

TC Document/Appendice

I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	Beyond Extraction (Phase II): value chain strengthening around mining in Minas Gerais
▪ TC Number:	BR-T1490
▪ Team Leader/Members:	Nunes Da Cunha, Natascha (INE/INE) Team Leader; Sucre Pantin, Carlos Gustavo (INE/INE) Alternate Team Leader; Aldaz Guallart, Miguel (ORP/REM); Aleman, Marco Andres (VPC/FMP); Arguello, Marlene Zoraida (VPC/FMP); Brusatin Cadavid, Nicola (INE/INE); De Freitas Severino, Ligia (CSC/CBR); Gouvea Gomes, Livia (SCL/LMK); Irazabal Briceno, Irene (INE/INE); Verissimo Da Silva, Carolina (LEG/SGO); Walter, Martin (INE/CCH)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	
▪ Date of TC Abstract authorization:	29 Mar 2021.
Beneficiary:	Associação Technoserve Brasil and the Municipalities of Conceição do Mato Dentro, Serro, Dom Joaquim, Alvorada de Minas, and Congonhas do Norte through Associação Technoserve Brasil
▪ Executing Agency and contact name:	Associacao Technoserve Brasil
▪ Donors providing funding:	OC Strategic Development Program for Infrastructure(INF)
▪ IDB Funding Requested:	US\$600,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	1 August 2021
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	INE-Infrastructure and Energy Sector
▪ Unit of Disbursement Responsibility:	CSC/CBR-Country Office Brazil
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability; Gender equality

II. Objectives and Justification of the TC

- 2.1 The Beyond Extraction II project aims to increase socioeconomic benefits for entrepreneurs and the labor force in the areas of influence of mining operations in Brazil, with a focus on Small and Medium Enterprises (SMEs) and youth. In the aftermath of the COVID-19 pandemic, the program will support the reactivation of economic activities in the targeted communities by (i) strengthening key value chains and productive sectors that can significantly contribute to economic recovery and have a multiplier effect; and (ii) promoting labor market efficiency. The program will deploy a systemic approach and engage with public and private sector actors that have the incentives and influence to impact the entire ecosystem, providing them with innovative tools to grow their businesses and better leverage the local labor market.

- 2.2 The Beyond Extraction II Program (Crescer 2.0 in Brazil) will leverage lessons learned from the successful implementation of the Beyond Extraction Program from 2016 to 2020 (RG-M1300, BR-T1337), which was a collaborative effort between the IDB, Anglo American and Technoserve¹, to further scale impact investment efforts, through innovative technologies and methodologies in Brazil, Chile and Peru. It will also draw from knowledge and projects from other government, private, and civil society organizations and initiatives that aim at enhancing the region's competitiveness by leveraging mining investments.
- 2.3 The COVID-19 pandemic has led to plummeting incomes for millions of people and businesses around the world. The impact of the pandemic on vulnerable youth, smallholder farmers² and entrepreneurs is particularly strong, as these groups face severe challenges to leverage profitable opportunities, putting them on a downward income-investment-production trajectory. In the state of Minas Gerais, GDP fell by 3.9%³ and unemployment increased to 12.5%⁴ in 2020. Moreover, unemployment rate reached 31% during the first quarter of 2021 among youth between 18 and 24 years of age⁵. Although, Brazil is a global leader in the mining sector and associated investments are major drivers of economic activity in rural areas, mining provides only 4% of formal jobs in the area of influence and has a limited duration. Conversely, services generate 40% of the jobs; agriculture, livestock and agroindustry generate 7% of jobs, and public administration generates 18% of the jobs⁶. The next phase of this partnership in Brazil will aim to improve competitiveness and performance of SMEs, smallholder farmers, and their market systems, of youth, and of relevant local institutions for sustainable economic growth in mining communities, by working through three components: (i) strengthening strategic value chains; (ii) developing youth skills and employability; and (iii) managing knowledge to influence public policies.
- 2.4 The program aims to contribute to the inclusive and sustainable socioeconomic recovery, development and diversification of the population surrounding mining operations in the state of Minas Gerais to recover from the COVID19 recession and reduce the economic dependence on the mining sector. Specifically, its goal is to increase economic benefits of smallholder farmers and small and medium enterprises (SMEs) in selected value chains like tourism and dairy, and of youth in mining communities of Minas Gerais.
- 2.5 Moreover, the program will invest in strengthening local institutions and local partners to ensure long-term sustainability of the program's impact, as well as in knowledge

¹ Heshusius, K. (2020). [Beyond Extraction: Economic Opportunities in Mining Communities: Case Study of a Regional Local Economic Development Program in Brazil, Chile, and Peru \(2016-2020\)](#). Washington DC.

² Smallholder farms are generally 2 hectares in size.

³ João Pinheiro Foundation, Regional Accounts Newsletter: Minas Gerais GDP 4th quarter of 2020, presented on Monday, March 15, 2021.

⁴ Brazilian Institute of Geography and Statistics (IBGE). Employment tables by Federation Unit, 4th quarter 2020. Link <https://bit.ly/3ySkC1Q>

⁵ Brazilian Institute of Geography and Statistics (IBGE). Continuous National Household Sample Survey (PNAD), First Quarter 2021. Page 33. Link: <https://bit.ly/36CZGQI>

⁶ Anglo American, Ergo Strategy Group and Universidade Federal de Viçosa. Cooperative Regional Development Study, Minas Gerais. "Diagnostic and identification of initial regional economic opportunities!". Brazil. April, 2020.

management to capture and systematize the lessons learned into implementable best practices. It will also develop knowledge products that will be shared with local governments and key stakeholders to ultimately influence public policies in sectors where the program will intervene.

- 2.6 This TC is consistent with the [Second Update of the Institutional Strategy: Development solutions that Reignite Growth and Improve Lives \(AB-3190-2\)](#) with its overarching objectives of reducing poverty and inequality and fostering sustainable growth, with a focus on promoting development solutions by leveraging the private sector's critical role in the region. The TC addresses the following development challenges: (i) social inclusion and equality, by supporting the development of lifelong skills in vulnerable communities, the incorporation of companies into value chains, facilitating access to new markets for products and local services; and (ii) productivity and innovation, through the development of quality human capital in vulnerable segments of the population. The TC is also aligned with the cross-cutting areas of (a) gender equality and diversity, by promoting employment opportunities for with a focus on women – in the area of influence, women represent 54% of those unemployed⁷; and (b) climate change and environmental sustainability by implementing programs that advance climate-smart agriculture.
- 2.7 The project is also aligned with the objectives established in the [IDB Group Strategy with Brazil \(2019-2022\)](#) insofar as it contributes to the strategic objectives of (i) promoting greater economic competitiveness by advancing entrepreneurship, innovation, or productivity growth; (ii) reducing social inequality and inequality of opportunity, specifically through raising the performance of the public job placement system helping to boost the efficiency of education through “the development of institutions and tools to improve efficiency and equity of access, attention to market demand for vocational and technical skills, and access to innovative private-sector technologies that provide novel educational solutions”; and (iii) increasing the role of the private sector by improving the quality of the business environment, thus adding to the country's efforts to achieve sustainable economic growth. The TC also touches upon the crosscutting themes of (a) gender inequality, with efforts geared at increasing and improving the participation of women in business opportunities throughout the mining value chain, as well as; (b) environmental sustainability and climate change, by implementing climate smart agriculture training for minas artisanal cheese producers.
- 2.8 Additionally, the project is aligned with the [Extractive Industries Sector Framework Document](#), in its second line of action, which seeks to promote socio-environmental sustainability, shared value generation, integration, and economic diversification by the extractive industries, through the strengthening of SMEs and the leveraging of mining investment to stimulate and boost local economies. It is also consistent with the Bank's Operational Policy on [Gender Equality in Development \(GN-2531-10\)](#).
- 2.9 As per the Ordinary Capital Strategic Development Program for Infrastructure (GN-2819-1), this TC is in line with its areas of focus (ii) identifying and removing obstacles

⁷ Brazilian Institute of Geography and Statistics (IBGE). Continuous National Household Sample Survey (PNAD), Percentage distribution of unemployed persons by sex - Brazil - 1st quarter of 2015-2021. Page 27. Link: <https://bit.ly/36CZGQI>

to investment in infrastructure projects; (v) strengthening capacities of public sector institutions with responsibilities in infrastructure projects; and (vi) collecting data, generating innovative knowledge products and solutions relevant for infrastructure projects, and disseminating results throughout LAC. It is also consistent with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (GN-2710-5) in both of its strategic principles, namely: (a) financing and technical assistance for infrastructure that supports economic growth, provides access, and fosters regional and global integration, priority area (3) promote innovative mechanisms for infrastructure financing and leverage the participation of the private sector; and (b) planning, building, and maintaining infrastructure for the delivery of quality services that promote sustainable and inclusive growth, priority areas (1) adopt and promote a multisector agenda, and (3) promote the ongoing improvements in infrastructure governance to enhance efficiency in the delivery of infrastructure services.

- 2.10 It also is in line with the [Skills Development Sector Framework Document](#), in its lines of action 1 “Ensure access to high-quality and relevant learning opportunities throughout life”, 3 “Consolidate and develop better funding and cofunding mechanisms to improve the efficiency, effectiveness, and coverage of skills development opportunities”, 4 “Leverage the use of technology to increase equitable access to skills development opportunities and improve the efficiency of skill development systems”, and 5 “Actively promote the generation and use of evidence-based decision making in skills development”.
- 2.11 Finally, this TC project is aligned with the [IDBG Vision 2025](#)’s strategic objectives of Tier 1 (Working towards Sustainable and Inclusive Economic Growth): “Reactivating the productive sector” and “Promoting social progress”, through its efforts to strengthen SMEs as a means of promoting employment and local economic development in a post-COVID recovery context. It invests in human capital and skill development to increase labor productivity and improves workers’ access to good-quality employment and relevant learning and training opportunities tailored to expand skills and diversify and formalize job opportunities for all populations groups. It is also aligned with IDB efforts to promote social inclusion and equality, with a particular focus on gender equality and diversity, local productivity and innovation, in partnership with the private sector.

III. Description of activities/components and budget

- 3.1. **Component I: Strengthening strategic value chains.** This component will focus on increasing economic benefits and access to markets for smallholder farmers and selected SMEs, thus improving their competitiveness and economic performance. Based on a spatial analysis – carried out by an independent consultant in 2020⁸ – the tourism, artisanal cheese, *macauba*, banana, forestry, and coffee value chains were identified as those with greatest potential to promote socioeconomic growth in the region. Then, artisanal cheese and tourism were prioritized, given their high potential to reactivate the regional economy support jobs, and their sociopolitical priority. This

⁸ Anglo American, Ergo Strategy Group and Universidade Federal de Viçosa. Cooperative Regional Development Study, Minas Gerais. “Diagnostic and identification of initial regional economic opportunities!”. Brazil. April, 2020

component will finance consultancy services for the update of value chain diagnostics, market assessments, and development plans, including analyses of baseline surveys, demand and supply, main bottlenecks for growth, and definition of practical steps to address the bottlenecks. It will also finance services from hired consultants and from TNS's own staff, such as strategic direction, monitoring and supervision of program components, financial management, controllership and program support and training services for relevant institutions, including workshops, program management meetings, and relevant equipment for effectively executing these activities. A gender lens will be adopted to ensure that the program positively influences female participation and impact. Given the COVID 19 context, the assessment will also consider the impact of the pandemic and how the program can support a quick economic recovery for the selected value chains. The program will implement climate smart agriculture training for minas artisanal cheese producers. Areas of training will include techniques to increase production efficiency (e.g. rotational grazing, herd structuring, diet balancing, forage production, milking logistics, water management, animal welfare, and dairy control); to reduce production fluctuations (e.g. strategic storage of water and strategic storage of food); and to recover ecosystem services (e.g. integrating pasture-forest and shading for animal comfort).

3.1.1. Subcomponent 1.1: Increased capacity and market linkages of smallholder farmers and SMEs. The program will work to empower 170 smallholder farmers and/or SMEs in artisanal cheese and tourism, focused on skills and knowledge needed to improve operations and productivity, earn higher revenues, reduce operational costs, improve quality of goods or services provided, and adopt sanitary measures related to COVID-19. Support will also be given to develop market relationships and access to important public programs like National School Feeding Program (PNAE) and National Food Acquisition Program (PAA). Similarly, it will work with participants to access mid and large companies and retail networks and with local companies like food processors and exporters to improve their capacity to buy from small-scale producers. This subcomponent will leverage the financial assistance provided by the Business Recovery Fund established by Anglo American, by providing complementary technical assistance to artisanal cheese producers who have benefitted from financial support by said Fund. Likewise, the program will seek to create and increase financing opportunities for smallholder farmers and selected SMEs, by partnering with financial institutions and exploring potential financial mechanisms for a more systemic solution to their needs.⁹ Expected results include: 450 jobs for smallholder farmers and SMEs supported; 30% revenue increase for participating smallholder farmers and SMEs; 2 value chain diagnosis and strategic plans; training of 170 smallholder farmers and SMEs, of which at least 40% are owned/led or co-owned/led by women; and additional training/support to 80 farmers and SMEs to obtain financing.

3.1.2. Subcomponent 1.2: Increased capacity of local institutions for value chain development and public policy influence. The program will support individual

⁹ Some of the potential partners to be considered include the National Credit Program for Strengthening Family Farming (PRONAF), credit and guarantee lines from the Brazilian Micro and Small Business Support Service (SEBRAE), private social investment (ISP) lines of the Institute for the Development of Social Investment (IDIS), and SME and/or social responsibility programs of traditional commercial banks.

smallholder farmers and SMEs in forming and conducting sector associations and roundtables, which, besides representing collective interests, can implement initiatives of collective benefit, enhance shared capabilities, improve negotiation power with potential clients, increase access to finance and ensure long-term sustainability of the effort. It will also engage with institutions such as Instituto Mineiro de Agropecuária (IMA) to strengthen their support to emerging businesses. The program will leverage technology to scale up effective solutions, including the use of distance learning tools, ecommerce platforms, and business intelligence applications, improving connections and transparency within value chain markets. Developing collective institutional capability and improving the business environment will contribute to long-term sustainability and scaling of program benefits. Expected results include creation/training of 2 value chain sectoral roundtables, associations and/or cooperatives in good practices; and 15 local institutions engaged in value chain/sector initiatives or trained to improve quantity and/or quality of services and/or public procurement.

- 3.2. **Component II: Developing youth skills and employability.** This component will develop employability skills, provide career counselling, build links with employers and facilitate job placement of youth, especially young women, from CMD microregion with local, state and national companies¹⁰, while leveraging recent investments in education such as: (a) the national curriculum reform legislated in 2017 which streamlines teaching of higher-order cognitive skills and socioemotional skills, and allows students to select their learning itinerary¹¹; (b) the inclusion of the disciplines of diversity, inclusion and job market in the curriculum; and (c) the recent opening of new higher education institutions in CMD and Serro. This will scale the program's impact on rural youths by adopting a strategy of direct and indirect training, leveraging public school teachers and IT platform support. The program will target students in their last high school year, students of higher education, and unemployed and underemployed high school and higher education dropouts, between the ages of 16 to 29, residing in both urban and rural areas of mining communities¹². Trainings will address existing bottlenecks and gaps for youth to access jobs, like CV creation and interviewing skills, job application in the web, and access to technical education in areas of high local demand¹³. The component's activities will provide data to complement the existing skill gaps diagnoses for the relevant value chains, identifying current market barriers/failures/bottlenecks and recommending ways to address them.

¹⁰ Training programs that place young people in jobs have had positive results in LAC and their effects are maintained in the long run. Some of the elements of success include participation of private suppliers, demand-driven programs, a significant guidance and/or labor intermediation component, a strong emphasis on on-the-job training, and financial incentives for employers and beneficiaries. González-Velosa et al., 2012; ILO, 2017; Berniell and de la Mata, (2016) cited in IDB (2020).

¹¹ Ministry of Education. Law No. 13.415/2017 which amended the Law of Guidelines and Bases for National Education and established a change in the structure of secondary education in Brazil. Link: <https://bit.ly/3ecBxV7>

¹² Only 60% of students in LAC graduate from secondary school and only 19% graduate with the minimum basic skills needed to succeed in future studies or work. In rural areas, the percentages are even lower. IDB (2020) Skills Development Sector Framework Document (p.11)

¹³ There is a disconnect between the skills taught in school and those demanded by the labor market. Socioemotional skills are the most valued by employers, including critical thinking, communication and problem solving. Accenture (2018) and Bassi et al. (2012). According to the 2019 Enterprise Surveys, firms operating in LAC lead the ranks in identifying an inadequately educated workforce as a major constraint on their business. In IDB (2020) Skills Development Sector Framework Document.

- 3.2.1. Subcomponent 2.1: Increased capacity of youth. Direct training will be delivered to 2,000 youth on employability and entrepreneurship skills, leveraging best practices centered on ‘Adult Learning Principles’. The program will adopt a mix of experiential, visual, and auditory training techniques to ensure increased participation, learning, and application and will cover personal effectiveness, personal finance, professional effectiveness, IT skills for employability and entrepreneurship¹⁴. After training completion, the program will engage with participating youth every 6 months to support their job placements through refresher training workshops. Those who secure employment will receive an advanced personal finance session. Program participants will undergo educational, entrepreneurship, and career counselling and mentoring both pre-placement and post-placement. Expected results include: 1,000 jobs supported for youth¹⁵; 30% revenue increase of participating youth through employment and entrepreneurship; 2,000 youth – at least 60% women – directly trained in personal competencies, employability and entrepreneurship skills; 2,000 youth – at least 50% women – indirectly trained by public school teachers and/or digital platform in employability and entrepreneurship skills; and 70% of youth directly trained who are satisfied with the training received.
- 3.2.2. Subcomponent 2.2: Increased capacity of public schools and teachers.¹⁶ The program will train public school teachers of target municipalities in facilitating attitudes of learning, employability and entrepreneurship. Teachers will apply the content learned in classroom with students during the school calendar. A diagnosis will be conducted with the assistance of the Regional Education Superintendence (SRE)¹⁷, to better understand teachers’ profile and demographics, socioeconomics, technical and expectations aspects, in order to map and address relevant opportunities and gaps through the capacity-building sessions¹⁸. Training content will be digitized and made available

¹⁴ According to IDB (2020), “Covid-19 highlighted the lack of digital skills and their importance to learn and work from home (Madariaga et al., 2020). These constraints seem to be considerably worse for youth than for adult workers as reflected by key labor market indicators. Young workers are more likely to be unemployed (17 % vs. 6 %), informal (67 % vs. 52 %), or underemployed (9% vs. 6%), and to have a considerably lower income than adults. On average in LAC, 16 % of young individuals between 18 and 24 are not in education, employment, or training.”

¹⁵ In the context of this project, “jobs supported” includes beneficiaries that are currently employed, beneficiaries who transition to different jobs, and unemployed beneficiaries that find new jobs.

¹⁶ The most important inputs that can drive learning and skills acquisition are “high-quality interactions between the learner and the teacher, instructors, or tutors, guided by learning standards, delivered through modern and adequate pedagogies with the relevant content, and supported by appropriate learning materials, including technology, in a suitable learning space.” IDB (2020).

¹⁷ The SRE and other local government entities will function as institutional partners, which will be key to strengthen the program team’s findings with first-hand knowledge of the local context and to provide institutional linkages and program sustainability. They will not be direct recipients of any financial transactions of this TC project.

¹⁸ According to the IDB’s Skills Development Sector Framework Document (2020), in LAC, “curricula and pedagogical methods in secondary education are outdated and not necessarily linked to the skills demanded in the labor market. XXI century skills demand the application of contextually relevant secondary-level education and training curricula to enhance students’ critical thinking skills and encourage their future participation in the labor market. Yet, the learning goals specified in the curricula of many education systems in the region continue to impose laundry-list learning on students (...) Curricula are generally developed

through an e-learning platform, to increase reach and to serve as a contingency plan for the eventuality of public health emergencies¹⁹. The platform has the potential to benefit up to 2,300 public schools and 417,000 youth in the second and third year of secondary schooling. Expected results include: 60 public school teachers – at least 50% women – trained in facilitation skills for employability and entrepreneurship; and 1 online learning platform made available for students and public-school teachers.

3.2.3. Subcomponent 2.3: Increased capacity of local institutions to link youth with labor & education markets. This subcomponent of the program will play the role of an intermediation center implementing activities that contribute to strengthening employment linkages, such as consolidating and disseminating open job opportunities, understanding employers' requirements²⁰, CV/job opportunities management, and pre-selection testing. The program will identify a local institution capable and willing to take over and give continuity to the employment intermediation center and digital platform and will train and support it until it becomes autonomous. Some potential candidates are the existing office of the National Employment System (SINE), city halls, higher education institutions or commercial associations of CMD, Serro, Dom Joaquim, Alvorada de Minas, and Congonhas do Norte. To better understand job market demand and develop more and better employment linkages, the program will develop working relationships and facilitate knowledge sharing events with potential employers. Expected results include: 1 online job intermediation platform implemented²¹; 2 local institutions trained to improve the quantity and/or quality of employment intermediation and counseling services; and 8 companies that offer employment and/or training to participating youth.

3.3. **Component III: Public policy innovation for value chain and labor market strengthening.** This knowledge management component will be oriented at capturing lessons learned, systematizing them as implementable best practices and recommendations, and disseminating this information with relevant stakeholders to ultimately influence local public policy and future development programs. The program will design a learning agenda to increase scale and sustainability. Relevant stakeholders targeted by this component include members of the value chain sector roundtables; local, state and federal government agencies involved in the value chains; public and private educational institutions focused on youth; public and private companies in the region, among others. Activities include: training and consulting to local governments to increase public purchases that are inclusive of local smallholder

without employers' involvement, leading to a mismatch between the skills emphasized by schools and those required to succeed in the labor market Amaral et al., 2018; Sevilla, 2017).

¹⁹ "The use of online learning platforms for higher education in the region is still limited; with COVID-19 there is an opportunity to further expand post-secondary online offerings" IDB (2020)

²⁰ "Involving the private sector in skills development programs improves the relevance of the skills developed and improves labor outcomes." IDB (2020)

²¹ This platform will additionally allow for the collection of data relevant to complement the continuing diagnostic on employment skills requirement. "Identifying skills mismatches is not an easy task due to the lack of relevant data. In contrast to the information that countries in the region have about labor supply, information about labor demand is very limited. Most countries in the region do not collect data that allow for the identification of mismatches at skill and occupational levels" González-Velosa and Peña (2019) cited in IDB (2020) Skills Development Sector Framework Document.

farmers and businesses; training of value chain beneficiaries and government representatives in biosecurity and sanitary measures to prevent COVID-19; mapping relevant public entities and their agendas to find synergies that may contribute to the program's impact scaling and sustainability; a communication strategy to reach target audiences; presentations of case studies, knowledge products, lessons learned, and proposed recommendations to target institutions; cooperation agreements and/or consulting agreements with a sample of public institutions that may adopt, scale and sustain program results. The program will leverage its monitoring, evaluation and learning system to generate information that can be presented through an effective communication strategy, develop relationships, and influence local institutions and organizations with the potential to scale-up and enhance the sustainability of its contributions. Expected results include: 10 local institutions that adopt recommendations shared through program knowledge products, events, trainings, and consulting to improve quality of services for smallholder farmers and SMEs; 10 public schools and private higher education institutions that adopt recommendations shared through program knowledge products, events, trainings, and consulting to improve quality of services for youth; design and implementation of a program monitoring system and a learning and communication plan; 4 knowledge products published and shared with stakeholders; 3 events to present learnings, good practices, and/or public policy recommendations based on program results; participation of 12 public and private institutions in trainings, consulting and events developed by program, as well as their reception of knowledge products.

- 3.4. **Component IV: General Program Management.** This component will finance basic program management costs such as rent, utilities; postage; carrier; phone; internet; licenses, bank fees, equipment, supplies, communication equipment, and software. These expenditures will be directly associated with the TC as they are necessary for the attainment of its objectives, constitute a small increment, and will be productive in the context of the project. This component will also recognize labor-hours worked by TNS staff in strict relation to this project's components and results and cover the cost of the program's final evaluation and audit described in paragraphs 4.6 and 4.7 below.
- 3.5. The TC's total cost of US\$ 600,000 will be funded by the IDB's OC Strategic Development Program for Infrastructure (INF). As this is part of a broader program that continues a previous partnership with Anglo American, also executed by Technoserve, it should be noted that the company (Anglo American Brasil and AngloAmerican Foundation) will finance activities for a total of US\$1,295,000 through parallel co-financing.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Strengthening strategic value chains	Increase economic benefits and access to markets for smallholder farmers and selected SMEs.	US\$ 155,500		US\$ 155,500

Developing youth skills and employability	Develop employability skills, provide career counselling, build links with employers and facilitate job placement of youth	US\$ 177,422		US\$ 177,422
Public policy innovation for value chain and labor market strengthening	Capture, systematize, and disseminate lessons learned to influence public policy	US\$ 217,500		US\$ 217,500
General Program Management	Management, supervision, office costs, strategic support, R&D, final evaluation and audit, contingencies	US\$ 49,578		US\$ 49,578
Total		US\$ 600,000		US\$ 600,000

IV. Executing agency and execution structure

- 4.1. Associação Technoserve Brasil (TNS)²² – a non-profit organization – will be the executing agency for this technical cooperation. Its team of specialists in technical and financial management will be responsible for the administration of resources, the design and development of the TC execution strategy, as well as its effective implementation to achieve committed results. TNS will also have a multidisciplinary team of external specialist consultants, who, depending on the needs and requirements of the project, will carry out various activities such as the development of diagnoses, studies, technical assistance, training, identification of markets, commercial links, associative processes and others.
- 4.2. TNS has a solid history of working with the IDB and in Brazil under the execution of RG-M1300 Beyond Extraction Phase I (BR-T1337 in Brazil, CH-T1174 in Chile and PE-T1471, PE-T1359 in Peru). The objective of BR-T1337 was, in the same vein as this, to boost economic growth and broaden socioeconomic gains for communities in the areas of influence of mining operations by AngloAmerican in Brazil. As such, it satisfactorily fulfilled the functions of executing agency of IDB resources. The project execution will be conducted by an appointed project manager by the organization and dedicated international team and supervised by the TC's team leader. Monitoring arrangements and financing are included under Component IV.
- 4.3. **Procurement.** Given that the institutional capacity analysis for the executing agency yielded a low level of risk and considering its satisfactory execution of the projects stated in paragraph 4.4, the project team has determined that, as established in Appendix 4 of the Bank's procurement policies (GN-2349-15 and GN-2350-15), the

²² A non-profit organization, TNS promotes business solutions to poverty in emerging countries. It is a global leader in harnessing the power of the private sector to help people lift themselves out of poverty through a systemic approach to local economic development. The organization trains and deploys local personnel with advanced capabilities to partner and work with hard-working women and men to build competitive farms, businesses, and industries. Since 1982, TechnoServe has supported businesses in a range of industries with the potential to grow, and to create jobs and opportunity for thousands of people. In 2019 TechnoServe supported more than 317,493 direct beneficiaries to increase their income by more than US\$200 million, while facilitating US\$27 million of external financing for these beneficiaries. In 2019 TechnoServe projects achieved, on average, a \$3.41 in additional revenue for every \$1 invested

executing agency, as a private sector entity, will utilize its own procurement methods which are compatible with Bank policies. In addition, contracting and procurement for the project will be subject to ex post review with annual frequency. Before project contracting and procurement begins, the executing agency will submit the procurement plan to the IDB for approval. This plan must be updated annually and whenever there is a change in methods and/or the good or service to be procured. Firms and individual consultants will be hired, and hours of work will be dedicated by the executing agency staff and will be justified based on what is determined in the corresponding Bank policies. In accordance with the Bank's policies, the procurement plan may include the hiring of an individual or firm through a single-source-selection (SSS) method, if there is a preidentified candidate who already performed a role for the phase I of Crescer satisfactorily, in which case, SSS will allow for time and resource efficiency, leveraging the training and experience already accumulated by said candidates. Likewise, as stated in paragraph 3.4 above, the plan foresees the direct contracting of basic office costs like rent, utilities; postage; carrier; phone; internet; licenses, bank fees, equipment, supplies, and software, since the project will be managed from an already existent office. To determine the equivalence of an eligible expenditure incurred in the local currency of the Beneficiary's country in relation to the currency in which the disbursements are made, for purposes of accounting and justification of expenses, regardless of the source of financing of the eligible expenditure, the exchange rate in force on the date on which the disbursement currency is converted into the local currency of the Beneficiary's country shall be used.

- 4.4. **Conditions precedent to the first disbursement.** The first disbursement is conditional on the executing agency presenting evidence that the operation's operating manual has been approved and entered into force on the terms previously agreed with the Bank.
- 4.5. **Progress and supervision reports.** The executing agency must submit a report of an annual report in the first 15 days of the month of December; according to the format required by the Bank. The Bank's Team Leader will oversee the operation. There will be periodic meetings with the executing agency and a supervision visit to the operation, COVID permitting.
- 4.6. **Audit.** The executing agency must contract the services of an auditing firm, eligible for the IDB, to perform the final external audit services in the operation, in accordance with the Financial Management Guidelines for Projects Financed by the IDB (OP-273-12). The final financial statements of the operation must be presented to the Bank within 120 days after the date of the last disbursement or its extensions.
- 4.7. **Evaluation.** The program will undergo a final evaluation. The results will be used to gauge the impact of the intervention on the beneficiaries, in comparison with the baseline values. Some questions to be included in the evaluation are: (i) Has the methodology proven to be cost-effective? (ii) What impact have the program's actions had on beneficiary incomes and market access? (iii) What lessons can be learned from the program for other interventions where large private investments are found? and (iv) Can the methodology be transferred to companies responsible for large investments with the materials generated by the program?

- 4.8. **Intellectual property.** The products financed by this TC will be the property of the Bank and may be made available to the public under a Creative Commons license. However, at the request of a beneficiary, the Bank may license the intellectual property of said products through specific contractual commitments that will be prepared with support from LEG.

V. Major issues

- 5.1. **COVID-19.** The pandemic has affected travel and logistics coordination with local agents and poses a risk to the health of staff and beneficiaries. In addition, it generates uncertainties regarding the application conditions. However, Phase I of this project already succeeded at making adjustments to deliver results by leveraging videoconferencing, digital platforms and other digital solutions. Furthermore, the project team will prepare a specific contingency plan, outlining alternative execution methods to achieve expected results in the case of tightening of the social distancing measures in Minas Gerais. The project components already contemplate the design and implementation of distance learning devices and communication platforms and other technological tools to reduce the risk of exposure. It will continue to build on the valuable lessons learned in 2020 and apply further risk mitigation measures to address COVID-19 restrictions.
- 5.2. **Stakeholder participation.** Financial uncertainty created by the pandemic might disincentive target beneficiaries from participating in the program, given the likelihood that participants may have to prioritize immediate livelihood demands vis-a-vis long-term skill development investments. This can affect the willingness of stakeholders to participate in TC activities. To mitigate this risk, the TC will take advantage of the knowledge and relationships established in the previous phase, which has helped determine the most appropriate methodologies to ensure participation (rapid support on priority issues, such as facilitation of access to markets, accounting, clearly communicating the business case training opportunities, etc.) and long-term commitment to TC. In this regard, it is worth mentioning that an external evaluation of the first phase of this project confirmed “Crescer Program’s ability to remain relevant, even in the face of the COVID-19. The pandemic has made the Program even more necessary, given producers and young people will need support in the post-pandemic scenario, to overcome losses and setbacks. The relevance achieved is due, in part, to its design based on connection and cooperation between different actors, to the capacity of convening represented by Anglo American, TechnoServe, and the IDB and their ability to be flexible and face challenges, considering the needs of each sector.”
- 5.3. **Institutions and stakeholder coordination.** The project team is acutely aware that this is an ambitious initiative that requires tight coordination of multiple institutions and entities from the public, private, and civil society sectors. As such, the first phase of the program developed valuable lessons regarding the effectiveness of this coordination and continuous communication and engagement work. This phase’s institutional partnership focus will be on municipal governments which started new terms in January 2021 and will go until December 2024, one year later to the end of the program. Thus, the political cycle is considered a low risk. To ensure the required partner engagement, the program has held kick-off presentations and is actively managing relationships with municipal governments, as well as developing multi-stakeholder efforts and institutional capabilities, like support to the tourism chamber, the tourism council, and the cheese sector working table, to ensure sustainability. In

line with the recommendations identified by the IDB's Skill Development Sector Framework document, which recognizes that interinstitutional coordination is essential to ensure the implementation of skills development programs, the project will promote actions aimed at fostering information on program results through the establishment of monitoring and management information systems, build strong and committed public and private partners, and generate knowledge for sector dialogue and technical support.

VI. Exceptions to Bank policy

6.1. Not applicable.

VII. Environmental and Social Strategy

7.1. The ESG Classification of this TC is "C".

Required Annexes:

[Request from the Client - BR-T1490](#)

[Results Matrix - BR-T1490](#)

[Terms of Reference - BR-T1490](#)

[Procurement Plan - BR-T1490](#)