.** A Central Coordination Committee (CCC) will be established, made up of the PMU and representatives of the MAPA units performing activities under the program. The Central Coordination Committee will serve as the program's board of directors and deliberative body, tasked with defining strategic and institutional guidelines for program implementation, facilitating coordination between different MAPA units and other counterparts in planning and execution actions and approving the annual work plans. At the state level, the MAPA Superintendencies in each state will be responsible for program management and execution. In addition, state level coordination will be done through a state coordination committee, composed of representatives of units linked to MAPA that can contribute knowledge on their areas of responsibility (marketing and agricultural research), as well as other representatives that may be invited.
- 3.6 **Program Operating Regulations.** The execution arrangements will be described in detail in the program Operating Regulations, which will also define items including the following: (i) the execution mechanisms for the program and the business plans to be financed under Component 1; (ii) the criteria to be met by the business plans to be financed under Component 1, including beneficiary eligibility criteria, prioritization criteria, the maximum amounts to be financed in each business plan and per beneficiary, as well as ineligible investments; (iii) financial fiduciary management procedures, including disbursement procedures; (iv) accountability and execution supervision and monitoring mechanisms; (v) procurement procedures for contracting works, goods, and consulting services; (vi) environmental and social considerations; and (vii) integrity issues.

- 3.7 **Disbursement management.** Loan disbursements will be made in U.S. dollars in the form of advances of funds. Requests for advances should meet the liquidity needs of the program for a period of up to six months, as documented in the financial programming. For each advance (with the exception of the first), at least 80% of the funds previously advanced must be accounted for. The funds administered by the IICA for Component 1 activities will be transferred by MAPA periodically, in accordance with the program's financial schedule. The IICA will be required to report to MAPA on the use of these resources, on a timely basis.
- 3.8 **Procurement of works and services.** Procurement and contracting financed in whole or in part from the loan proceeds will adhere to the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) and with the provisions of the loan contract and the [procurement plan](#). Procurement may be supervised on an ex ante or ex post basis as indicated in the procurement plan. Procurement executed using the country system will be supervised through that system.
- 3.9 **Single-source selection.** The IICA will be contracted directly as a specialized contracting agency to provide technical support to program management and administer procurement and contracting under Component 1, involving a total of US\$165 million. The total estimated cost of this IICA contract is US\$8.25 million for the six years of execution. The IICA's main functions will be to: (i) provide support in consultant selection; (ii) support the management of procurement and contracting in business plans, in cases where the producers in question do not have an organization with adequate management capabilities; (iii) manage contracts; (iv) receive transfers from MAPA for the financial execution of Component 1 activities, as detailed in the program Operating Regulations; and (v) render accounts for all expenditures made with program funds. Direct contracting of the IICA is justified under the provisions of document GN-2350-15, paragraph 3.11(d), given this institute's exceptionally valuable experience, as demonstrated by its extensive knowledge and track record in implementing projects in association with MAPA.
- 3.10 **External audit.** The program's financial statements will be audited annually by the Office of the Comptroller General of the Union (CGU), which is responsible for external audit of federal government projects executed with external financing. The borrower will submit the audited financial statements to the Bank no later than 120 days after the close of each fiscal year. The final audited financial statements will be submitted no later than 120 days from the date of the final program disbursement.
- 3.11 Special contractual conditions precedent to the first disbursement of the loan: **(i) the [program Operating Regulations](#) will have been approved and have entered into force under terms previously agreed upon with the Bank; and (ii) a program management unit will have been created and its members appointed.** The first condition is necessary to ensure adequate program execution, since the Bank's experience in the region shows that gaining approval for the program Operating Regulations before the first disbursement contributes to the internal organization of the executing agency for the successful execution of

- the operation. The second condition is considered essential to assure the Bank that the executing agency will have an adequate team in place to start program execution.
- 3.12 Special contractual condition for execution: Before starting to execute activities in Component 2, a legal instrument between MAPA and INCRA will have been signed and entered into force, under terms previously agreed upon with the Bank. This condition is justified by the importance of formalizing legal and institutional arrangements for the duties of INCRA, which will act as the sub-executing agency of Component 2 of the program.
- 3.13 **Retroactive financing and recognition of expenses.** The Bank may recognize, as a charge against the local contribution, up to US\$4 million (10% of the estimated amount of the local contribution) in eligible expenses incurred by the borrower prior to the loan approval date. The expenses in question will relate to consulting and nonconsulting services needed for the preparation of the business plan, for cadastre strengthening, and for titling and environmental regularization. The expenses will abide by conditions substantially similar to those specified in the loan contract; and the contracting procedures will conform to the Basic Procurement Principles. They will have been incurred on or after 26 July 2021 (the Project Profile approval date), but under no circumstances more than 18 months before the date on which the loan was approved by the Bank's Board of Executive Directors.
- 3.14 **Maintenance.** In the first quarter of each year, during the original disbursement period or its extensions, the borrower, through the PMU located in MAPA, will submit an annual maintenance plan to the Bank, along with a report on the status of the equipment and works financed by all program components.
- B. Summary of arrangements for monitoring results**
- 3.15 The program has a [Monitoring and Evaluation Plan](#) that defines the following: (i) the indicator measurement methodology; (ii) the impact evaluation methodology; (iii) the data requirements; and (iv) the responsible entities and the estimated budget.
- 3.16 **Monitoring.** No later than 60 days after the end of each six-month period during the original disbursement period or extensions thereof, the borrower, through the PMU located in MAPA, will send the Bank a report on the progress of activities, which will include the information needed to complete the progress monitoring report based on the Results Matrix indicators. The borrower, through the PMU, will put in place management systems containing the information needed to monitor and track the progress monitoring report.
- 3.17 **Evaluation.** The program's midterm evaluation will be submitted to the Bank by the borrower within 90 days following the date on which 50% of the loan proceeds have been disbursed, or when 36 months have elapsed since the loan contract's effective date, whichever occurs first. The final program evaluation will be submitted to the Bank within 90 days following the date on which 95% of the loan proceeds have been disbursed. These evaluations will be performed following the Bank's Project Completion Report guidelines. The borrower will be responsible for implementation of the activities indicated in the [Monitoring and Evaluation Plan](#). The final evaluation report will include the results of the program impact evaluation, which will combine the quasi-experimental method of differences-in-differences with an instrumental variable to evaluate the impacts on the adoption of new

technologies of the virtual hub, and of a beekeeping business plan in Piauí state, as well as the effects on productive yields and agricultural income in the beneficiary farms. The impact evaluation will be financed with loan proceeds allocated for the program's administration and management.

Development Effectiveness Matrix		
Summary BR-O0008 & BR-L1562		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Farmers with improved access to agricultural services and investments (#) -Beneficiaries of enhanced disaster and climate change resilience (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	Impulsar la integración internacional y nacional para incrementar la capacidad productiva
Country Program Results Matrix	GN-3034-2	The intervention is included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.1
3.1 Program Diagnosis		1.1
3.2 Proposed Interventions or Solutions		1.9
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, External Control, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	A TC for operational support (BR-T1485) was approved in August 2021.

This is the first operation of the CCLIP whose objectives are to improve the productivity of the agricultural sector, income, and access to basic services in rural Brazil. The general objectives of the first individual loan operation under the CCLIP are to improve income and access to markets in the agricultural sector of the Northeast Region. The specific objectives are: (i) to increase the adoption of climate-smart agricultural technologies by integrating producers into value chains; (ii) increase legal security and environmental regularization of rural property; and (iii) improve the phytosanitary conditions of fruit farms.

In general, the diagnosis is adequate, although the factors that contribute to some of the problems are not fully developed and validated with evidence. The results matrix exhibits vertical logic with clear specific objectives and SMART result indicators that allow demonstrating compliance. The economic analysis consisted of estimating the benefits of the program through a Cost Benefit Analysis (CBA) for Components 1 and 3, and a Cost Effectiveness Analysis (ACE) for Component 2.

The program has a Monitoring and Evaluation Plan that specifies: (i) the indicator measurement methodology; (ii) the impact evaluation methodology; (iii) data requirements; and (iv) those responsible and the estimated budget. The impact evaluation of the program will combine the quasi-experimental method of differences in differences with an instrumental variable to evaluate the impacts on the adoption of new technologies.

RESULTS MATRIX

Objective of the CCLIP:	To increase productivity and resilience in the agriculture sector, boost incomes, and expand access to basic services in rural Brazil.
General program objective:	To improve incomes and market access in the agriculture sector of the Northeast region, helping to increase the competitiveness of regional agriculture, including livestock.
Specific objectives:	(i) To increase the adoption of agricultural technologies, including those for climate change adaptation and mitigation by integrating producers into value chains; (ii) To strengthen the legal certainty and environmental regularization of rural property; (iii) To improve phytosanitary conditions on fruit farms.

EXPECTED IMPACT								
Indicators		Unit of measure	Baseline		Targets		Means of verification	Comments
			Value	Year	Value	Year		
I.1	Annual agricultural income of beekeepers benefited by the virtual hub	R\$/year/producer	2,625	2021	3,247	2026	Impact assessment	Baseline: Information provided by apiculture cooperatives in Piauí. Target: 23.7% expected increase (see Rocha Junior et al., 2020).
I.2	Annual income of beekeepers benefited by business plans	R\$/year/producer	2,993.08	2021	4,031.68	2026	Impact assessment	Baseline: Data from the National Family Farming Program (DAP). Target: Assumes a 34.7% increase (see Bravo-Ureta, 2015).
I.2a	Annual income of female beekeepers benefited by business plans		2,134.60	2021	2,875.31	2026		
I.2b	Annual income of Quilombola beekeepers benefited by business plans		2,877.56	2021	3,876.07	2026		
I.3	Annual income of male dairy farmers benefited by business plans	R\$/year/producer	6,601.73	2021	8,892.53	2026	National Agriculture Strengthening Program (PRONAF) – Declaration of Fitness for the National Family Farming Program (DAP)	
I.3a	Annual income of female dairy farmers benefited by business plans		6,601.73	2021	7,485.60	2026		
I.3b	Annual income of Quilombola producers benefited by business plans		5,742.25	2021	7,734.81	2026		
I.4	Annual value of cucurbit exports produced in the pest-free area (ALP)	US\$ million/year	160.38	2019	194.74	2026	Ministry of Agriculture and Supply (MAPA) reports	Baseline: Melon export value in 2019 (MAPA AgroStat). Target: The production value of the expected expansion area (1,600 ha yielding 33.7 tons/ha) is added to the baseline value.
I.5	Fruit fly control costs on registered mango exporting properties	R\$/ha/year	3,986	2020	2,834	2026	Annual survey (see Optional link 2)	Baseline: Information obtained by the State of Pernambuco Agricultural Protection and Inspection Agency (ADAGRO) Target: Includes a reduction in the costs of insecticide procurement and labor to apply it.

EXPECTED OUTCOMES							
Expected outcomes	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
Specific Objective 1: To increase the adoption of agricultural technologies, including those for climate change adaptation and mitigation, by integrating producers into value chains							
1.1 Annual honey production of producers benefited by business plans	kilograms/year/producer	150	2021	600	2026	Semiannual progress report	Honey producers integrated into value chains with an average of 5 hives x 30kg of honey, rising to 15 hives x40kg honey.
1.2 Monthly milk production of producers benefited by business plans	liters/month/producer	1,500	2021	4,500	2026	Semiannual progress report	Milk producers integrated into value chains with an average of 5 cows x10 liters of milk, rising to 7.5 cows x20 liters of milk.
1.3 Percentage of beekeepers who do not lose swarms between harvest periods	%	40	2021	48.8	2026	Beekeeping hub impact assessment	Baseline: based on information from beekeeping cooperatives in Piauí. Target: 22% increase expected (Fabregas et al., 2019). In contrast to migratory apiculture, fixed-location apiculture keeps the colonies in the apiaries throughout the year. The technologies referred to are considered climate-smart.
1.4 Percentage of fixed-location beekeepers who feed their colonies	%	10	2021	12.2	2026		
1.5 Percentage of beekeepers not replacing queen bees	%	99.8	2021	77.8	2026		
1.6 Beneficiaries of increased resilience to disaster and climate change	Beneficiaries	0	2021	112,100	2026	Semiannual progress report	Contribution to CRF 2020-23 indicator 2.20: <ul style="list-style-type: none">▪ Business plans: 33,600▪ Environmental regularization: 75,000▪ Plant health (Phytosanitary protection area –APF): 3,500 See Optional link 6 for further information on how each subcomponent contributes to resilience. The beneficiaries' gender and ethnicity will be monitored for the purpose of disaggregated statistics.
1.7 Farmers with improved access to agricultural investments and services	Farmers	0	2021	162,100	2026	Semiannual progress report	Contribution to CRF 2020-23 indicator 2.11: <ul style="list-style-type: none">▪ Business plans: 33,600;▪ Land titling and environmental regularization: 125,000;▪ Plant health (APF): 3,500 The beneficiaries' gender and ethnicity will be monitored to produce a statistical breakdown.

Expected outcomes	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
1.8 Institutions with strengthened digital and managerial capacities	Institution	0	2021	2	2026	Implemented systems	Includes contribution to CRF 2020-23 indicator 2.26 MAPA (creation of virtual hubs), and National Colonization and Agrarian Reform Institute (INCRA) (creation of the dynamic analysis module).
1.9 Percentage of financing in business plans that directly benefit women	%	19.8	2021	29.7	2026	Semiannual progress report	Baseline: Based on the average annual financing of the National Program to Strengthen Family Agriculture (PRONAF) received by women producers in the Northeast region during the 2017-2021 period (Central Bank of Brazil, 2021). Target: An increase of 50% over the baseline is expected.
Specific Objective 2: To strengthen the legal certainty and environmental regularization of rural property							
2.1 Proportion of landowners in rural settlements in the Northeast who feel secure in their property rights	%	63.2	2018	84.8	2026	Survey of perceptions of security of tenure	Baseline: According to the Global Property Rights Index for people without property documentation living in rural areas in Brazil (Prindex, 2018). Target: Same source, for rural landowners with official property documentation.
2.2 Area of rural properties registered in the Rural Environmental Cadastre (CAR) with environmental regularization analysis performed	Hectare	0	2021	1,000,000	2026	Verification of CAR entries	Assumptions: As state environmental agencies are responsible for the CAR analysis phase, obtaining the indicator depends on their capacities and the priority they give to the planned actions. Target: Environmental regularization of 75,000 land parcels, with an average area/settlement of 21.8 ha; up to 40% qualify as collective areas that are not part of the individual titled parcel.
Specific Objective 3. To improve phytosanitary conditions on fruit farms							
3.1 Annual average fruit fly infestation rate in the APF	Annual average number of flies per trap per day (FTD)	6.2	2021	1.5	2026	Annual Report of the Plant Health Department (DSV)	Source: Ortiz Moreno (2021)
3.2 Fruit fly damage suffered by small and medium-scale producers in the APF	% of production	8.6	2021	2.0	2026	DSV Annual Report	Source: Ortiz Moreno (2021)

Expected outcomes	Unit of measure	Baseline		Targets		Means of verification	Comments
		Value	Year	Value	Year		
3.3 Total area declared fruit-fly-free (ALP)	Square kilometers	23,015	2021	27,336	2025	Pest-free area declaration with international or bilateral recognition	Target: ALP surface area after enlargement and recognition. Pest-free area means at least 12 continuous months without the pest being detected by surveillance systems.
3.4 Number of producers registered for fruit exports in the Northeast	Exporters	78	2021	102	2026	Producer registrations with state agricultural protection agencies	ALP: registration is required to obtain the pest-free area certificate of origin. AFP: it is necessary to report an FTD<1 in the risk mitigation system. Target: 30% increase is proportional to the expansion of the area based on current demands for phytosanitary certification for fruit exports.

OUTPUTS

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Target	Means of verification	Comments
Component I: Development of economic opportunities in agricultural value chains											
Subcomponent 1.1: Local production arrangements in priority territories											
Output 1.1.1: Plans with diagnostic assessments and strategies for value chain development prepared	Plans	0	12	6	0	0	0	0	18	Annual report of the AgroNordeste state coordinating committees	
Output 1.1.2: Local production arrangement projects prepared	Local production arrangement project	0	14	54	22	0	0	0	90		
Output 1.1.3: Local production arrangement projects implemented	Local production arrangement project	0	5	15	48	12	0	0	80	Annual program performance report	
▪ Milestone 1: Families served by local production arrangement projects in prioritized territories	Families	0	3,240	16,200	21,600	21,600	21,600	21,600	21,600		
▪ Milestone 2: Producer organizations served	Organizations	0	12	60	68	80	80	80	80		
Subcomponent 1.2: Support for the <i>Produzir Brasil</i> program											
Output 1.2.1: Business plans in settlements prepared	Business plans	0	8	40	80	80	92	0	300	Semiannual progress report	

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Target	Means of verification	Comments
Output 1.2.2: Business plans in settlements implemented	Business plans	0	0	8	40	80	80	92	300	Semiannual progress report	
▪ Milestone 1: Integrator business expansion plans prepared and executed	Plans	0	12	30	60	40	18	0	160	Semiannual progress report	The integrator is the company / cooperative that markets the produce and provides technical assistance and inputs to the producers within the business plan.
▪ Milestone 2: Families served by executed business plans	Families	0	0	220	2,000	4,000	4,000	1,780	12,000	Semiannual progress report	Assumes an average of 40 families per settlement plan.
▪ Milestone 3: Enterprises in settlements with business plans implemented	Companies	0	12	60	120	120	138	0	450	Semiannual progress report	Examples: Legal reserve management companies; Casa de Mel; cheese factories, etc.
▪ Milestone 4: Proposals for the provision of public goods and services implemented	Proposals	0	0	14	16	36	32	36	134	Semiannual progress report	
Subcomponent 1.3: Structural actions in support of productive development											
Output 1.3.1: Institutional strengthening projects implemented in government agencies	Projects	0	0	0	0	11	0	0	11	Annual report of the project management unit (PMU)	
Output 1.3.2: Strategic studies undertaken	Studies	0	0	6	11	11	2	0	30	Study published in the AgroNordeste Program Library	
▪ Milestone 1: Prospecting studies on economic opportunities and barriers to development undertaken	Studies	0	0	5	9	9	2	0	25		
▪ Milestone 2: Diagnostic assessments and studies to identify gender equality opportunities undertaken	Studies	0	0	1	2	1	0	0	4		

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Target	Means of verification	Comments
Output 1.3.3: Projects to develop and validate technologies and good agricultural practices supported	Projects	0	5	15	15	10	5	0	50	Approval of program support	
Output 1.3.4: Virtual hubs on agricultural issues implemented	Virtual hubs	0	2	6	0	0	0	0	8	Hub website available	
▪ Milestone 1: Information architecture developed	Architecture	0	1	0	0	0	0	0	1	Website created and available	
▪ Milestone 2: Database system and platform unified	Unified system	0	1	0	0	0	0	0	1	Document with the finalized databases	
▪ Milestone 3: Structure and website prepared for each hub with relevant technical material	Websites	0	2	6	0	0	0	0	8	Website available	
Component II: Land titling and environmental regularization											
Subcomponent 2.1: Strengthening of the National Rural and Environmental Cadastre System											
Output 2.1.1: Single territorial governance system developed and implemented	Unified system	0	1	0	0	0	0	0	1	Functioning verified by INCRA	
Output 2.1.2: INCRA regional mobile Internet units connected to cadastre and titling systems	Regional units	0	6	7	0	0	0	0	13	Functionality of the unit's connection and equipment verified by INCRA	
Output 2.1.3: Civil servants and users trained to operate or consult the computer systems used in titling processes	People	0	0	500	500	1,000	1,000	1,000	4,000	INCRA training list	
Subcomponent 2.2: Land titling											
Output 2.2.1: Land parcels, settlements, and land reform projects with georeferenced boundaries certified	Parcels	0	500	5,000	25,000	30,000	11,500	500	72,000	Certified parcels	
Output 2.2.2: Families with valid use concession contracts settled	Settled families	0	20,000	30,000	40,000	10,000	10,000	5,000	115,000	Use concession contracts available for the family	
Output 2.2.3: Families with registered title deeds or real right of use concession (CDRU) settled	Settled families	0	5,000	15,000	20,000	30,000	30,000	25,000	125,000	Title delivered to family and registered	

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Target	Means of verification	Comments
Subcomponent 2.3: Environmental regularization											
Output 2.3.1: Rural Environmental Cadastre System (SICAR) strengthened	SICAR	0	0	0	1	0	0	0	1	Operation confirmed by the Brazilian Forest service (SFB)	Strengthened through software upgrades, equipment purchases, and the introduction of randomized analysis in the states.
Output 2.3.2: CAR dynamic analysis module developed and functional for use by the states	Dynamic analysis module	0	0	3	5	3	0	0	11	Reception of the dynamic analysis module by the government	
Output 2.3.3: Government officials trained in the use of the CAR dynamic analysis module	Officials	0	150	150	150	0	0	0	450	SFB training list	
Output 2.3.4: Individual or collective parcels of settled National Agrarian Reform Program (PNRA) families registered in SICAR	Cadastral parcels	0	5,000	15,000	20,000	30,000	30,000	25,000	125,000	Registered parcel	
Output 2.3.5: Individual Agrarian Reform settlement parcels analyzed for environmental regularization	Agrarian reform parcels analyzed	0	5,000	15,000	20,000	30,000	30,000	25,000	125,000	CAR registrations analyzed	Depends on effective analysis of the CAR by government agencies.
Output 2.3.6: Residents informed of the environmental regularization process	Settled	0	5,000	15,000	20,000	30,000	30,000	25,000	125,000	Register of participation in awareness campaigns	Awareness campaigns by INCRA with regularized settlers only.
Component III: Plant health											
Subcomponent 3.1: São Francisco river valley phytosanitary protection area (APF)											
Output 3.1.1: Official monitoring network traps installed and checked	Traps	3,282	5,645	5,645	5,645	5,645	5,645	5,645	5,645	APF program annual reports	Baseline: 3,282 traps installed and checked by the exporting sector.
Output 3.1.2: Fruit fly suppression and prevention area expanded	Ha	11,000	11,000	25,101	63,746	70,975	70,975	70,975	70,975	APF program monthly and	The higher with SIT, the lower the

Outputs	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Target	Means of verification	Comments
▪ Milestone 1: Suppression area with integrated fruit-fly management (IFFM) but without sterile insect technique (SIT)	Ha	11,000	11,000	25,101	63,746	63,746	59,175	14,700	14,700		
▪ Milestone 2: Suppression area with SIT	Ha	0	0	0	0	7,229	11,800	56,275	56,275		
Output 3.1.3: Sterile flies produced and released	Millions of sterile flies / year	0	0	0	0	0	1,125	6,752	6,752	Monthly and annual reports issued by Moscamed Biofactory and the APF program	
Output 3.1.4: Population trained through education and communication campaigns	Number of individuals	0	1,000	1,500	1,000	1,000	900	0	5,400	Awareness campaign participant list	
Output 3.1.5: Private and official technicians trained in fruit-fly monitoring, control, and prevention methods	Technicians trained	0	50	100	200	100	50	0	500		
Subcomponent 3.2: Chapada de Apodi pest-free area (APF)											
Output 3.2.1: Operational control barriers in place and functioning	Control barriers	11	15	15	15	15	15	15	15	Report of delivery of barriers installed and operational	
Output 3.2.2: Preventive traps of the official monitoring program installed and inspected	Traps	40	80	80	80	80	80	80	80	Monthly monitoring reports	
Output 3.2.3: Private and public sector professionals trained in quarantine control and fruit-fly prevention and eradication methods	Professionals	0	30	50	50	50	50	50	280	Reports of training events held for technical-professional personnel	

Country: Brazil

Division: RND

Operation number: BR-L1562

Year: 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Federative Republic of Brazil, through its Ministry of Agriculture and Supply (MAPA).

Project name: Program to Support Agricultural Development in the Northeast (AgroNordeste).

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country system in the operation (Any system or subsystem that is subsequently approved could be applicable to the operation, subject to the terms of the Bank's validation).

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National Competitive Bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/> Particular features of fiduciary execution	The program management unit (PMU) will have a financial management coordinator assigned exclusively to the program. In addition, the MAPA is expected to contract the Inter-American Institute for Cooperation on Agriculture (IICA) for the selection and hiring of consultants to join the PMU and support the permanent technical staff of the various MAPA areas and the National Colonization and Agrarian Reform Institute (INCRA).
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional evaluation for the program's fiduciary management was based on: (i) the country's current fiduciary context; (ii) the results of the evaluation of the main fiduciary risks; (iii) the institutional analysis; (iv) previous experience in implementing similar programs (loans 4723/OC-BR and 4732/OC-BR – Program to Modernize and Strengthen Agricultural Health and Food Safety Services); and (v) working meetings held with the Bank's project team, the executing agency, and other government authorities. The evaluation concluded that the executing agency would need to strengthen its financial management and procurement capacity; and the PMU will be formed for this purpose.
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4. Fiduciary risks and mitigation actions

Risk taxonomy	Risk	Risk level	Mitigation
Procurement	Potential execution delays owing to insufficient managerial capacity	Medium-high	Recruitment of a specialized agency (IICA) to support program management and the implementation of Component 1.

5. Policies and guidelines applicable to the operation: Documents GN-2349-15 and GN-2350-15.

6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement
The exchange rate agreed upon with the executing agency to be used when accounting for loan advances will be the internalization rate. To determine the equivalence of the reimbursement of expenses charged against the loan, or of expenses incurred in domestic currency charged to the local counterpart, the agreed-upon exchange rate will be the buying rate set by the Central Bank of Brazil on the day before the reimbursement request or expenditure justification is actually submitted to the Bank.
During program execution, annual audited financial statements will be submitted to the Bank no later than 120 days after each fiscal year-end. The external audit will be performed by the Office of the Comptroller General of the Union (CGU), which is responsible for external auditing of federal government projects executed with external financing. The final audited financial statements will be submitted no later than 120 days from the date of the final program disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The procurement of works, goods, and nonconsulting services, executed in accordance with the Bank's procurement policies (document GN-2349-15) and subject to international competitive bidding, will use the Bank's standard bidding documents (SBD) or those agreed upon between the executing agency and the Bank for the procurement in question. Similarly, consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15), using the standard request for proposals (RFP) issued by the Bank, or as agreed upon between the executing agency and the Bank for the selection in question.
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<input checked="" type="checkbox"/>	Single-source selection (SSS)	The IICA will be contracted directly as a specialized contracting agency to provide technical support to program management and manage the procurement and contracting required in Component 1, for an estimated total amount of US\$165 million. The total estimated cost of this IICA contract is US\$8.25 million over the six years of execution. Direct contracting is justified in this case by the exceptional value of IICA's experience, as provided for in document GN-2350-15, paragraph 3.11(d).		
<input checked="" type="checkbox"/>	Advance procurement – Retroactive financing	The Bank may recognize, as a charge against the local contribution, up to US\$4 million (10% of the estimated amount of the local contribution) in eligible expenses incurred by the borrower prior to the loan approval date. The expenses in question will relate to consulting services (preparation of business plans in Component 1, products for titling and environmental regularization). The expenses will abide by conditions substantially similar to those specified in the loan contract; and the contracting procedures will conform to the Basic Procurement Principles. In addition, they will have been incurred on or after 26 July 2021 (the project profile approval date), but under no circumstances more than 18 months prior to the date on which the loan was approved by the Bank's Board of Executive Directors.		
<input checked="" type="checkbox"/>	Procurement supervision	Supervision will be performed on an ex post basis, except in cases where ex ante supervision is justified. Procurement processed through the country system will be supervised through that system. The supervision method to be used will be determined separately for each selection process. Ex post reviews will be performed in accordance with the project supervision plan, which may be altered during execution. The threshold amounts for ex post review are as follows:		
		Works	Goods/services	Consulting services
		US\$25 million	US\$5 million	US\$1 million

Main procurement items

Description of the procurement	Selection method	Estimated date	Estimated amount (US\$ thousand)
Nonconsulting services			
Georeferencing of 500 INCRA settlement projects	National competitive bidding (NCB)	2022-II	3,400
Support service for the issuance, registration, and delivery of title deeds	NCB	2022-III	3,000

Description of the procurement	Selection method	Estimated date	Estimated amount (US\$ thousand)
Firms			
Preparation of business plan projects (phase 1)	Quality- and cost-based selection (QCBS)	2022-I	1,600
Preparation of business plan projects (phase 2)	QCBS	2023-III	2,000
Specialized contracting agency	SSS	2022-II	8,250

The 18-month procurement plan can be accessed [here](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budgeting	The program's annual programming and budget will be prepared by the Innovation, Sustainable Development, and Irrigation Department (SDI), in coordination with the MAPA General Budget and Financial Execution Coordination Unit. The annual budget proposal allocated to the program will be incorporated into the Union's general budget and will be entered into the federal government's integrated financial management system (SIAFI). The program's resources will be executed through the annual SDI allocation, which during the course of each fiscal year will decentralize budget appropriations to the various departments (the Agricultural Protection Department (SDA), the Family Farming Department (SAF) and MAPA bodies (Brazilian Forest Service (SFB) and INCRA) involved in program execution.
<input checked="" type="checkbox"/>	Cash and disbursement management	<p>Disbursements will be made in U.S. dollars in the form of advances of funds. The value of the advances will be determined by a projection of financial execution for up to 180 days. For advances subsequent to the first one, it will be necessary to render accounts for at least 80% of the total amount previously advanced and not yet justified. The amounts advanced by the Bank will be administered by the PMU through an exclusive subaccount for the program, within the National Treasury Single Account.</p> <p>The funds administered by the IICA under the Technical Cooperation Project (TCP) signed with MAPA for the implementation of Component 1 activities, as provided for in the program Operating Regulations, will be transferred by MAPA periodically, in accordance with the financial schedule for the activities under Component 1. These funds will be managed by the IICA through a bank account used exclusively for such purposes. The IICA will be required to render account to the PMU, on a timely basis, on the expenditures made with the loan proceeds. For the purposes of recording in the program's accounts, these expenditures will be considered "Investments," once: (1) the IICA has made the</p>

		corresponding payments to the consultants, suppliers, contractors, or beneficiaries (individuals or legal entities) of the activities under Component 1; (2) the IICA has rendered account to the PMU for the financial execution of these activities; and (3) the PMU has included them in the expenditure justifications sent to the Bank. The PMU will be required to regularly monitor and reconcile the bank account used to administer the loan proceeds under this TCP.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The SDI and other MAPA agencies and departments involved in the financial execution of the program will use the SIAFI for budget execution, financial execution, and the accounting records of program activities. The SIAFI makes it possible to generate the financial reports required by the Bank for disbursement requests and rendering of accounts. Nonetheless, the IICA will use its own financial information system to record the financial execution of the activities for which it is responsible.
<input checked="" type="checkbox"/>	Internal control and internal audit	The Federal Internal Control Secretariat (SFC), which is linked to the CGU, is tasked with leading and implementing the federal government's internal control system. In addition, MAPA has a Special Internal Control Advisory Unit to advise and support the Ministry's management units in complying with the internal control guidelines and directives established by the CGU. The MAPA internal audit reports issued by the CGU are available on its institutional website.
<input checked="" type="checkbox"/>	External control and financial reporting	The program's external audit will be performed by the CGU. During execution, audited financial statements will be submitted annually, no later than 120 days after each fiscal year-end. Final audited financial statements will be submitted no later than 120 days after the date of the last disbursement. It should be noted that, under the TCP agreement to be concluded between IICA and MAPA, the CGU will have access to all systems, records, and documentation related to the implementation of Component 1 activities.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The operation requires ex post financial supervision of disbursements, the inputs for which will come mainly from audited financial reports. Desk reviews will also be conducted on an ongoing basis, through the analysis of disbursement requests from the executing agency. In addition, virtual and/or face-to-face fiduciary supervision meetings will be held annually.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Brasil. Conditional Credit Line for Investment Projects (CCLIP) for the Sustainable Development and Agriculture Program (BR-O0008)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Federative Republic of Brazil, to establish the Conditional Credit Line for Investment Projects (CCLIP) for the Sustainable Development and Agriculture Program (BR-O0008) (the "Line") for an amount of up to US\$1,200,000,000 chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual loan operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on __ _____ 2021)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Brazil. Loan ____/OC-BR to the Federative Republic of Brazil. Program to Support Agricultural Development in the Northeast (AgroNordeste). First Individual Loan Operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0008 – Sustainable Development and Agriculture Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Federative Republic of Brazil, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Program to Support Agricultural Development in the Northeast (AgroNordeste), which constitutes the first individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) BR-O0008 – Sustainable Development and Agriculture Program, approved by Resolution DE-___/21 on __ ____ 2021. Such financing will be for the amount of up to US\$230,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2021)