

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**SUSTAINABLE RURAL DEVELOPMENT PROJECT
OF THE STATE OF PARAÍBA
(PROCASE II)
(BR-L1623)**

**FOURTH INDIVIDUAL OPERATION UNDER THE
CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE
“SUSTAINABLE DEVELOPMENT AND AGRICULTURE PROGRAM”
(BR-O0008)**

LOAN PROPOSAL

This document was prepared by the project team consisting of: Octavio Damiani (RND/CBR), Project Team Leader; Maja Schling (CSD/RND), Alternate Project Team Leader; Lisa Sofia Restrepo (CSD/RND); Alessandro Farinaccio, Luciana Vanzan, and Robert Langstroth (VPS/ESG); Katia Queiroz and Luciana Carrijo (CSD/CCS); Ercio Muñoz (SCL/GDI); Haroldo Vieira (CSD/CBR); Marilia Santos and Juan Carlos Lazo (VPC/FMP); and Cristina Celeste (LEG/SGO). The operation was prepared in conjunction with the International Fund for Agricultural Development (IFAD) with its team led by Hardi Vieira, Country Program Coordinator (CPC).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
	A. Background, problem to be addressed, and rationale	1
	B. Objectives, components, and cost.....	11
	C. Key results indicators	14
II.	FINANCING STRUCTURE AND MAIN RISKS	14
	A. Financing instruments	14
	B. Environmental and social safeguard risks	14
	C. Fiduciary risks.....	15
	D. Other key issues and risks	15
III.	IMPLEMENTATION AND MANAGEMENT PLAN.....	15
	A. Summary of implementation arrangements.....	15
	B. Summary of arrangements for monitoring results	19
IV.	ELIGIBILITY CRITERIA	19

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

LINKS
REQUIRED
1. Multiyear execution plan/Annual work plan
2. Monitoring and evaluation plan
3. Environmental and social review summary
4. Procurement plan
OPTIONAL
1. Project economic analysis
2. Components report
3. Gender and diversity diagnostic assessment
4. Sustainability and climate change report
5. Results Matrix – Extended
6. PROCASE diagnostic assessment
7. Project Operating Regulations
8. Bibliography
9. Safeguard policy filter (SPF) and safeguard screening form (SSF)

ABBREVIATIONS

ATER	Assistência técnica e extensão rural (technical assistance and rural outreach)
AWP	Annual work plan
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (National Economic and Social Development Bank)
CAPAG	Capacidade de pagamento (payment capacity rating)
CAR	Catastro Ambiental Rural (Rural Environmental Cadastre)
CCLIP	Conditional credit line for investment projects
CEGIP	Comitê Executivo de Gestão dos Investimentos Produtivos (Executive Committee for the Management of Productive Investments)
CODETER	Colegiado de Desenvolvimento Territorial (Territorial Development Council)
COFIEEX	Comissão de Financiamentos Externos (External Financing Commission)
COI	Core outcome indicator
CSO	Civil society organization
EMPAER	Empresa Paraibana de Pesquisa, Extensão Rural e Regularização Fundiária (Paraíba Research, Rural Extension, and Regularization Company)
ESMP	Environmental and social management plan
ESMS	Environmental and social management system
ESPF	Environmental and Social Policy Framework
ESPS	Environmental and Social Performance Standard
GCF	Green Climate Fund
ICB	International competitive bidding
IFAD	International Fund for Agricultural Development
IICA	Inter-American Institute for Cooperation on Agriculture
LGBTQIAPN+	Lesbian, Gay, Bisexual, Transgender, Queer/Questioning, Intersex, Asexual, Pan/Poly, Nonbinary, and more
MDB	Multilateral development bank
MPI	Multidimensional poverty index
NCB	National competitive bidding
PCR	Project completion report
PLOA	Projeto de Lei Orçamentária Anual (Annual Budget Bill)
PMR	Progress monitoring report
PMU	Project management unit
p.p.	Percentage point
PROCASE	Sustainable Rural Development Project of the State of Paraíba
RND	Environment, Rural Development, and Disaster Risk Management Division
SEAFDS	Secretaria de Agricultura Familiar e Desenvolvimento do Semiárido (Family Farming and Semiarid Development Department)
SEAID	Secretaria de Assuntos Internacionais e Desenvolvimento (International Affairs and Development Department)
SEPLAG	Secretaria de Planejamento, Orçamento, e Gestão do Estado da Paraíba (Planning, Budget, and Management Department of the State of Paraíba)
SIAF	Sistema Integrado de Administração Financeira (Integrated Financial Administration System)
SIGMA	Sistema de Informações, Gestão, e Monitoramento e Avaliação (Information, Management, Monitoring, and Evaluation System)
SIOP	Sistema Integrado de Planejamento e Orçamento (Integrated Planning and Budget System)
SOF	Sistema de Orçamento e Finanças (Budget and Finance System)

TCE	Tribunal de Contas do Estado da Paraíba (State of Paraíba Audit Office)
tCO ₂ eq	Tons of carbon dioxide equivalent

PROJECT SUMMARY

BRAZIL

**SUSTAINABLE RURAL DEVELOPMENT PROJECT OF THE STATE OF PARAÍBA
(PROCASE II)
(BR-L1623)**

**FOURTH INDIVIDUAL OPERATION UNDER THE
CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE
“SUSTAINABLE DEVELOPMENT AND AGRICULTURE PROGRAM”
(BR-O0008)**

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility^(b)	
State of Paraíba			Amortization period:	23.5 years
Guarantor:				
Federative Republic of Brazil			Disbursement period:	6 years
Executing agency:			Grace period:	7 years ^(c)
State of Paraíba, acting through its Family Farming and Semi-arid Development Department (SEAFDS)			Interest rate:	SOFR-based
Paraiban Research, Rural Extension, and Regularization Company (EMPAER), which will act as subexecuting agency for the land regularization activities of Component II			Credit fee:	^(d)
Source	Amount (US\$)	%	Inspection and supervision fee:	^(d)
IDB (Ordinary Capital):	70,000,000	66.7		
Joint IFAD cofinancing:^(a)	10,000,000	9.5	Weighted average life:	15.25 years
Local:	25,000,000	23.8		
Total:	105,000,000	100.0	Currency of approval:	U.S. dollar
Project at a Glance				
<p>Project objective/description: The general objective of the project is to reduce rural poverty levels by improving food and nutritional security and the rural population's adaptation to climate change. The specific objectives are: (i) to increase the adoption of agricultural technologies that contribute to climate change adaptation and mitigation; (ii) to enhance the productive and social inclusion of family farmers, prioritizing women, young people, traditional peoples and communities, and persons with disabilities; and (iii) to improve the environmental conditions of rural communities and their surroundings. This is the fourth individual loan operation under the CCLIP for the Sustainable Development and Agriculture Program (BR-O0008), which was approved by the Board of Executive Directors pursuant to Resolution DE-127/21. It contributes to the CCLIP's multisector objectives by promoting productivity and income gains through the adoption of agricultural technologies and the integration of producers into value chains.</p>				
<p>Special contractual conditions precedent to the first disbursement of the financing: (i) approval and entry into force of the program Operating Regulations on the terms previously agreed upon with the Bank; and (ii) appointment and contracting of the core team members of the project management unit (paragraph 3.11).</p>				
<p>Special contractual condition of execution: Signing and entry into force of the legal instrument between the borrower and EMPAER before the start of execution of the land tenure regularization activities under Component II (paragraph 3.12).</p>				
<p>Environmental and social contractual conditions: These conditions are described in Annex B of the Environmental and Social Review Summary.</p>				
<p>Exceptions to Bank policies: None.</p>				

Strategic Alignment							
Objectives: ^(e)	O1 <input checked="" type="checkbox"/>		O2 <input checked="" type="checkbox"/>			O3 <input checked="" type="checkbox"/>	
Operational focus areas: ^(f)	OF1 <input checked="" type="checkbox"/>	OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input type="checkbox"/>	OF4 <input checked="" type="checkbox"/>	OF5 <input checked="" type="checkbox"/>	OF6 <input type="checkbox"/>	OF7 <input type="checkbox"/>

- (a) The International Fund for Agricultural Development (IFAD) will make its loan directly to the State of Paraíba with a coordination agreement signed between the IDB and IFAD. IFAD Executive Board approval is expected in December 2024.
- (b) 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.
- (c) 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.
- (d) The credit fee and 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 the applicable policies.
- (e) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- (f) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

1. Background

- 1.1 **CCLIP for the Sustainable Development and Agriculture Program.** The Bank has been substantially strengthening its support for rural sector development in Brazil in recent years. In the country strategy 2019-2023, the new sector operations sought to contribute to integrating the least developed regions with new projects concentrated in the Northeast and North regions; to reducing poverty and improving the living conditions of the rural population with a multisector approach, emphasizing women, young people, and traditional communities; and to promoting climate-smart and sustainable production models. This approach led to the preparation and approval of the Conditional Credit Line for Investment Projects (CCLIP) for the Sustainable Development and Agriculture Program ([BR-O0008](#)), approved by the Board of Executive Directors on 8 December 2021.¹ The objectives of this CCLIP under Multisector Modality II (MM-II) are to increase productivity in the agriculture sector, boost incomes, and expand access to basic services in rural Brazil by: (i) enhancing the quality of agricultural support services and improving producers' access to them; (ii) developing resilient infrastructure; and (iii) improving natural resource management.
- 1.2 This CCLIP has three allocation channels with up to US\$1.2 billion to be allocated over a period of up to 10 years. One channel is through states or municípios² with borrowing capacity that request loans for programs contributing to the multisector objectives in one or more of the CCLIP's sectors. These sectors are: (i) agricultural services; (ii) basic and productive infrastructure; and (iii) environment and natural resources. This is the fourth individual operation in the agricultural services sector, and the third to be executed by a subnational entity (state).
- 1.3 Three operations have been approved under the CCLIP thus far: (i) Sustainable and Inclusive Piauí ([BR-L1542, 5611/OC-BR](#)) with a loan of US\$100 million; (ii) Program to Support Agricultural Development in the Northeast (AgroNordeste) ([BR-L1562, 5440/OC-BR](#)) with a loan of US\$230 million; and (iii) Sustainable Development Project for Bahia's Atlantic Forest ([BR-L1617; 5891/OC-BR](#)). Operation [BR-L1542, 5611/OC-BR](#) is in its first year of execution, with the launch workshop held in March 2024, and basic activities now in implementation with the beneficiaries, including wide dissemination of the project, selection of communities where it will operate, and contracting of technical assistance for the beneficiaries. Operation [BR-L1617, 5891/OC-BR](#) was approved recently (28 June 2024), so the necessary procedures to sign the loan contract are getting under way. Operation [BR-L1562, 5440/OC-BR](#) is experiencing delays in signing the loan contract because there is not enough room in the budget of the Ministry of Agriculture to absorb the loan proceeds.

¹ Resolution DE-127/21.

² The other channels are: (i) the Federative Republic of Brazil, for programs whose executing agencies are federal government entities; and (ii) national or regional development banks that onlend for specific investments.

- When this new operation is approved, the CCLIP will have a balance of US\$700 million.
- 1.4 **Country context.** After increasing 2.9% in 2023, Brazil's GDP grew 1.9% in the first quarter of 2024, and 2.4% growth is expected for the year [1]. Inflation was 4.62% in 2023, and is projected at 3.8% in 2024. The government has implemented major reforms, including approval of a new fiscal framework, and is in the process of approving a fiscal reform that simplifies the tax system. It has also launched a Growth Acceleration Plan (PAC).
 - 1.5 **Context of the state of Paraíba.** In 2022 Paraíba had 3.97 million inhabitants (2% of Brazil's population), 24.6% of whom lived in rural areas [2]. The state contributed 0.9% of the country's total GDP and 0.34% of its agricultural output in 2023. Paraíba's per capita GDP is 45% of the Brazilian average, ranking second-to-last nationally. Eighty percent of the population earn less than the minimum wage; 47.4% live in poverty, and 15.6% in extreme poverty. Moreover, 63.9% experience food insecurity, which is severe for 10.6% [3].
 - 1.6 Most of the state (92%) belongs to the Caatinga biome, which is characterized by a semiarid climate and is home to 62% of the total population and 85% of rural dwellers. The Atlantic Forest, located in the extreme East, occupies 8% of the area. The state's rainy season is highly variable (see [optional link 6, PROCASE diagnostic assessment](#)).
 - 1.7 **Family farming.** In 2017 there were 163,218 farms in Paraíba, 76.9% of which practiced family farming. Family farming occupies 42% of the state's agricultural area and contributes 47.8% of sector GDP. Most family farms are up to 10 hectares in size (70.8%) [2], cultivating mainly maize, beans, and cassava (mandioca) and raising poultry, dairy cattle, sheep, and goats [4, 5]. Dairy products account for over 60% of industrial-scale output [2].

2. Problem to be addressed and rationale

- 1.8 **Low incomes, low productivity, and food insecurity in family farming.** Family farming in Paraíba is characterized by meager incomes and poor productivity, along with high rates of poverty and food insecurity. Half (49.8%) of all family farmers were beneficiaries of the Bolsa Família program³ in 2021 [6]. Substantial productivity deficits exist in the main agricultural products: family farming achieved yields of 4.5 ton/ha in cassava (yuca) and 1,813 kg/ha in maize, compared to the respective national averages of 8.18 ton/ha (a 45% gap) and 1,813 kg/ha (a 69% gap) [4]. Since agriculture is the main activity of family farmers, its low productivity is a determining factor in meager incomes and food availability, which in turn contributes to a high prevalence of food insecurity. Just 44% of family farmers enjoying a minimal level of dietary diversity [7, 8]. A survey in 2020⁴ found that 21.8% had experienced difficulties in obtaining food or were unable to feed themselves in the last 12 months [7].

³ Bolsa Família is a federal social assistance program that provides conditional cash transfers to low-income families.

⁴ The statistics reported refer to the sample of 372 producers interviewed that formed the control group for the impact assessment at the time of the endline.

- 1.9 The main factors contributing to the problems faced by family farming in Paraíba are reviewed below. These factors signal the need to promote technical changes in production and build capacity within families and their organizations for improving the productivity and sale of their agricultural output, increasing food availability for consumption and income from sales, thus contributing to food security, poverty reduction, and climate change adaptation and mitigation:
- a. **Climate change.** The Northeast is among the most vulnerable regions of Brazil because it includes one of the world's most heavily populated semiarid areas (22 million inhabitants), and Paraíba is one of the most vulnerable states [9, 10]. Its adaptive capacity is low with a predominance of rainfed farming systems [10-12]. Between 2011 and 2017 the region suffered its most severe drought of the last 30 years, causing crop losses for 6 million producers and exacerbating food insecurity [10]. Models predict reduced precipitation, rising temperatures, and a higher probability of extreme events, especially droughts and floods [10], which will reduce the productivity of the predominant crops and increase the risk of losses. For example, maize yields are forecast to decline by between 29% and 55% by 2050⁵ [13]. A recent IDB study highlights the impact of climate change vulnerability on food insecurity in Latin America and the Caribbean [14].
 - b. **Environmental degradation.** The Caatinga and Atlantic Forest in Paraíba are undergoing long-term degradation. Between 1985 and 2022 the use of traditional production systems contributed to the conversion of 281,000 hectares of forested area into agricultural land [15]. Currently, 54% of the original vegetation of the Caatinga is preserved (see [optional link 6, PROCASE II diagnostic assessment](#)), while forests have been replaced mainly by farming. Between 1985 and 2020, 45 of Paraíba's 223 municípios came to be classified as areas susceptible to severe or very severe desertification [16], with a predominance of pastures degraded by overgrazing [17]. Compounding this, the excessive use of herbicides, fungicides, and insecticides contaminates water and soils and affects biodiversity [4]. In 2017, 33.2% of family farms used synthetic agrochemicals [4].
 - c. **Limited access to knowledge and financial resources.** The main barriers faced by family farming in Paraíba include: (i) limited access to knowledge and technical assistance to implement new production techniques—only 16.8% of producers received technical assistance in 2017 [4], and 38.7% did not use any sustainable production practice⁶ [7]; and (ii) difficulties in obtaining funds for investment (16.9% received productive financing in 2017 [18]).
 - d. **Limited value chain integration.** Fully 59.7% of family farms practice subsistence farming exclusively [7]. Limited participation in cooperatives and similar organizations for selling and processing farm produce contributes to weak integration into value chains. Only 7.2% of producers in Paraíba are members of cooperatives or associations, versus 17.1% nationwide [18]. Only 2.9% and 1.8% of these members, respectively, processed or sold their farm

⁵ With reference, respectively, to representative concentration pathway scenarios 4.5 and 8.5 adopted by the International Panel on Climate Change (IPCC).

⁶ This statistic encompasses the following practices: use of organic fertilizer, manure, stubble, and natural agrochemicals.

produce through the organization [7]. In the South, Southeast, and Center-West regions of Brazil, agricultural value chains tend to involve producers participating in agricultural cooperatives and the use of contracts with agroindustrial and commercial firms. These play a fundamental role in providing technology and services (technical assistance, financing, and marketing).⁷ In contrast, well-structured cooperatives are few in Paraíba and have limited access to resources for providing services to producers and improving infrastructure and equipment, e.g., to meet phytosanitary standards [18], which exacerbates food security.

- e. **Limited technical and organizational capacities.** In Paraíba, 83.2% of family farmers lack technical assistance, which makes it difficult to learn about new technologies and leads to misuse of inputs. For example, 33.2% of family farmers use pesticides, and frequently overuse them. Most producer organizations have business management weaknesses [18]. The survey conducted as part of PROCASE I revealed that just 15% of the producer associations held training and knowledge events, and 29% facilitated access to credit for productive investments [7].
 - f. **Insecure land tenure.** Insecure land tenure limits access to credit, technology adoption, productivity gains, and long-term natural resource conservation in family farming. In Paraíba 77.7% of family farmers have a legal property title [4]. In addition, a large proportion of producers do not comply with the environmental standards of the Rural Environmental Cadastre (CAR), a national online public registry that requires all rural properties to demonstrate compliance with environmental obligations and control of deforestation. This limits their access to credit and public programs.⁸
- 1.10 **Gender gaps.** Rural women in Paraíba are particularly vulnerable to poverty and food insecurity, reporting incomes 31.3% lower than men's and less access to food (22.7% among women and 23.5% among men) [7, 18]. These vulnerabilities reflect constraints on their control of natural, social, and financial resources, and their access to them (see Table 1).

Table 1. Gender gaps in access to resources and services in family farming in Paraíba [4, 7]

Indicator	Women	Men	Gap
1. Access to land (% of agricultural area)	15%	85%	-70 percentage points (p.p.)
2. Access to land (average farm size in hectares)	7.1 ha	12.9 ha	-5.8 ha
3. Access to technical assistance	15%	17%	-2 p.p.
4. Access to irrigation	6.7%	13%	-6.3 p.p.
5. Producer organization membership	15.8%	13.6%	2.2 p.p.
6. Cooperative membership	1.2%	2.0%	-0.8 p.p.

⁷ According to Forbes Brazil, the ranking of the 100 largest Brazilian agribusiness firms in 2020 included 22 cooperatives, all located in the South, Southeast, and Center-West regions.

⁸ Created by Law 12,651/2012 and governed by Environment Ministry Regulatory Instruction 2 of 6 May 2014.

- 1.11 **Barriers for rural youth.** Rural youth (ages 15-29) in Paraíba face significant challenges. Food insecurity is particularly high, with 37.5% of young people having faced difficulty in obtaining food in the last year (an 87% gap relative to Paraíba's older population [7]). Table 2 displays the main gaps faced by rural youth, relative to the national average.

Table 2. Gaps in access to resources and services among rural youth in Paraíba and Brazil [4]

Indicator	Paraíba	Brazil	Gap
1. Difficulty in obtaining food during the last year [7]	37.5%	20.1%	17.4 p.p.
2. Access to land (% of agricultural area)	6.5%	7.4%	-0.9 p.p.
3. Access to land (average farm size in hectares)	7.6 ha	14.4 ha	-6.8 ha
4. Access to technical assistance	18.5%	9.8%	8.7 p.p.
5. Access to irrigation	11.3%	12.0%	-0.7 p.p.

- 1.12 **Barriers for traditional peoples and communities.** Indigenous peoples and Afro-descendants represent 64.9% of family farmers in Paraíba and are particularly vulnerable owing to their histories of exclusion, heavy dependence on natural resources, and poor access to basic services. There are 47 certified Quilombola communities in Paraíba, none with titled land, and only 11 with defined boundaries (see [optional link 3, Gender and diversity diagnostic assessment](#)). Sixty-eight percent of Quilombolas and 73% of Indigenous peoples live in poverty or extreme poverty (see [optional link 3, Gender and diversity diagnostic assessment](#)). Paraíba also has other traditional populations like Roma and artisanal fishing communities. Table 3 shows the main gaps relative to nontraditional peoples and communities.

Table 3. Gaps in access to resources and services between traditional peoples and communities and other population groups⁹ in Paraíba [4, 7]

Indicator	Traditional peoples and communities	Other population groups	Gap
1. Access to land (average size in hectares)	10.0 ha	14.6 ha	-4.6 ha
2. Access to technical assistance	16.3%	17.7%	-1.4 p.p.

- 1.13 **Barriers for persons with disabilities.** The Northeast has the largest percentage of persons with disabilities, numbering around 5.8 million and representing 10.3% of the population [20], with women and Afro-descendants the most prevalent. In Paraíba, 88.7% of persons with disabilities do not work, and 74.4% earn less than the minimum wage and so face greater difficulties in food access. In the last

⁹ The reported statistics refer to the Indigenous and Afro-descendant population, as identified in the 2017 Agricultural Census [4].

12 months, 25.7% of persons with disabilities had difficulty in obtaining food, compared to 21.7% of those without disabilities [7].

- 1.14 **Barriers for LGBTQIAPN+ persons.** The information available on the LGBTQIAPN+ population in Paraíba is scanty (partly reflecting their marginalization). Yet the data that do exist indicate emigration to urban centers, difficulty staying in the school environment owing to prejudice, incomes, and limited employment opportunities in rural areas. The Northeast region records the highest number of violent deaths among LGBTQIAPN+ persons. In that region, 1.5% of the population reported being homosexual or bisexual, the smallest proportion in the country (see [optional link 3, Gender and diversity diagnostic assessment](#)).
- 1.15 **The proposed solution.** In short, family farming in Paraíba faces several interconnected constraints that, being market failures and/or asymmetries, merit public intervention to help family farming increase output, productivity, and sales of agricultural products sustainably and inclusively. The Government of Paraíba has been implementing programs to combat rural poverty, with support from the World Bank since 1978 (Cooperar) and from the International Fund for Agricultural Development (IFAD) since 2012 (PROCASE I), targeted to the semiarid region. This operation extends the PROCASE I actions throughout Paraíba state, promoting technical changes in production and capacity-building among families and their organizations to increase food security, improve the sale of surpluses, and strengthen climate change adaptation. This package of interventions, targeted and tailored to the needs of each beneficiary or group of beneficiaries, is intended to increase output and productivity in a sustainable manner, thereby raising incomes and improving access to food for the beneficiary and their household, which will contribute, in turn, to greater food security and reduced poverty in family farming. Importantly, this package of interventions seeks to impact rural poverty in all its multidimensionality, including productive income, social and human capital, and the environmental and social sustainability of the beneficiary.¹⁰ This operation will target poor communities, prioritizing women, young people, traditional peoples and communities, and persons with disabilities and providing nonreimbursable funding for productive, environmental, and social investment. It will take a crosscutting approach to promoting transformations in gender relations and the inclusion of traditional peoples and communities, the LGBTQIAPN+ community, and persons with disabilities.
- 1.16 **Empirical evidence.** Several studies support the problems to be addressed in this project, substantiating the need for nonreimbursable funding for investments and technical assistance for family farmers to correct market failures related to liquidity constraints among low-income producers, asymmetry of information on frontier technologies, and internalization of the cost of environmental impacts on production systems.¹¹ In addition, an impact assessment of PROCASE I, financed by IFAD, highlights the project's positive impact in terms of increased access to technical assistance, water for productive uses, and participation in producer

¹⁰ See monitoring and evaluation plan (required link 2) for a more detailed definition of multidimensional poverty.

¹¹ The empirical evidence for this operation is summarized in section 1.B of the monitoring and evaluation plan ([required link 2](#)).

associations [7]. This impact contributed toward increased income (22.6%), reduced poverty (13.2%), and improved food security (14.2%) between 2015 and 2019 [7]. Perceptions of empowerment among women and young people also increased.¹²

- 1.17 **The Bank's value-added.** The Bank has a long history of promoting sustainable rural development by financing rural public goods, to help address the simultaneous challenges of increasing food security and reducing rural poverty, while mitigating the environmental harm caused by agriculture in the Latin American and Caribbean region.¹³ International evidence shows consistently that the provision of rural public goods provides conditions that are essential for the development of markets and the agricultural production of family farmers. This also tends to be more effective and generate greater returns than financing private goods, by promoting agricultural productivity [21], reducing rural poverty, and mitigating adverse impacts on natural resource management [22-24]. The IDB's impact assessments of projects in [Argentina](#), [Bolivia](#), the [Dominican Republic](#), [Ecuador](#), [Haiti](#), [Nicaragua](#), [Paraguay](#), and [Peru](#) show that sustainable rural development policies can have a significant impact on agricultural productivity, food security, and environmental sustainability.
- 1.18 Table 4 summarizes the main lessons learned from the experience of Bank-financed projects in Brazil's Northeast region ([1633/OC-BR](#), [5440/OC-BR](#), [4723/OC-BR](#), [4732/OC-BR](#), and [ATN/LC-17432-BR](#)), as well as with IFAD-financed projects in the Northeast and in Paraíba, considering that IFAD financed PROCASE Phase I.
- 1.19 **Programmatic approach.** As part of its agriculture sector strategy based on the lessons learned in previous operations, in 2021 the IDB approved the CCLIP for the Sustainable Development and Agriculture Program, which defined a programmatic approach focused on contributing to the reduction of regional disparities in Brazil, reduction of rural poverty with a multisector approach, and promotion of production models that contribute to climate change mitigation and adaptation. At the same time, it seeks to promote synergies among the operations approved under the CCLIP, as well as with operations now in execution that are consistent with the new programmatic approach. In particular, there will be complementarities with the following operations: Program to Support Agricultural Development in the Northeast (AgroNordeste) ([5440/OC-BR](#)), which is the first operation to be approved under CCLIP BR-O0008, executed by the agriculture ministry, and will be able to support actions in areas of the semiarid biome unreached by the project; Program to Modernize and Strengthen Agricultural Health and Food Safety Services ([4723/OC-BR](#) and [4732/OC-BR](#)), which finances animal and plant health programs; Sustainable and Inclusive Piauí ([5611/OC-BR](#)

¹² The level of empowerment (indicator 2.4) will be measured through the perception and power of individual and household decision-making on several dimensions, including productive decisions, access to financial services, use of income, ownership of land and other assets, membership in associations and other collective groups, and other factors. For further details, see the monitoring and evaluation plan ([required link 2](#)).

¹³ Goods or services whose benefits are available cost-free to all potential users. Includes rural infrastructure (roads, electrification); research, development, and innovation; animal and plant health and food safety; and information and statistics.

and [5612/OC-BR](#)); and Sustainable Development Project for Bahia's Atlantic Forest ([5891/OC-BR](#)). These last two projects are being cofinanced by the Bank and IFAD. In addition, lessons will be learned from operations implemented in the Atlantic Forest ([GRT/FM-14550-BR](#)), in the Northeast region ([ATN/LC-17432-BR](#)), and in other countries of the region, as well as from projects in Bahia financed by IFAD and the World Bank.

Table 4. Lessons learned

Lessons learned	Reflected in project design
<p>1. Integrative development plans with objectives for productivity, sociocultural strengthening, and business make it possible to channel investments in communities for rural cooperatives and organizations, improving processing and selling, while also contributing to enhance their productivity and food security.</p>	<p>Project investments in rural communities financed under Component I will be implemented through resilient investment plans. Selling will be supported by business plans with cooperatives and similar organizations.</p>
<p>2. Resources managed by the beneficiaries' organizations. Transferring funds to community organizations and cooperatives for contracting in productive plans lowers costs and empowers and engages beneficiaries, which improves plan outcomes. However, it is crucial to provide them with support to ensure timely and effective procurement and accountability.</p>	<p>The beneficiary organizations will be responsible for managing the project resources for the resilient investment plans and business plans financed by Component I, and will execute the planned procurement and contracting processes. The Family Farming and Semi-Arid Development Department (SEAFDS) will transfer resources to the beneficiary organizations and provide them with technical assistance in procurement and accountability. The SEAFDS and the beneficiary organizations will sign legal instruments establishing mutual obligations (paragraph 3.7).</p>
<p>3. Local capacities and technical assistance. Local technical assistance entities have performed well, drawing on their knowledge and experience with rural communities, and have proven to be an effective vehicle for providing technical assistance to family farmers.</p>	<p>Component II includes the contracting of local technical assistance entities to support the design and implementation of resilient investment plans in the communities.</p>
<p>4. Gender and inclusion. Establishing gender and inclusion strategies with a specific budget is important, to promote the participation of women, young people, traditional peoples and communities, and members of the LGBTQIAPN+ community.</p>	<p>The project will target its actions to traditional peoples and communities. In addition, the resilient investment plans financed by Component I will provide resources for initiatives of interest groups in the communities, prioritizing women, young people, and members of the LGBTQIAPN+ community. Component II will finance training in inclusive methodologies for technical assistance entities that will support the design and implementation of resilient investment plans. The program Operating Regulations require the resilient investment plans to allocate minimum percentages of funding to groups whose members are mostly women or young people.</p>
<p>5. Knowledge management, South-South and triangular cooperation, and communication. IFAD's experience has identified the importance of generating, exchanging, and communicating knowledge on project results and methodologies, including exchanges with other projects in the countries of the region. It has also identified the</p>	<p>Component II will finance studies, evaluations, and exchanges, as well as communication actions.</p>

Lessons learned	Reflected in project design
importance of specific communication actions at the project and community levels, with the potential for young people to take action.	
6. Time frame for execution and disbursements. The experience of similar projects with multisector actions and complex processes involving rural families for technology adoption and organizational and sociocultural strengthening shows the need for lengthier time frames to achieve the expected results.	A loan disbursement period of six years was set.

- 1.20 **The operation’s nonfinancial value-added.** Together with IFAD, the Bank will deliver value-added beyond the financing, such as: (i) multisector actions to combat poverty and food insecurity, including improvements in agricultural production and productivity, selling and market access, land tenure regularization, and capacity-building for the beneficiaries and their organizations; (ii) a focus on technologies for climate change adaptation and mitigation; (iii) targeting to vulnerable populations (women, young people, traditional peoples and communities, the LGBTQIAPN+ community, and persons with disabilities); (iv) environmental and social policies and their contribution to strengthening the environmental and social management system in Paraíba; and (v) outcome and impact monitoring. Innovative aspects of the operation are the proposals to support integration of the LGBTQIAPN+ community and actions for knowledge management and South-South and triangular cooperation. The operation will collaborate with other Bank (e.g., loan [GRT/FM-14550-BR](#)) and IFAD projects and initiatives working on these issues. It is also expected to improve the beneficiaries’ access to credit indirectly through preparation of economically and financially viable investment plans with the beneficiaries and the contracting of technical assistance to support their implementation and build technical and management capacity.
- 1.21 **Experience of cofinancing with IFAD.** This will be the third operation cofinanced with IFAD in Brazil. The first was the Integrated Project for Water Security, Environmental Sustainability, and Social and Productive Development of the Canindé–Piauí River Basin, State of Piauí (Sustainable and Inclusive Piauí) ([5611/OC-BR](#)), approved in October 2022. The second was the Sustainable Development Project for Bahia’s Atlantic Forest ([5891/OC-BR](#)), approved in June 2024. The cofinancing will promote synergies and complementarities in the design of the operations, arising from the institutions’ experience in Paraíba and other states of the Northeast and elsewhere in the region. In addition, the two institutions have agreed on coordination mechanisms, including the application of the Bank’s fiduciary and environmental and social policies to the IFAD financing, which will reduce complexities and duplication of efforts for the SEAFDS.
- 1.22 **Coordination with IFAD and other donors.** Cofinancing by IFAD makes this its second consecutive operation in Paraíba, after previously financing PROCASE I. Dialogue during project design resulted in IFAD agreeing to the coordination of project actions with other IFAD-financed projects in Brazil: the Dom Helder Câmara Project Phases II and III (now in approval), to be executed by the Ministry of Agrarian Development and Family Farming (MDA), which can facilitate access to

public policies, technological innovations, and biodiverse and climate-resilient production systems; and the Sertão Vivo project “Sowing Climate Resilience in Rural Communities of Northeastern Brazil,” executed by the National Economic and Social Development Bank (BNDES) and cofinanced by the Green Climate Fund (GCF), which can support complementary climate resilience actions. The project will also coordinate with the Cooperar project, financed by the World Bank and executed by the SEAFDS, which is the same executing agency as this new project. Accordingly, dialogue during the design phase also identified the possibility of complementary support for investments in agroindustries and the upgrading of rural roads.

- 1.23 **Strategic alignment.** The program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligned with the objectives to: (i) reduce poverty and inequality; (ii) address climate change; and (iii) bolster sustainable regional growth, since it will contribute to increasing incomes and agricultural productivity in poor rural communities (family farmers, women, traditional peoples and communities, and persons with disabilities), as well as to supporting economic organizations of producers to improve selling in national and international markets. The program is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action, by financing technologies for the conservation of natural resources and climate change adaptation and mitigation; (ii) gender equality and inclusion of diverse population groups, by contributing to food security, the empowerment and leadership of women farmers, traditional peoples and communities, and persons with disabilities, as well as greater inclusion of LGBTQIAPN+ persons; (iii) social protection and human capital development, by providing productive and inclusive training to the project’s target population with the objective of creating new jobs and income sources; and (iv) productive development and innovation through the private sector, by supporting the commercial competitiveness of economic organizations of producers. The operation is aligned with the Employment Action Framework with Gender Perspective (GN-3057 and OP-2289-1) (Category 1, businesses and entrepreneurship pillar), by improving the integration of producers into value chains, prioritizing women, young people, traditional peoples and communities, and persons with disabilities. This operation is included in the Update of Annex III of the 2024 Operational Program Report (GN-3207-3).
- 1.24 **Climate change and alignment with the Paris Agreement.** This operation has been reviewed using the Joint MDB Assessment Framework for Paris Alignment and the IDB Group Paris Alignment Implementation Approach (GN-3142-1) and is deemed to be (i) aligned with the adaptation objective of the Paris Agreement and (ii) aligned with the mitigation objective of the Paris Agreement, according to a specific analysis. The alignment is based on the following factors: crop and livestock production in an area of high contextual risk of deforestation, using sustainable production models exclusively through the promotion of agroecological practices intended to reduce the consumption of biocides and synthetic fertilizers, and climate change adaptation and mitigation actions intended to recover degraded areas, and improve forest cover with agroforestry systems. The operation is therefore deemed consistent with Brazil’s Nationally Determined Contribution (NDC) and Low-Carbon Agriculture Plan (Plano ABC+).

- 1.25 According to the joint MDB methodology for tracking climate finance, an estimated 75.74% of the IDB resources are invested in support for adaptation and mitigation through investments in low-carbon agricultural technologies, the promotion of practices contributing to climate change resilience and adaptation, training, and other actions. According to the Green Finance Tracking Methodology at the IDB Group (GN-3101), the operation also contributes to the objective of “protection, sustainable use, and restoration of biodiversity and ecosystems,” so **the operation’s total green and climate finance is 89.20%**.
- 1.26 **The Bank’s country strategy.** The operation is consistent with the IDB Group country strategy with Brazil (GN-2973-2)¹⁴ and aligned with its strategic objectives to: (i) promote greater economic competitiveness, by the beneficiaries adopting technologies that improve productivity; and (ii) integrate less developed regions, by increasing agricultural production and productivity. It is also aligned with the crosscutting themes of gender and diversity, and sustainability and climate change. In addition, it is consistent with: the IDB Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (GN-2609-1), by promoting the adoption of technologies that contribute to climate change adaptation and reduce deforestation; the Agriculture Sector Framework (GN-2709-10), by supporting increased agricultural productivity; the Food Security Sector Framework Document (GN-2825-8), by promoting increased food production, both for self-consumption and for sale; and the Gender and Diversity Sector Framework Document (GN-2800-8), by promoting income generation and participation by women, traditional peoples and communities, persons with disabilities, and LGBTQIAPN+ persons. The operation is aligned with the Multiyear Plan 2024-2027 and the federal government’s Economic Acceleration Plan, as well as with the country’s priorities for fighting poverty, reducing inequalities, and strengthening food security.

B. Objectives, components, and cost

- 1.27 **Objectives of the fourth individual operation under the CCLIP.** The general objective of the project is to reduce rural poverty levels by improving food and nutritional security and the rural population’s adaptation to climate change. The specific objectives are: (i) to increase the adoption of agricultural technologies that contribute to climate change adaptation and mitigation; (ii) to enhance the productive and social inclusion of family farmers, prioritizing women, young people, traditional peoples and communities, and persons with disabilities; and (iii) to improve the environmental conditions of rural communities and their surroundings. The project contributes to the CCLIP’s multisector objectives by promoting productivity and income gains through the adoption of agricultural technologies and the integration of producers into value chains.
- 1.28 **Component I. Resilient production systems to reduce rural poverty (IDB US\$42.8 million, IFAD US\$6.04 million, Local US\$15.10 million).** This component is linked to the operation’s specific objectives (i), (ii), and (iii) and will finance plans to improve the beneficiaries’ production and selling, build their

¹⁴ Approval was given to extend the IDB Group country strategy with Brazil until 31 August 2024 (GN-2973-2). The new strategy is now in preparation.

- capacity for climate change adaptation, and recover environmentally degraded areas. It will include two types of complementary plans: resilient investment plans and business plans. The resilient investment plans will promote improvements in production, access to services, and environmental conditions in rural communities, while the business plans will benefit larger-scale cooperatives. The component will also finance the development of innovations that address constraints faced by family farming, particularly machinery and equipment.
- 1.29 The **resilient investment plans** will benefit rural community groups, which will be selected and prioritized according to the following criteria: a larger proportion of low-income families and families headed by women, young people, traditional peoples and communities, persons with disabilities, and LGBTQIAPN+ persons; difficulties in accessing services (technical assistance, water and sanitation); and environmental degradation processes. The beneficiaries of the resilient investment plans will be selected from among members of those communities who are interested in and committed to participating in the technical activities, prioritizing women, young people, members of traditional peoples and communities, persons with disabilities, and LGBTQIAPN+ persons. The plans will finance investments in three areas: (i) productive, including the inputs, tools, equipment, and other investments necessary to facilitate the adoption of technologies to improve food security, sustainable production, and climate change adaptation; (ii) social, including social technologies for the collection and storage of water for human consumption and family systems for the treatment and reuse of sewage and graywater; and (iii) environmental, including investments for environmental management and restoration, such as nurseries, native seed production, reforestation and recovery of degraded areas, and the protection of soil and water resources. The productive and technological proposal of the resilient investment plans will be based on agroecology, using biological, rather than synthetic, inputs. Nonagricultural activities may also be supported, such as handicrafts and community-based tourism.
- 1.30 The **business plans** will benefit cooperatives and similar organizations and finance investments and specialized technical assistance to build management capacity, increase value-added, and improve selling and climate change adaptation. They will include the modernization of equipment and facilities to enhance product quality and to meet sanitary and environmental standards, as well as organic certification costs and collective labels that add value to sustainable products. The resilient investment plans and business plans may both include equipment for renewable energy and rural connectivity. Priority will be given to successful cooperatives that have the potential and desire to increase their membership, or have development potential but need to build management capacity; and those in which more than 50% of their members are women or young people.
- 1.31 The program Operating Regulations describe the key requirements of the plans, such as eligibility criteria, investments eligible and ineligible for financing, maximum amounts, resource management and accountability mechanisms, and the treatment of environmental and social considerations. They set rules for the procurement of solar panels, including due diligence processes on labor risks and specific requirements of the Bank in procurement processes, bidding documents,

and contracts to prevent child or forced labor.¹⁵ Each resilient investment plan will finance up to US\$335,000 per plan and each business plan up to US\$250,000 per plan.¹⁶ The resources provided by the project will not be reimbursable to the beneficiaries, which must provide a counterpart of at least 10% (resilient investment plan) or 20% (business plan) of the value of the plan. To bridge the income gap, 50% of the resilient investment plan funds and 50% of the business plan funds will be allocated to associations and cooperatives led by women; and 20% of the resilient investment plan funds will be allocated to groups consisting mainly of young people. Prioritization criteria will be established to favor mixed groups with more women, young people, and producers belonging to traditional peoples and communities. Specifically, in both resilient investment plans and business plans, priority will be given to plans for traditional peoples and communities, as well as those in which more than 50% of the beneficiaries are women and more than 20% are young people.

- 1.32 **Component II. Organizational strengthening, capacity-building, and knowledge management (IDB US\$20.87 million, IFAD US\$2.98 million, Local US\$7.45 million).** The component is linked to specific objectives (i) and (ii), and will finance: (i) capacity-building for family farmers, including the contracting of ongoing agroecological technical assistance services to support the design and implementation of resilient investment plans, as well as training for farmers and technical assistance entities that will provide services to the beneficiaries; (ii) capacity-building for family farmer organizations, including specialized technical assistance to support the design and implementation of business plans, strengthening of local markets and selling centers, structuring of health inspection services, and pilot experiences in participatory organic certification; (iii) specific plans to promote gender equality, participation by young people, traditional peoples and communities, LGBTQIAPN+ persons, and persons with disabilities, and food and nutritional security;¹⁷ (iv) training for families on public policies for family farming and how to access them, and on key environmental issues in rural areas; (v) land and environmental regularization, focusing on traditional communities and agrarian reform settlements that are in an advanced process and conflict-free; and (vi) knowledge management and South-South and triangular cooperation, which will finance studies, documentation of experiences, communication and dissemination, and exchanges with relevant experiences in other countries of the region.
- 1.33 **Project management, monitoring, and evaluation (IDB US\$6.85 million, IFAD US\$980,000, Local US\$2.45 million).** Financing will be provided for equipment, consulting services, and other necessary expenditures for: (i) project

¹⁵ The operation will follow the provisions of the Environmental and Social Policy Framework (GN-2965-3) and the IDB Group Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (GN-3062-1).

¹⁶ Each resilient investment plan will finance up to US\$2,800 per family, and each business plan up to US\$800 per cooperative member.

¹⁷ See pages 60-73 of [optional link 2](#) for further details on the equity and inclusion activities to be promoted through these plans.

administration and management; (ii) supervision, monitoring, and evaluation; (iii) training for staff of the project management unit (PMU); and (iv) project audits.

C. Key results indicators

- 1.34 **Direct beneficiaries.** The project's target population will encompass approximately 48% of the state's family farmers,¹⁸ totaling some 60,000 families (210,000 individuals) in rural communities, especially the neediest municípios reporting a lower human development index. The target population includes 18,000 families with resilient investment plans, 5,000 families who are members of cooperatives and other organizations with business plans, 5,000 families benefited with land and environmental regularization, and more than 32,000 with greater capacity to access public programs. More than 30,000 women, 12,000 young people, and 1,300 families belonging to traditional peoples and communities will be strengthened. At least 50% of the beneficiaries of the resilient investment plans and business plans are expected to be families headed by women.
- 1.35 **Expected outcomes.** The expected outcomes by the end of the program are: (i) a 30% decrease in the incidence of poverty or extreme poverty among the direct beneficiaries, down 13 percentage points from the current level of 43%;¹⁹ (ii) a 45% increase in minimum dietary diversity among the direct beneficiaries, from 44% to 64% of the beneficiary population by the end of the project; (iii) an increase of at least 60% in agricultural output among the beneficiary population; and (iv) a decrease of 1,449,802 tons of CO₂ equivalent in greenhouse gas emissions in 20 years. The impacts, outcomes, and outputs are defined in detail in Annex II.
- 1.36 **Economic viability.** The cost-benefit analysis (see [optional link 1](#)) evaluates the benefits of the loan, including the increase in agricultural incomes and decrease in greenhouse gas emissions associated with improvements in the production system of the beneficiaries. The results confirm the project's economic viability with a net present value of US\$52,563,531 and an internal rate of return of 26.6% over a 20-year period.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This fourth individual operation under the CCLIP for the Sustainable Development and Agriculture Program (BR-O0008) will have Bank financing of US\$70 million in the form of a specific investment loan from the Bank's Ordinary Capital resources. IFAD will provide US\$10 million in joint cofinancing directly to the State of Paraíba. The Bank and IFAD have signed a coordination agreement²⁰ specifying operational responsibilities, including technical, fiduciary, environmental, and social supervision by the Bank of the execution of IFAD resources and the coordination of supervision missions between the two institutions. The Bank will

¹⁸ This estimate is based on the existence of 163,218 farms, 76.8% of which are practicing family farming. Thus, the 60,000 beneficiary families represent 47.8% of this population.

¹⁹ Corresponds to the Multidimensional Poverty Index (impact indicator 1).

²⁰ The agreement was signed by representatives of the two institutions on 21 August 2024.

charge IFAD a service fee to partially cover the cost of project preparation, supervision, and monitoring. The IFAD financing is expected to be approved in December 2024.

- 2.2 A disbursement period will be six years, based on the nature of the planned project activities under the proposal approved by the federal government.²¹

Table 5. Project estimated project costs (US\$ million)²²

Component	IDB	IFAD*	Local**	Total	%
Component I – Resilient production systems to reduce rural poverty	42.28	6.04	15.10	63.42	60.4
Implementation of resilient biodiverse production systems	37.61	5.37	13.43	56.41	53.7
Strengthening and diversification of selling	4.00	0.57	1.43	6.00	5.7
Incentives for innovation	0.67	0.10	0.24	1.00	1.0
Component II – Organizational strengthening, capacity-building, and knowledge management	20.87	2.98	7.45	31.30	29.8
Capacity-building of family farmers	13.51	1.93	4.82	20.26	19.3
Capacity-building of organizations for selling	1.55	0.22	0.55	2.32	2.2
Diversity, gender, youth, nutrition, and food security	3.07	0.44	1.10	4.61	4.4
Land and environmental regularization	1.33	0.19	0.48	2.00	1.9
Knowledge management and South-South and triangular cooperation	1.41	0.20	0.50	2.11	2.0
Project management, monitoring, and evaluation	6.85	0.98	2.45	10.28	9.8
Total	70.00	10.00	25.00	105.00	100.0

* Cofinancing resources.

** Consists of a local counterpart of US\$21.875 million related to the loan contract between the Bank and the State of Paraíba and US\$3.125 million related to the loan contract between IFAD and the State of Paraíba.

Table 6. Tentative disbursement schedule (US\$ million)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
IDB	1.50	3.70	14.41	24.17	17.77	8.45	70.00
IFAD	0.21	0.53	2.06	3.45	2.54	1.21	10.00
Local	0.54	1.32	5.15	8.63	6.34	3.02	25.00
Total	2.25	5.55	21.62	36.25	26.65	12.68	105.00
% per year	2.14	5.29	20.59	34.52	25.38	12.08	100.00

²¹ Program request (carta consulta) approved by the External Financing Commission (COFIEX) of the Ministry of Planning and Budget pursuant to Resolution 22 of 1 June 2023.

²² The costs per activity within each component are indicative.

2.3 **Fiscal analysis.** The state of Paraíba currently has the top CAPAG payment capacity rating of “A”. The Federal Government of Brazil will reassess the state’s fiscal condition before giving final approval for the signing of the loan contract.

B. Environmental and social safeguard risks

2.4 According to the Environmental and Social Policy Framework (ESPF), and based on currently available information, this operation is classified as Category “B” because the activities and plans financed by Components I and II can cause moderate-to-significant negative environmental and social impacts in the medium and long terms that are manageable and mitigable with known measures that will be specified in the environmental and social management plans (ESMPs) and stakeholder communication and engagement plans. These impacts relate to agricultural and specific civil construction activities to be financed by the project, including noise, civil construction and agricultural waste and dust, emissions, erosion and sediment loads to watercourses, and pressure on modified and natural habitats. Activities to enhance the productivity and incomes of producer groups are not expected to adversely affect or contribute to the degradation of critical areas and habitats. Land titling is expected to promote economic development and improved land use and conservation. However, some situations carry risks of generating conflicts between potential beneficiaries and actors claiming land ownership. To address the risks, the project will have a mechanism for communicating and receiving community demands and complaints, available through culturally accessible channels throughout the project life cycle. The project will also be guided by best practices and lessons learned from other IDB-financed projects.

2.5 The project’s socioenvironmental risk rating is “Substantial,” associated with negative, temporary, manageable, and mitigable environmental and social impacts, risks of intervention and impacts on modified habitats of significant biodiversity value, and risks of indirect impact on natural and critical habitats.

2.6 The disaster and climate change risk rating is “Moderate” due to the exacerbation of natural disaster risks during extreme drought, precipitation, and flooding events and fires in sensitive biomes. The criticality of the infrastructure to be constructed is moderate since it is of medium size, which will be confirmed when the projects and implementation areas are defined through a disaster risk assessment, to be included in the ESMP prior to implementation. These ratings were confirmed through the results of the strategic environmental and social assessment studies conducted during due diligence. The eligibility criteria set for the operation exclude activities that involve involuntary displacements (physical or economic), negative impacts on livelihoods, adverse impacts on traditional communities and/or Indigenous peoples, as well as impacts on the ecosystem resources on which Indigenous peoples depend, and impacts on their cultural heritage. Investments that cause negative impacts on critical habitats will also be ineligible.

2.7 To address these risks adequately and meet the requirements of the Environmental and Social Performance Standards (ESPS), the following were developed: (i) a strategic environmental/social assessment; (ii) a strategic environmental/social management plan; (iii) a sociocultural analysis focused on Indigenous populations, Quilombola communities, and other traditional communities prior to the program interventions; and (iv) a specific stakeholder

engagement plan. Risks pertaining to Indigenous communities were assessed during due diligence, and a need was identified for free prior and informed consultation with the Indigenous and traditional communities that could be affected by the project. In addition, the project management unit (PMU) will implement an environmental and social management system (ESMS) consistent with ESPS 1.

- 2.8 The preliminary versions of the environmental and social studies were posted on the Bank's website before the analysis mission. A hybrid public consultation with the different program stakeholders was held on 2 July 2024. The event encompassed 183 municipios and had a total of more than 3,000 participants. It addressed selection criteria, access to the target public, contracting modality, program activities and investments, and other issues. All of the concerns and questions raised during the public consultation were answered.
- 2.9 The program's socioenvironmental sustainability must be guaranteed by compliance with ESPF performance standards through the implementation of the ESMS and its guidelines in the environmental and social management framework (ESMF), and the presence of a specific team at the PMU, consisting of an environmental specialist and a social specialist, tasked with socioenvironmental management, which will also coordinate active communication with the affected populations.

C. Fiduciary risks

- 2.10 To avoid potential difficulties and delays in implementation owing to SEAFDS weaknesses and holdups in procurement processes, the following measures are proposed: (i) use a PMU for project administration and management; (ii) contract the Inter-American Institute for Cooperation on Agriculture (IICA) as a specialized agency to assist with PMU staff hiring and training to support project management, given its experience in similar projects, including PROCASE I (paragraph 3.6); and (iii) provide training on the Bank's fiduciary policies and procedures. In addition, a foundation associated with a university or research center will be contracted through a competitive process for the following: (i) the hiring of rural youth scholarship holders to support technical assistance and other project tasks in their communities; (ii) identification and payments to selected developers of innovations; (iii) necessary specialized consulting services to prepare and execute business plans at organizations without the capacity to contract and manage them directly; and (iv) necessary contracting for studies, exchanges, and other knowledge management and South-South and triangular cooperation actions.
- 2.11 To avoid the risk of delays in accountability reporting by beneficiaries for the funds transferred to their organizations, the program Operating Regulations will establish a clear accountability mechanism, and the SEAFDS will sign a legal instrument with each beneficiary organization, specifying the corresponding responsibilities and mechanisms. The SEAFDS will also provide beneficiary organizations with technical support to ensure proper accountability.

D. Other key issues and risks

- 2.12 **Economic and financial execution environment.** The possibility that fiscal deterioration may result in budget cuts during execution is considered a medium-high risk. To mitigate this, ongoing dialogue with counterparts and joint monitoring

- with IFAD will be maintained, including an action plan to maintain prioritization of the program, if necessary.
- 2.13 **Political environment.** The possibility that changes at the SEAFDS may delay execution is considered a medium-high risk. To mitigate this, ongoing dialogue will be maintained with the new authorities to emphasize the importance of the project, and training will be provided for technical staff in key areas.
- 2.14 **Sustainability of the investments.** Insufficient capacity of the beneficiaries' organizations and insufficient clarity in institutional responsibilities, affecting the sustainability of the production plan investments financed by the program, represent a high risk. To mitigate this, technical assistance will be provided to the beneficiaries, financed under Component II, to build the management capacity of the organizations and assist them in operating and maintaining the equipment and infrastructure effectively.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower, executing agency, and guarantor.** The borrower will be the State of Paraíba. The Federative Republic of Brazil will be the guarantor of the borrower's financial obligations under the loan contract. The executing agency will be the borrower, acting through the Family Farming and Semi-Arid Development Department (SEAFDS), which will be responsible for technical and fiduciary management of the project. A project management unit (PMU) was created within its organizational structure. The Paraíba Research, Rural Extension, and Regularization Company (EMPAER) will act as subexecuting agency of the land regularization activities under Component II. An institutional capacity analysis of the [SEAFDS](#) and [EMPAER](#) was performed, and opportunities for improvement were identified, as part of project preparation. It found that the entities have experience in executing programs financed by international organizations, including the recently completed PROCASE I, which was financed by an US\$18 million loan from the International Fund for Agricultural Development (IFAD), and that they possess medium institutional capacity for executing the new project. However, a PMU will be required to ensure enough capacity to manage the program in the technical, procurement, financial, environmental, and social areas. Contracting of the Inter-American Institute for Cooperation on Agriculture (IICA) as a specialized agency is also proposed, to administer contracting for project management (paragraph 2.10); and training will be provided on fiduciary policies and procedures.
- 3.2 **Execution, administration, and coordination mechanisms.** The SEAFDS, acting through the PMU, will be responsible for the program's overall management and coordination and will ensure compliance with the loan contract and the program Operating Regulations. Among other tasks, it will: (i) maintain formal communication with the Bank; (ii) submit disbursement requests and accountability reports; (iii) arrange for the external audit; (iv) coordinate monitoring and evaluation activities; (v) submit the consolidated work planning, financial plan, multiyear execution plan, and status reports to the Bank; (vi) execute the activities; and (vii) monitor budget execution and inputs for financial records and proper accountability reporting to the Bank. The PMU will have the following core team:

- (i) a state government coordinator; (ii) a technical coordinator; (iii) an administrative/financial coordinator; (iv) a procurement specialist; (v) a Component I operational coordinator; (vi) a Component II operational coordinator; (vii) a gender and diversity specialist; (viii) a specialist in traditional peoples and communities; (ix) an environmental and social safeguards specialist; and (x) a monitoring and evaluation specialist. In addition to the central team in João Pessoa, the PMU will have local offices staffed by a technical team financed by the project, which will be responsible for disseminating information, supervising project actions, supporting accountability reporting for the plans with the organizations, and other tasks. The number of offices and their location will be based on the geographical and territorial layout of the plans.
- 3.3 The project will have a management committee, known as the Executive Committee for the Management of Productive Investments (CEGIP), which will have a strategic planning role, including the review of six-monthly and annual reports, approval of the annual work plan, evaluation and approval of the resilient investment plans, and monitoring of implementation of the procedures established in the environmental and social management plan. The SEAFDS secretary will chair the committee, and the PMU general coordinator will serve as executive secretary. Its members will include representatives from EMPAER, other departments relevant to the purposes of the project, and civil society organizations (CSOs). It will be created through a SEAFDS resolution, for which there is already a draft text specifying the committee's objectives, responsibilities, membership, and operational issues. In addition, the CODETER councils for sustainable territorial development will play a consultative role as entities that promote local participation and coordinate the actions of government, social sector organizations, and CSOs. They will thus provide an avenue for communication of the project's actions and coordination with other initiatives under way locally.
- 3.4 **Disbursement management.** Loan disbursements will be made in U.S. dollars under the advance of funds modality, in accordance with the Financial Management Guidelines for IDB-financed Projects (OP-273-12). Requests for advances must satisfy the liquidity needs of the program, as documented in the financial plan for a period of up to six months. Each advance (except the first) will require justification of at least 60% of the total accumulated balances of advances pending justification (see Annex III).
- 3.5 **Procurement of works and services.** Procurement and contracting financed in whole or part with the loan proceeds will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), and with the provisions of the loan contract and procurement plan. Procurement may be subject to ex ante or ex post supervision, as established in the procurement plan. For procurements executed using the country system, supervision will be conducted using the country supervision system.
- 3.6 **Direct contracting and single source selection.** Single-source selection of the Inter-American Institute for Cooperation on Agriculture (IICA) as a specialized agency is proposed, to administer contracting for project management. The IICA's main functions will be: (i) hiring technical and administrative staff for program

- management; and (ii) contracting logistics services to implement the planned training activities for administration and management. The IICA will receive transfers from the project for such contracting and procurement, totaling US\$5.88 million (US\$5.43 million for the cost of technical personnel and US\$450,000 for training). The total estimated cost of contracting the IICA is US\$471,000 for the six years of execution, with payments based on the executed resources (percentage). This single-source selection is justified under paragraph 3.11(d) of document GN-2350-15, given the IICA's experience of exceptional worth, as demonstrated by its extensive experience and track record in supporting project execution, its technical staff's familiarity and experience with the procurement policies of international agencies, and its experience and satisfactory performance in a similar role in PROCASE I.
- 3.7 **Resilient investment plans and business plans.** Each of the approximately 200 resilient investment plans and 60 business plans envisaged will be implemented by a community organization or cooperative, respectively, which will be responsible for conducting and accounting to the project for the planned procurements, following procedures aligned with Bank policies. The SEAFDS will sign a legal instrument with each of them, specifying obligations and responsibilities in the execution of the plan, as well as the conditions for disbursements to the organizations, the percentages, and means of verification. The template for this legal instrument will be included as an annex to the program Operating Regulations.
- 3.8 **Technical assistance.** The SEAFDS will hold a competitive process for the contracting of technical assistance services to oversee the preparation of participatory diagnostic studies and support implementation of the resilient investment plans. The beneficiary cooperatives of the business plans may receive project support to contract specialized technical assistance for their design and execution. Based on the extensive experience gained from PROCASE I and other projects, the existing legal framework²³ will be used to implement the investments in social technologies (e.g., cisterns) under the resilient investment plans. CSOs with experience in these technologies will be contracted competitively to provide training on their use and maintenance.
- 3.9 **Program Operating Regulations.** The program Operating Regulations approved by the Bank will include criteria for the design and execution of resilient investment plans and business plans, environmental and social considerations, integrity, and other issues.
- 3.10 **External audit.** The program's financial statements will be audited annually, either by the State of Paraíba Audit Office (TCE) or by a Bank-eligible independent audit firm contracted by the SEAFDS. The borrower will deliver the audited financial statements to the Bank within 120 days after the close of each fiscal year. The final audited financial statements will be delivered within 120 days after the project's last disbursement date or as extended.

²³ Law 12,873/13, Decree 9,606/18, and [specific regulatory instructions for each of the social technologies, e.g., for "sidewalk cisterns"](#).

- 3.11 The following will be special contractual conditions precedent to the first disbursement of the financing: **(i) approval and entry into force of the program Operating Regulations on the terms previously agreed upon with the Bank; and (ii) appointment and contracting of the appointment and contracting of the core team members of the project management unit.** Based on the Bank's regional experience, it is essential for the program Operating Regulations to be approved before the first disbursement. The second condition ensures that the SEAFDS has a team ready to start execution.
- 3.12 A **special contractual condition of execution** will be the signing and entry into force of the legal instrument between the borrower and EMPAER before the start of execution of the land tenure regularization activities under Component II.
- 3.13 **Recognition of expenditures.** The Bank may recognize, against the local contribution, up to US\$2.5 million (10% of the estimated amount of the local contribution) in eligible expenditures incurred by the borrower through the SEAFDS and EMPAER before the loan approval date for the hiring of PMU staff, studies and diagnostic assessments, and services and equipment necessary to manage the project and implement the component actions, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 5 October 2023 (the operation's official start date) but will not, in any case, include expenditures incurred more than 18 months before the loan approval date.

B. Summary of arrangements for monitoring results

- 3.14 The project has a monitoring and evaluation plan ([required link 2](#)) that presents: (i) the indicator measurement methodology; (ii) the impact assessment methodology; (iii) the data requirements; and (iv) the responsible parties and estimated budget.
- 3.15 **Monitoring.** The borrower, acting through the PMU, will deliver six-monthly reports to the Bank no later than 60 days after the end of each six-month period. These reports will include data for the progress monitoring report (PMR), based on the Results Matrix indicators. The borrower will use management systems for PMR monitoring and tracking.
- 3.16 **Evaluation.** The midterm evaluation will be delivered to the Bank within 90 days after the date on which 50% of the loan proceeds have been disbursed, or 36 months have elapsed since the entry into effect of the loan contract, whichever occurs first. The final evaluation, which will be based on the impact assessment and the ex post economic evaluation, supplemented by other qualitative sources, will be delivered within 90 days after the date on which 95% of the loan proceeds have been disbursed. These evaluations will follow the Bank's project completion report (PCR) preparation guidelines. The borrower will be responsible for implementing the monitoring and evaluation plan activities. The final evaluation will include the results of the impact assessment, which will be financed from the loan proceeds, and will use the quasi-experimental difference-in-differences method, with propensity score matching to assess how the program affects the main impact and outcome indicators necessary to prepare the PCR. The two survey rounds will play a key role in conducting the impact assessment that will provide data for most of the outcome (and impact) indicators. To capture the impact of the agricultural

cycle of the last year of project execution, the PCR of this operation will begin up to 12 months after the program's operational closure, in accordance with the PCR preparation guidelines (OP-1696-5).²⁴

IV. ELIGIBILITY CRITERIA

- 4.1 The fourth individual operation under the CCLIP for the Sustainable Development and Agriculture Program ([BR-O0008](#)) meets the requirements set in the CCLIP policy document (GN-2246-13) and operational guidelines (OP-1622-3) because: (i) a full institutional capacity assessment found that the Family Farming and Semiarid Development Department (SEAFDS) has execution capacity but also areas for improvement; (ii) the objective of the operation contributes to achievement of the CCLIP's multisector objectives by promoting the adoption of agricultural technologies and the integration of producers into value chains; (iii) the operation is included in the agricultural services sector under the CCLIP; and (iv) actions to address the areas for improvement identified in the institutional capacity assessment have been included. As regards the CCLIP: (i) the CCLIP's objectives are within the priorities defined in the IDB Group country strategy with Brazil 2019-2022 (GN-2973); and (ii) the International Affairs and Development Department (SEAID), as CCLIP liaison agency, has the authority to fulfill this role, given its institutional mandate to coordinate, monitor, and evaluate operations with international financing.²⁵

²⁴ Document OP-1696-5, paragraph 1.20. Preparation timing exception.

²⁵ The SEAID also acts as liaison agency for the following CCLIPs: Pro-Segurança (BR-O0011), Social Spending Modernization Program in Brazil (BR-O0009), and Brazil Plus Digital (BR-O0010), approved on 18 November 2020, 16 December 2020, and 7 April 2021, respectively.

Development Effectiveness Matrix		
Summary		BR-L1623
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	<ul style="list-style-type: none"> -Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Social protection and human capital development -Productive development and innovation through the private sector 	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2973	(i) promote greater competitiveness; and (ii) integrate the less developed regions
Country Program Results Matrix	GN-3207-3	The intervention is included in the 2024 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		9.6
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.6
4. Ex ante Economic Analysis		9.0
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		0.0
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)		Budget, Treasury, Accounting and Reporting, External Control, Internal Audit.
Non-Fiduciary		
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		

Evaluability Assessment Note:

The specific objectives of the Program are: (i) Increase the adoption of agricultural technologies that contribute to climate change adaptation and mitigation; (ii) Improve the productive and social inclusion of family farmers, prioritizing women, youth, PCTs and PcD; (iii) Improve the environmental conditions of rural communities and their surroundings. The achievement of these objectives will contribute to the General Objective of: reducing rural poverty levels, improving food and nutritional security and the adaptation of the rural population to climate change.

The project presents a complete diagnosis; with a correct description of the current situation of low income, low productivity and food insecurity of Family Farming in Paraíba and its relationship with a series of factors that are addressed by the program (climate change, environmental degradation, limited access to knowledge, limited integration in value chains, limited technical and organizational capacities, insecurity of land tenure). The specific objectives comply with the condition of having at least one result indicator, which are SMART with defined means of verification. It should be noted that the measurement of these indicators depends on the implementation of the impact evaluation, which has been duly budgeted for and is also promoted by the co-financier (IFAD).

The economic analysis of the project was carried out through a cost-benefit analysis (CBA), in which the benefits are estimated based on the valuation of the increase in productivity of small farmers, the reduction of GHG emissions and other environmental effects. The CBA has reasonable assumptions, uses appropriate methodologies and has an adequate sensitivity analysis. The analysis concludes that the project is economically viable, with an IRR of 26.6%, using a 20-year evaluation horizon.

The project includes a monitoring and evaluation plan that is in line with Bank standards. The effectiveness of the proposed intervention at the Specific Objective level will be measured following a combination of different approaches: ex-post cost-benefit, before-after, and difference-in-differences. Additionally, at the General Objective level, the difference-in-differences evaluation methodology will be adopted.

RESULTS MATRIX
Extended Version

Project objective:	<p>The specific objectives of this operation are:</p> <ul style="list-style-type: none"> (i) To increase the adoption of agricultural technologies that contribute to climate change adaptation and mitigation; (ii) To enhance the productive and social inclusion of family farmers, prioritizing women, young people, traditional peoples and communities, and persons with disabilities; and (iii) To improve the environmental conditions of rural communities and their surroundings; <p>Achieving these objectives will contribute to the general objective of reducing rural poverty levels by improving food and nutritional security and the rural population's adaptation to climate change.</p>
---------------------------	--

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline		Target		Means of verification	Comments
		Value	Year	Value	Year		
General Objective: To reduce rural poverty levels by improving food and nutritional security and the rural population's adaptation to climate change							
I1. Multidimensional Poverty Index (MPI) (adjusted headcount)	MPI	43	2020	2031	30	Impact assessment	Baseline and target values obtained from the PROCASE Phase 1 impact assessment study conducted in 2020 (Silva, 2023).
I1a. MPI of households headed by women		42	2020	2031	29		Gender flag
I1b. MPI of households headed by young people		37	2020	2031	26		
I1c. MPI of households belonging to traditional peoples and communities		43	2020	2031	30		Afro-descendant + Indigenous peoples flags
I1d. MPI of persons with disabilities		44	2020	2031	31		Persons with disabilities flag
I2. Households reporting minimal dietary diversity (MDDW)	%	44	2020	2031	64	Impact assessment	Baseline and target values: Silva, 2023 IFAD core outcome indicator (COI) 1.2.8 (nutrition-sensitive)
I2a. Households headed by women		46	2020	2031	68		Gender flag

Indicators	Unit of measure	Baseline		Target		Means of verification	Comments
		Value	Year	Value	Year		
I2b. Households headed by young people		44	2020	2031	71		
I2c. Households belonging to traditional peoples and communities		46	2020	2031	63		Afro-descendant + Indigenous peoples flags
I2d. Households headed by persons with disabilities		49	2020	2031	78		Persons with disabilities flag
I3. Farmers who increase their crop and livestock production	Farmer	0	2025	2031	10,800	Impact assessment	Adapted from IFAD COI 1.2.4 Based on the universe of 18,000 beneficiaries of productive plans and technical assistance, it is assumed that 60% adopt technologies and increase their production, based on the results of the PROCASE I assessment. <i>Linked to the achievement of R1.1 for climate change adaptation.</i>
I3a. Households headed by women		0	2025	2031	5,400		Gender flag
I3b. Households headed by young people		0	2025	2031	2,160		
I3c. Families belonging to traditional peoples and communities		0	2025	2031	540		Afro-descendant + Indigenous peoples flags
I3d. Persons with disabilities		0	2025	2031	216		Persons with disabilities flag
I4. Number of tons of greenhouse gas emissions (CO ₂ e) avoided and/or sequestered	tCO ₂ e/ha	0	2024	2031	1,449,802	FAO ex ante carbon balance tool (EX-ACT)	IFAD COI 3.2.1 (Mitigation finance)
I4a. Hectares of surface area	Surface area (ha)	0	2024	2031	13,575		
I4b. tCO ₂ e/ha/yr	tCO ₂	0	2024	2031	5.0		

EXPECTED OUTCOMES

Expected results	Unit of measure	Baseline		Target		Means of verification	Comments
		Value	Year	Value	Year		
Specific objective 1. To increase the adoption of agricultural technologies that contribute to climate change adaptation and mitigation							
R1.1 Households using sustainable and climate-smart inputs, technologies, or practices	%	62	2020	2031	67	Impact assessment	IFAD IOC 3.2.2 (Adaptation finance) Baseline and target: Silva, 2023
Specific objective 2. To enhance the productive and social inclusion of family farmers, prioritizing women, young people, traditional peoples and communities, and persons with disabilities							
R2.1 Family farmers who sell their produce in markets	%	61	2020	2031	72	Impact assessment	Baseline and target: Silva, 2023
R2.1a Women farmers		57	2020	2031	71		Gender flag
R2.1b Young farmers		61	2020	2031	72		
R2.1c Households belonging to traditional peoples and communities		61	2020	2031	72		Afro-descendant + Indigenous peoples flags
R2.1d Persons with disabilities		64	2020	2031	79		Persons with disabilities flag
R2.2 Organizations supported by business plans that increase sales	Organizations	0	2020	2031	12	Impact assessment Specific evaluative consultation on selling in the supported cooperatives	IFAD IOC 2.2.5
R2.3 Women holding management positions in rural organizations	%	5	2020	2031	12	Impact assessment Evaluative consultation on women's empowerment in the supported organizations	Baseline and target: Silva, 2023
R2.3a Young women		8	2020	2031	11		Gender flag
R2.3b Women belonging to traditional peoples and communities		5	2020	2031	12		Gender + Afro-descendant + Indigenous peoples flags
R2.3c Women with disabilities		7	2020	2031	13		Gender + Persons with disabilities flags
R2.4 Change in the incidence of persons who report being empowered relative to baseline	%	0	2020	2031	5	Impact assessment	Measured through the perception and power of individual and household decision-making on several dimensions, including productive decisions, access to financial services, use of income, ownership of land and other assets, membership in associations and other collective groups, and other factors. For further details, see the monitoring and evaluation plan (required link 2). Reference for target: Salazar et al. (2018)
R2.4a Incidence of women		0	2024	2031	5		IFAD COI IE.2.1 (gender transformational)

Expected results	Unit of measure	Baseline		Target		Means of verification	Comments
		Value	Year	Value	Year		
							Gender flag
R2.4b Incidence of young people		0	2024	2031	5		
R2.4c Incidence of individuals belonging to traditional peoples and communities		0	2024	2031	5		Afro-descendant + Indigenous peoples flags
R2.4d Incidence of persons with disabilities		0	2024	2031	5		Persons with disabilities flag
R2.5 Persons accessing new income sources	Person	0	2024	2031	200	Impact assessment; monitoring of new jobs created in the supported organizations	Any new income source is counted, including seasonal jobs, work on and off the farm, and as a self-employed person or employee of micro, small, and medium-sized enterprises (MSMEs).
R2.5a Women accessing new income sources		0	2024	2031	100		Gender flag
R2.5b Young people accessing new income sources		0	2024	2031	150		IFAD COI 2.2.1 (youth-sensitive)
R2.5c Persons belonging to traditional peoples and communities accessing new income sources		0	2024	2031	50		Afro-descendant + Indigenous peoples flags
R2.5d Persons with disabilities accessing new income sources		0	2024	2031	50		Persons with disabilities flag
Specific objective 3. To improve the environmental conditions of rural communities and their surroundings							
R3.1 Area of rural properties registered in the Rural Environmental Cadastre (CAR) within the municipios targeted by the project	Hectare	68.804	2024	2031	168,804	Monitoring of CAR registration receipts	Completion of the first stage of registration in the CAR. Registration of a property in the CAR requires active participation by the owner in providing the necessary documents and certificates to complete the technical and legal procedures. Owners must also accompany the teams tasked with georeferencing their land parcel(s).
R3.2 Communities with territorial and environmental title issued	Community	0	2024	2031	150	List of communities served with certification and/or titling	Issuing the community title requires active participation by the community association in providing the necessary documents and certificates to complete the technical and legal procedures. The association must also accompany the teams tasked with georeferencing its land parcel(s).

Expected results	Unit of measure	Baseline		Target		Means of verification	Comments
		Value	Year	Value	Year		
R3.2a Quilombola communities with territorial and environmental title issued		0	2024	2031	47		Afro-descendant flag

Country: Brazil

Division: RND

Operation number: BR-L1623

Year: 2024

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: State of Paraíba, acting through the Family Farming and Semi-arid Development Department (SEAFDS)

Operation name: Sustainable Rural Development Project of the State of Paraíba (PROCASE II)

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

◆ Budget	◆ Reports	◆ Information systems	● National competitive bidding (NCB)
◆ Treasury	● Internal audit	◆ Shopping	● Other
◆ Accounting	◆ External control	● Individual consultants	

2. Fiduciary execution mechanism

◆ Cofinancing	The International Fund for Agricultural Development (IFAD) will provide joint cofinancing of US\$10 million directly to the State of Paraíba. The Bank and IFAD will sign a coordination agreement specifying operational responsibilities, including technical, fiduciary, environmental, and social supervision by the Bank of the execution of IFAD resources and the coordination of supervision missions between the two institutions.
◆ Coexecuting/subexecuting agencies	The Paraíba Research, Rural Extension, and Regularization Company (EMPAER) will act as subexecuting agency of the land regularization under Component II. An institutional capacity analysis of the SEAFDS and EMPAER was performed during project preparation.
◆ Special features of fiduciary execution	The SEAFDS will be responsible for technical and fiduciary management of the project. A project management unit (PMU) will be created within its organizational structure, to ensure compliance with the loan contract and the program Operating Regulations. The PMU will have local offices in addition to the central team in João Pessoa. The program will have a management committee with a strategic planning role, including the review of annual reports and approval of the annual work plan (AWP). The CODETER councils for sustainable territorial development in the project will play a consultative role as entities that promote local participation and coordinate the actions of government and social sector and civil society organizations. They will thus provide an avenue for communication of the project's actions and coordination with other initiatives under way locally.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The institutional and fiduciary capacity assessment of the SEAFDS and EMPAER concluded that the two entities have previous experience in executing similar programs, including ones with IFAD funding (PROCASE I), and a medium level of institutional capacity for execution of the program. To avoid potential difficulties and delays in implementation owing to weaknesses detected and possible holdups in procurement processes, the following measures are proposed: (i) appoint all PMU staff; (ii) contract the Inter-American Institute for Cooperation on Agriculture (IICA) as a specialized agency to assist with procurement management, given its experience on similar projects, including PROCASE I; and (iii) provide training on fiduciary policies and procedures, offered by the Bank and IFAD.
--	--

4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Organizational structure	Difficulties and delays in execution owing to weaknesses detected and possible holdups in procurement processes.	Medium-High	Contracting of IICA; training provided for the PMU team.
Internal processes	Delays in the accountability reporting by beneficiaries for the funds transferred to their organizations.	Medium-High	Clear accountability mechanism established in the program Operating Regulations; legal instrument signed between the PMU and each beneficiary organization, specifying responsibilities and procedures.

5. **Policies and guidelines applicable to the operation:** Policy document OP-273-12.

6. **Exceptions to policies and guidelines:** Not applicable.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special contractual conditions precedent to the first disbursement: None.
Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution or the reimbursement of expenditures chargeable against the loan proceeds, the exchange rate will be the buying rate set by the Central Bank on Brazil in effect on the day before the effective date on which the reimbursement request or justification of expenditures is submitted to the Bank.
Type of audit: During program execution, audited financial statements will be delivered annually, no later than 120 days after the close of each fiscal period. The external audit will be performed by a Bank-eligible external firm. The program's final audited financial statements will

be delivered no later than 120 days after the date of the last disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

◆	Bidding documents	Works, goods, and nonconsulting services procured under the Bank's procurement policies (document GN-2349-15), and requiring international competitive bidding (ICB), will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement. Consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank, or a request for proposals agreed upon between the executing agency and the Bank for the specific selection.
◆	Use of country systems	<p>The COMPRASNET system is accepted by the Bank for procurements of off-the-shelf goods and services in amounts up to the ICB threshold.</p> <p>Contracting of technical assistance and rural outreach services for preparation and implementation of the plans is also planned under Law 12,188/10 and Regulatory Decree 7,215/10. Implementation of the plans will follow the Bank's policies, as presented in the program Operating Regulations.</p>
◆	Direct contracting and single-source selection	Single-source selection of the Inter-American Institute for Cooperation on Agriculture (IICA) as a specialized agency is proposed, to administer contracting for PMU staff and the training included under the program's administration and management costs, totaling US\$5.88 million. The total estimated cost of contracting the IICA is US\$471,000 for the six years of execution, with payments based on the executed resources (percentage). The IICA's main functions will be: (i) hiring technical and administrative staff for project management; and (ii) contracting logistics services to implement the planned training activities for administration and management. The IICA will receive transfers from the project for such contracting and procurement. This single-source selection is justified under paragraph 3.11(d) of document GN-2350-15, given the IICA's experience of exceptional worth, as demonstrated by its extensive experience and track record in supporting project execution, its technical staff's familiarity and experience with the procurement policies of international agencies, and its experience in PROCASE I.

◆	Recognition of expenditures	<p>The Bank may recognize, against the local contribution, up to US\$2.5 million (10% of the estimated amount of the local contribution) in eligible expenditures incurred by the borrower through the SEAFDS and EMPAER before the loan approval date for the hiring of PMU staff, studies and diagnostic assessments, and services and equipment necessary to manage the project and implement the component actions, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been incurred on or after 5 October 2023 (the operation's registration date) but will not, in any case, include expenditures incurred more than 18 months before the loan approval date.</p>								
◆	Procurement supervision	<p>The supervision method will be ex post, except where ex ante supervision is justified. For procurements executed using the country system, supervision will be conducted using the country supervision system. Use of the (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined for each selection process. Ex post reviews will be conducted according to the project supervision plan, subject to change during execution. Ex post review reports will include at least one physical inspection visit selected from the procurement processes subject to ex post review. The inspection verifies the existence of procurements, leaving the verification of quality and compliance to the sector specialist. The thresholds for ex post review are as follows:</p> <table border="1" data-bbox="586 1037 1365 1203"> <thead> <tr> <th data-bbox="586 1037 781 1119">Executing agency</th> <th data-bbox="781 1037 976 1119">Works</th> <th data-bbox="976 1037 1170 1119">Goods/ Services</th> <th data-bbox="1170 1037 1365 1119">Consulting services</th> </tr> </thead> <tbody> <tr> <td data-bbox="586 1119 781 1203">SEAFDS and EMPAER</td> <td data-bbox="781 1119 976 1203">US\$25 million</td> <td data-bbox="976 1119 1170 1203">US\$5 million</td> <td data-bbox="1170 1119 1365 1203">US\$1 million</td> </tr> </tbody> </table>	Executing agency	Works	Goods/ Services	Consulting services	SEAFDS and EMPAER	US\$25 million	US\$5 million	US\$1 million
Executing agency	Works	Goods/ Services	Consulting services							
SEAFDS and EMPAER	US\$25 million	US\$5 million	US\$1 million							
◆	Records and files	<p>The SEAFDS and EMPAER will document the process, acting through the PMU, which will maintain the necessary documentation for supervision and auditing.</p>								

Main procurements:

Procurement description	Selection method	New procedures/ Tools	Estimated date	Estimated amount (US\$000)
Goods				
Procurement of computers	Country system – COMPRASNET	N/A	6/30/2025	650,000
Nonconsulting services				
Public policy training	Shopping		9/30/2025	1,000,000
Selection and contracting of consulting services – Firms				
Contracting of technical assistance and rural outreach services for preparation and implementation of resilient investment plans and business plans	Country system – Law 12,188/10 and Regulatory Decree 7,215/10	N/A	8/15/2025	18,900,000
Selection and contracting of individual consultants				
Selection and contracting of specialized consultants and technical experts (50 CI)	Individual consultant selection (3CVs)	N/A	4/15/2025	5,432,700

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

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<p>◆ Programming and budget</p>	<p>The PMU will coordinate the planning process for execution of the program activities. The budgetary allocations of resources are made available through the Planning, Budget, and Management Department of the State of Paraíba (SEPLAG), after sending the dossier containing the AWP, prepared by the PROCASE program, showing the respective amounts and actions to be undertaken in the current year.</p> <p>After sending the dossier described above between September and November of each fiscal year, SEPLAG informs PROCASE/SEAFDS in a letter that the budget allocation is available to be entered into the Integrated Planning and Budget System (SIOP), which provides information used to formalize the Annual Budget Bill (PLOA).</p> <p>Once the information has been entered into SIOP, SEPLAG submits the PLOA for voting in the Legislative Assembly. When this is complete, the amounts will be entered into the state's Integrated Financial Administration System (SIAF), which administers the budget and is the financial and accounting system used by the Government of the State of Paraíba.</p>
---------------------------------	---

◆	Treasury and disbursement management	<p>The state's treasury system will be used, with expenditures subject to the budget and financial execution process and recorded in the Budget and Finance System (SOF). Disbursements will be made in U.S. dollars, mainly in the form of advances of funds. The amount of the advances of funds will be based on a financial execution projection of up to 180 days. Advances subsequent to the first one will require justification of at least 60% of the total accumulated balances of advances pending justification. The loan proceeds disbursed by the IDB will be administered through a bank account used exclusively for receiving and managing such funds and performing bank reconciliations.</p> <p>The exchange rate agreed upon with the executing agency for accountability reporting of expenditures paid with the funds advanced from the loan proceeds will be the internalization rate. For the purpose of determining the equivalency of expenditures incurred against the local contribution or the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the buying rate set by the Central Bank on Brazil in effect on the day before the effective date on which the reimbursement request or justification of expenditures is submitted to the Bank.</p>
◆	Accounting, information systems, and reporting	<p>The SIGMA information, management, monitoring, and evaluation system used in the Cooperar project is an integrated information technology tool to support project implementation, which can manage information on various related topics. These include the management of contracts signed with creditors for goods, works, and consulting and other services; the management of subprojects and agreements with organizations of the State of Paraíba; and day-to-day management and asset management. The system also makes it possible to manage information and automatically generate various documents related to World Bank loan contracts, such as procurement plans, AWP, budgets, statements of expenditures, and interim financial reports.</p> <p>SIGMA was adapted from the SMI information monitoring system of the Rio Grande do Norte project, which integrates the information with that state's SIAF, allowing autonomous search of all of project financial data eliminating the possibility of typographical errors, and automating the delivery of disbursement reports to the World Bank.</p> <p>Similar to the arrangement between the SMI information monitoring system (Rio Grande do Norte) and the SIGMA system (Paraíba), PROCASE seeks to partner with the Cooperar project through a protocol for the supply of the SIGMA system including its source codes, the database structure data, and all connections, scripts, and other ancillary functions necessary for its proper operation. The system to be rolled out will be rebranded (name to be defined) and customized according to the characteristics of the IDB/IFAD lending agreement.</p>
◆	Internal control and internal audit	<p>The Bank does not rely on the internal audit function of the institutions responsible for implementation of the project.</p>

◆	External control and financial reports	The external audit of the program will be performed by a Bank-eligible external audit firm, preferably the State of Paraíba Audit Office (TCE). The program's fiscal year runs from 1 January to 31 December of each year. During program execution, audited financial statements with a cutoff date of 31 December will be delivered annually within 120 days after the close of each fiscal period. The program's final audited financial statements will be delivered within 120 days after the last disbursement date or as extended.
◆	Financial supervision of the operation	The operation requires financial supervision that will include an ex post review of disbursements, annual audit, and review of disbursement requests. The fiduciary team will also perform onsite and desk reviews and monitoring through supervision visits of annual frequency, subject to change during execution.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/24

Brazil. Loan ___/OC-BR to the State of Paraíba. Sustainable Rural Development Project of the State of Paraíba (PROCASE II). Fourth Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) for the “Sustainable Development and Agriculture Program” (BR-O0008)

The Board of Executive Directors

RESOLVES:

1. 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 State of Paraíba, as borrower, and with the Federative Republic of Brazil, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of the Sustainable Rural Development Project of the State of Paraíba (PROCASE II), which constitutes the fourth individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for the “Sustainable Development and Agriculture Program” (BR-O0008), approved by Resolution DE-127/21 on 8 December of 2021. Such financing will be in the amount of up to US\$70,000,000, 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.

2. To authorize the President of the Bank, or such representative as he shall designate, to distribute the administrative fees received by the Bank among the relevant departments for which additional workload is generated by the Coordination Agreement signed between the Bank and the International Fund for Agricultural Development (IFAD) in the context of the program as referred to in paragraph 1 of this Resolution.

(Adopted on _____ 2024)