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BRAZIL

**ENTREPRENEURIAL SKILL DEVELOPMENT AND EMPLOYABILITY OF RURAL
YOUTH IN THE SOUTHERN BAHIA – BRAZIL
(BR-M1125)**

DONORS MEMORANDUM

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PROJECT SUMMARY

ENTREPRENEURIAL SKILL DEVELOPMENT AND EMPLOYABILITY OF RURAL YOUTH IN THE SOUTHERN BAHIA - BRAZIL

(BR-M1125)

In the Southern Bahia Lowlands region, stable income-generating opportunities are very scarce, making it difficult for its rural communities to progress out of poverty without migrating to urban areas, prompting a constant exodus particularly of the rural youth. The general objective of the project is to promote the economic inclusion of less advantaged youth by providing technical and business skill training. More concretely, young people in rural areas will be trained to comply with environmental and social standards required by large corporate retailers, while selling sustainably grown agricultural products to expanding markets.

The project will help create better business opportunities for the youth through: (i) practical training curricula that emphasize business and technical knowledge for sustainable agricultural production, which is essential for a new generation of local farmers; (ii) developing the entrepreneurial potential of the rural youth by working with agro-industrial cooperatives that are engaged in the production/industrialization of palm, tropical fruits, cassava, agro forestry products, aquaculture and bio product-based handicraft; and (iii) implementing new sustainable agricultural practices and technologies that will incorporate environmental conservation into the cooperatives' operations.

The expected results include higher household income of the rural communities generated by increased sales of new and/or existing products. These results will be achieved by expanding commercial channels and/or building new business relations between large corporate retailers and the rural cooperatives, whose business leadership will be gradually undertaken by the trained youths. The estimated 1,000 trained youths with business insight and leadership skills, along with 1,000 cooperative members, will be expected to influence their families and communities as agents of socio-economic change in the Southern Bahia Region in general, and in the Mosaic of Protected Areas (APA) in particular – the most vulnerable, yet bio diverse-rich location in the state of Bahia.

The MIF resources will contribute to financing specialized consultancies for integrating education and vocational training and business experiences through organizational arrangements coordinated between Rural Family Houses¹ (community-based educational/vocational training centers) and locally-organized, agro-industrial cooperatives.

It is worth highlighting that the project will partner with large corporate retailers as anchor firms including Grupo Pão de Açúcar, Walmart Brasil and GBarbosa, while furthering institutional collaboration for capacity building and cooperative strengthening among key public and private actors such as BNDES, Odebrecht Foundation and Mitsubishi Corporation; the model is expected to achieve systemic impacts through replication and knowledge sharing in other regions of Brazil.

¹ *Casas Familiares Rurais* (in Portuguese, or Rural Family Houses) are civil society organizations -based in the French Pedagogy of Alternation- that provide technical training for the rural youth in the field of sustainable agricultural and aquaculture practices in close integration with their families and communities. The major objective of the Rural Family Houses is to encourage an integrated and environmentally sustainable production that relies on the capacities of the youth as key elements to introduce new practices within family agriculture system (see more in paragraphs 1.8 to 1.12 of this document).

Annexes

ANNEX I	Logical Framework
ANNEX II	Budget Summary
ANNEX III	Quality for Effectiveness in Development (QED)

APPENDIXES

Draft Resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ANNEX IV	Detailed Budget
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ANNEX X	Operating Regulations
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ACRONYMS AND ABBREVIATIONS

AOP	Annual Operating Plan
CFA	Water (Aquaculture) Family House
CFAF	Agroforestry Family House
CFRI	Rural Family House Igrapiuna
CFR-PTN	Rural Family House President Tancredo Neves
DNA	Diagnostic of Executing Agency Needs
IADB	Inter-American Development Bank
MIF	Multilateral Investment Fund
OCT	Land Conservation Organization
OR	Operating Regulations
PCU	Project Coordination Unit
QED	Quality for Effectiveness in Development
TOR	Terms of Reference

PROJECT INFORMATION

ENTREPRENEURIAL SKILL DEVELOPMENT AND EMPLOYABILITY OF RURAL YOUTH IN THE SOUTHERN
BAHIA - BRAZIL

(BR-M1125)

Country and Geographic Location:	Brazil, Southern Bahia Lowlands		
Executing Agency:	Organização De Conservação De Terras do Baixo Sul Da Bahia		
Access Area:	Access to Markets and Skills		
Agendas:	(i) Youth: Job Skills and Entrepreneurship; and (ii) Linking Small Firms with Value Chains		
Coordination with Other Donors/Bank Operations:	Odebrecht Foundation Mitsubishi Co. Anchor Firms – Retail Distributors		
Direct Beneficiaries:	700 Youths graduated from Family Houses (<i>disaggregated by sex: at least 50% women</i>) 300 Youths non-graduated from Family Houses but associated with cooperatives; (<i>disaggregated by sex: at least 50% women</i>) 1,000 cooperatives members		
Indirect Beneficiaries:	5,000 family members		
Financing:	Technical Cooperation:	US\$ 1,000,000	38,5%
	Investment:	US\$ 000,000	
	Loan:	US\$ 000,000	
	TOTAL MIF FUNDING:	US\$ 1,000,000	
	Counterpart (<i>OCT & Odebrecht F.</i>):	US\$ 1,000,000	38,5%
	Co-financing (<i>Mitsubishi Co.</i>):	US\$ 600,000	23,0%
	TOTAL PROJECT BUDGET:	US\$ 2,600,000	100%
Execution and Disbursement Period:	42 months of execution and 48 months of disbursement.		
Special Contractual Conditions:	Conditions prior to first disbursement will be: (i) Project Coordinator selected and hired, with the approval of the Bank; (ii) Project Operations Manual approved by the MIF; (iii) Annual Operational Plan for the first year approved by the MIF; (iv) Executed agreement(s) with partnering companies guaranteeing the necessary counterpart. An initial disbursement of US\$25,000 will be issued upon signature of the agreement and before complying with conditions prior to		

	hire an expert to conduct an in depth detailed diagnostic of beneficiaries' needs and carry out a workshop to launch the project.
Environmental and Social Impact Review:	This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C.
Unit with Disbursement Responsibility:	MIF / CBR

I. BACKGROUND AND JUSTIFICATION

A. Diagnosis of the Problem to be addressed by the Project

- 1.1. The Southern Bahia Lowlands, located approximately 300 km from the capital of the State of Bahia, is a region of contrasts: while poverty affects more than 50% of the population, particularly those located in the coast, there is abundant natural wealth represented by a large water supply, biodiversity-rich forest areas, pleasant climate, fertile soil (if treated adequately) and great human potential. According to the Brazilian Institute of Geography and Statistics (IBGE), a vast majority of the Southern Lowland's population (approximately 360,000 people) live in a predominantly rural environment and agriculture-based economies with 59% of the population under the age of 24. The people (who in general do not even have access to basic documentation – such as birth certificate, ID card, voter registration card or CPF (Cadastro de Pessoa Física) (which is the equivalent to a Social Security Number in the United States) also lack access to public education, health services, formal labor markets and depend on income transfer programs, such as Bolsa Familia².
- 1.2. Stable income-generating opportunities are very scarce in the region, making difficult for its rural populations to progress out of poverty without migrating to urban areas. In some municipalities, unemployment rates reach approximately 80% of the economically active population³. In general, youth in the region depend on the family income, which comes mainly from federal cash transfer programs, such as Bolsa Familia, or public retirement plans. The monthly average family income is less than minimum wage (approximately US\$ 330) and about 43% of rural population is illiterate.⁴ Job opportunities for youth in the region are limited to public employment (such as the municipalities), local commerce (small shops), tourism (informal non-qualified jobs) and farms, with only a few low income jobs positions available.
- 1.3. As one of the oldest regions in Brazil, the Southern Lowlands' 15 municipalities share common characteristics not only in environment, but also in historic, social, cultural, and geo-economic aspects. In particular, it should be noted that there are two institutions that are playing an important role in the region: Producer Cooperatives and Rural Family Houses⁵, which will be explained in detail in the following paragraphs.
- 1.4. **Sustainable Production by Cooperatives.** In 2006, the Odebrecht Foundation – a private, not-for-profit organization focusing its efforts in the Southern Bahia Lowlands – partnered with the MIF in supporting four local agricultural producer cooperatives COOPALM, COOPATAN, COOPRAP, and COOPEMAR (nowadays called COOPECON) to

² The program "*Bolsa Familia*" is a federal welfare program of the national government of Brazil that provides an average of R\$70.00 (about US\$35) in direct monthly transfers to low income families. In return, they have to commit to keep their children in school and take them for regular health check-ups.

³ IBGE – Economic Active Population of Nilo Peçanha is of 12.350, of which 80% are unemployed.

⁴ Secretaria de Educação do Estado da Bahia 2000.

⁵ There are four family houses associated to four producers' cooperatives, each focusing on a different product or a specific regional vocation: aquiculture, fruit plantation, cassava harvesting, palm fiber handicrafts, and heart of palm production.

improve the quality of their products and increase sales⁶. As a result of the project execution, which was completed in 2011, the participating cooperatives generated the following results: (i) 230% sales increase at Coopemar; (ii) cooperative sustainability and 60% income increase for cooperative members at Coopalm; (iii) Cooprap had an annual income increase of 753%; and (iv) increase in semiannual sales of 269% for Coopatan⁷.

- 1.5. Cooperative members received technical assistance and training on sustainable agricultural techniques, while cooperative managers received support on financial management, packaging, product distribution and processes certification. These cooperative members were mainly head of households, illiterate and with little capability of absorbing any production innovation. Still, by implementing simple production techniques and by improving their organizational skills, productivity dramatically increased and the identification of new distribution channels improved sales and income generation.
- 1.6. There is usually only one cooperative member per family. In traditional families (wife, husband and children) the cooperative member is the father. In cases of female-headed households then the woman is the cooperative member. Also, because of cultural reasons, there may be separate roles for men and women in the cooperatives. At Cooprap – a cooperative that produces mainly handicrafts-, up to 80% of their memberships are females since women produce handcraft and men collect the fiber. On the other hand, at Coopatan – a cooperative that produces mainly fruit and cassava flour- there is only 15% of female participation because women are traditionally responsible for the management of the household (including farm production) whereas men are responsible for the commercialization (cooperative participation).
- 1.7. This project in order to guarantee equal gender opportunities will ensure that Rural Family Houses curriculum includes a gender-focused approach to improve self-esteem, values and confidence building. Further, the project will encourage women to not limit themselves to “traditional female activities” such as handicrafts. As for the cooperatives, the project will ensure that women have an active role in its decision processes, whether as cooperative members or as participants in decision making committees created for women empowerment.
- 1.8. Despite the progress achieved, the cooperatives are not yet systemically linked with the large corporate sector (large wholesalers, retailers and anchor firms) and they are still unable to comply with the social and environmental requirements necessary to access to potentially direct export markets. In addition, cooperatives are faced with the challenge of grooming the next generation of managers by training the local youth who would otherwise migrate to urban areas to search better employment opportunities. Moreover this new generation needs to understand growing consumers’ preferences trends for agricultural sustainable products and observe practices that preserve natural resources while improving socioeconomic conditions of farmers and their families. The experience of other MIF projects (such as RG-M1250 “Bridging the generational gap between youth and adults in rural communities”) related to rural youth empowerment and training and

⁶ MIF Project: “Support for Environmentally Sustainable Integrated Production” – BR-M1040.

⁷ Project Final Evaluation by Carlos Puig – Aug. 2011

new managerial generations in cooperatives will be shared with this project in order to share lessons learned and best practices.

- 1.9. **Rural Family Houses.** A “Rural Family House” (or Casas Familiares Rurais in Portuguese) is a civil society organization embedded in a rural community, devoted to provide technical and life skills⁸ training for the youth in agricultural and aquaculture techniques. A Rural Family House has the objective to enable young people in obtaining the necessary educational and technical skills that later will be used at their own home and in the community they live in. The Family House concept was first implemented in France in the 1930s and is still in practice with a unique educational and vocational training method for young farmers and fishermen. It uses the Pedagogy of Alternation method, where youth in the countryside spend one week living full time in at agricultural field school with full support of teachers and other trainers. Youth then return to their homes for the remaining three weeks to incorporate lessons learned into their families’ and communities’ agricultural systems.
- 1.10. In 2010, Mitsubishi started providing financial support to three Rural Family Houses projects joining the initiative “Formation of Young Rural Entrepreneurs” led by the Odebrecht Foundation in the Southern Lowlands of Bahia. The project’s major objective was to train youths on integrated and environmentally sustainable production practices to help them to improve their families’ rural production, increase their opportunities of income generation, and to avoid their migration to urban areas. After a couple of years, the program has been showing very positive results in terms of these families daily living conditions, such as the adoption of new production techniques, improving productivity and income generation. While the Mitsubishi Corporation is confident that the project should continue to have a profound impact on society from the point of view of environmental education, conservation and sustainable growth, it is deemed necessary to expand the range of the activities of the Rural Family Houses in order to increase more entrepreneurial skills among the youth and embrace market opportunities within sustainable agriculture.
- 1.11. There are currently four Family Houses (CFAF⁹, CFR-I¹⁰, CFR-PTN¹¹, and CFA¹²) in the region, all of which have been financially supported by the Odebrecht Foundation, local governments, and private sector such as Mitsubishi Corporation, Banco do Brasil Foundation and Municipal Fund for the Rights of Children and Teenagers (FMDCA). Approximately 320 young people have received technical and vocational education in agricultural and livestock management (which is often integrated with secondary education) comprising: rural seminars, technical visits¹³, vegetable gardening, public speaking techniques and community engagement. Some of the graduated youth have

⁸ Life skills have been defined by WHO as “abilities for adaptive and positive behavior that enable individuals to deal effectively with the demands and challenges of everyday life”.

⁹ CFAF: Casa Familiar Agroflorestal de Nilo Peçanha.

¹⁰ CFR-I: Casa Familiar Rural de Igrapiúna.

¹¹ CFR-PTN: Casa Familiar Rural de Presidente Tancredo Neves.

¹² CFA: Casa Familiar das Águas.

¹³ Field trips to universities, agricultural technical institutions, or neighboring farms with advanced production techniques.

been certified as Agribusiness Technicians or Aquiculture Specialists by the State Educational Council. Youth attending the Rural Family Houses are from both sexes and the gender distribution is fairly equal.

- 1.12. However, Family Houses have not yet been able to make strong connections between technical training programs and more business oriented activities that can cope with new market opportunities and consumer trends. It would require a new set of business leadership skills development and training for a young generation of agricultural producers and cooperative members. This new window of opportunity needs further development of leadership skills as well as new effective and sustainable technologies that can be used for the rural communities in order to take advantage of new market and consumer opportunities.
- 1.13. On one hand, MIF has supported the structuring of four agricultural producers cooperatives to improve the quality of their products and increase sales. Cooperative members received technical assistance and training on agricultural techniques and some managerial skills, but still lack a more systemic linkage with the large corporate sector. On the other hand, Mitsubishi supported the training of the youth (mainly children of cooperative members) on integrated and environmentally sustainable production practices. If participating youth from Rural Family Houses were directly associated with productive cooperatives, a window of opportunities would be created for them to improve training, increase market access and distribution channels as well as to develop new products that could add value and upgrade their overall position into the local value chains.
- 1.14. The retail food industry has changed significantly over the past decades to adapt to the changes in consumer food choices, including the introduction of healthier and vitamin enriched products. For instance, Tilapia fish with Omega 3 vitamins, naturally processed heart of palm soup and other semi-processed natural fruit juices and pulp. Consumers are also demanding processed food with no artificial additives such as salted Pirarucu (a Brazilian Cod-fish) and fermented and frozen cassava that can be for bakery usage. Although existing cooperatives produce mainly raw and unprocessed products, these new products demand cannot be satisfied because it requires improved production practices, production technology, as well as better cooperative management for packaging, logistics, pricing and marketing that currently these cooperatives do not have. This expertise cannot be supplied by existing cooperative members due to lack of education and capability for innovation.
- 1.15. On the other hand, anchor firms are requiring from their suppliers social and environmental compliance with regulations that promote land and forest conservation, water and biodiversity preservation, carbon emission reduction and low carbon agriculture. This project will share with the executing agency low carbon development tools that already exist in the market (including Truscost's Full Report on Opportunities for MSMEs in Latin America and the Caribbean) in order to avoid the creation of new tools.

- 1.16. Rural Family Houses have partnership with Federal and State innovation institutions such as the Embrapa's¹⁴ local office and the Santa Cruz State University – UESC, as well as the support of the Land Conservation Organization (OCT – or Organização de Conservação da Terra in Portuguese), whose partners are, among others, the National Water Agency – ANA, the State University of Feira de Santana, the Federal University of the Bahia Recôncavo, and The Nature Conservation (TNC). With the support of those institutions into the project, youth from Rural Family Houses would have access to basic and suitable educational background as well as the interest and skills to play an important role in linking the cooperatives with anchor firms.
- 1.17. **Causes of the Problem.** The identified causes are: (i) low proficiency in math and language basic skills (Portuguese and Mathematics); (ii) limited access to an environment that enables interaction, socialization and work in groups (soft skills); (iii) low self-esteem, self-confidence and self-determination of youth; (iv) information asymmetry between supply and demand (in terms of products to be marketed); (v) ineffective commercial linkages of the cooperatives with markets and value chains; (vi) producers have little access to anchor distributor and depend heavily on the intermediaries; (vii) little focus on product innovation; and (viii) scarce access to financial and non-financial services to increase production volume and product quality for producers and their cooperatives¹⁵.

B. Project Beneficiaries

- 1.18. The direct beneficiaries of the project are: (i) youth from 17 to 29 years old who attend Rural Family House programs, as well as those youths who live in the region and are interested in programs for entrepreneurship in the rural area. Priority will be given to the youth who are already associated with the activities of the existing cooperatives (agriculture, aquiculture, and handicraft products) or who are willing to join those cooperatives; (ii) members of participating cooperatives. If appropriate, new cooperatives may be identified and added, depending on the interests of the targeted youth¹⁶. The project will strengthen their skills to identify and resolve critical cooperatives and communities needs and issues in the following interdependent areas: (i) access to markets; (ii) adaptation of products and processes to anchor firms' needs; (iii) sustainable agricultural practices; and (iv) management of natural resources (land, waste management, water quality).
- 1.19. The targeted youth beneficiaries will be from low income families (who earn less than minimum wage – approx. US\$ 330/month) or from families that are currently beneficiaries of the federal program “*Bolsa Família*”. The project will monitor beneficiaries disaggregated by sex where at least 50% of the youth will be women.

C. Contribution to MIF Mandate, Access Framework and IDB Strategy

¹⁴ National Center for Cassava and Tropical Fruit Unit of Embrapa (Brazilian Company for Agricultural Research).

¹⁵ Eusébio & Tonedo: *Análise do Acesso ao Crédito Rural, 2011*: Study shows that small producers present lower probability of accessing rural financial services.

¹⁶ To become a cooperative member youth needs to be a rural producer and fill an application form. The application has to be approved by the Administrative Committee of the cooperative (after proper verification of production capacity) and a fee will be charged.

- 1.20. The project will support economic growth and poverty reduction in the region by developing a model to generate new employment opportunities for rural youth otherwise excluded from any income-generating activity, by providing access to the necessary training and development of technical skills. It will also strengthen local productive cooperatives primarily by improving its management capabilities (through the youth participation) and preparing them to comply with social and environmental standards demanded by participating anchor companies.
- 1.21. Link to MIF Agendas. The project is in close alignment with two MIF Agendas: (i) *Youth: Job Skills and Entrepreneurship*; and (ii) *Value Chains: Linking Small Firms to Value Chains*. The contribution to the first agenda will be the identification of successful intervention models that provide educational training and improve job and entrepreneurial skills to increase employment opportunities of youth at risk. Regarding the second agenda, the project aims to adapt lessons learned and other good practices from previous MIF-financed projects, such as “Support for Environmentally Sustainable Integrated Production” (BR-M1040). The proposed project will further develop a methodology to promote new sustainable business practices among new young cooperative members and make effective commercial linkages with participating private sector partners (or anchor retail firms), while incentivizing rural communities to remain committed to sustainable management of the local natural resources.
- 1.22. Collaboration with the Bank Group. The Program is relevant and meets the country strategy of poverty and social inequality reduction. Its special emphasis on youth training and economic improvement for rural communities reinforces the country strategy of working with the population in the base of the pyramid and provides the beneficiaries of the program “Bolsa Família” with economic opportunities.

II. PROJECT DESCRIPTION

A. Objectives

- 2.1. **At the Impact Level:** The project aims to improve economic and social conditions of the rural communities in the Southern Bahia Lowlands by increasing their income levels through youth training and commercial linkages of cooperatives with anchor firms in productive value chains.
- 2.2. **At the Results Level:** The project will provide to rural youth with sustainable business skills and practices in order to develop new products that will be commercially linked with strategic business partners. The youth will be encouraged to participate in cooperative leadership by interacting with commercial partners and learn new business skills and production technologies needed to improve quality and compliance with social and environmental standards.

B. Description of Model/Solution/Intervention

- 2.3. The project will combine two successful experiences: (i) MIF-financed cooperative strengthening; and (ii) Mitsubishi Corporation-supporting Rural Family Houses- both

implemented under the Odebrecht Foundation's leadership through the Land Conservation Organization (OCT)- which is the proposed Executing Agency for this project. Through the linkage of effective rural youth training with cooperatives working on sustainable agriculture practices, it will aim to reach higher value markets and increase overall employment opportunities for young populations.

- 2.4. The project will continue to adopt the methodology designed to improve technical and educational skills developed under Rural Family Houses program with an increased focus on business motivation elements and the graduated youth from the Rural Family Houses. It will build on the Rural Family House's Pedagogy of Alternation method, where youth in the countryside spend one week living full time in at agricultural field school with full support of teachers and other trainers.
- 2.5. Once at home, the youth incorporates the lessons learned during the internship program into their families' and community's practices. With the appropriate skill training and information, the youth may serve as leaders in the cooperatives and their communities, generating linkages between the cooperatives and the anchor retailers.
- 2.6. Additionally, the link between the Rural Family Houses, cooperatives, anchor companies (mostly large corporate retailers such as GBarbosa, Grupo Pão de Açúcar, and Walmart) and OCT (the executing agency that has extensive networks with public and private partners dedicated to environmental conservation) will be strengthened to ensure the proposed model's long-term sustainability in the Southern Bahia Lowlands region.
- 2.7. More concretely, this project will take three lines of action (education and technical skills, business and management training in cooperatives, and awareness building for environmental conservation) which will be coordinated simultaneously as follows: (i) improvement of the training methodology in business management at Rural Family Houses to enable youths to become cooperative leaders and observe practices that preserve natural resources; (ii) enhancement of the commercial and market linkage between the cooperatives and anchor firms through technical training, environmental and social standards compliance, and technology transfer (including new product development); and (iii) ensuring that the youth will be trained in environmental and social standards to comply with anchor firms demands and improve cooperative's overall competitiveness.

C. Components

Component I: Training of Young Leaders in Sustainable Rural Practices. (MIF: US\$70,000); (Mitsubishi Corporation: US\$600,000; Counterpart: US\$600,000).

- 2.8. The objective of this component is to train and qualify youths aiming at generating employment and income, using the Pedagogy of Alternation method (explained above) and other similar methodologies. Social and environmental compliance standards demanded by the anchor firm partners may be systematized and transferred to the youth under this component. This will complement MIF's previous effort since those youths will be the linked between the cooperatives and the anchor firms, trained as business leaders that will be able to take to cooperatives' results to a higher level of achievement. On the previous project, MIF helped the formation and organization of the cooperatives (production development), but they were still very dependent on the Executing Agency

for its management and business linkages, which will now be supported by the young leaders.

- 2.9. The activities of this component will be as follows: (i) providing training to youth using the Pedagogy of Alternation in Rural Family Houses (CFR-I, CFR-PTN, CFAF) to give them access to obtain an integrated technical professional education certification equivalent to a high-school diploma. (ii) Implementing and prioritizing, as part of education and training, practice and dissemination actions: 1) follow-up visits to the youth's families to monitor their performance; 2) rural seminars in the communities; 3) initiatives on themes such as citizenship education and life skills; 4) educational and agro-ecological gardens at youth's homes. (iii) Field visit days¹⁷; (viii) other technical visits; (ix) implementation of pilot model farms within each participating youth's home; and (x) development of internships at cooperatives and other agro-based industries.
- 2.10. The key outcomes of this component are: (i) Integration between the Rural Family Houses and the productive cooperatives, and (ii) development of a youth leadership model.

Component II: New market opportunities for graduated youth and cooperative members. (MIF: US\$553,000); (Counterpart: US\$140,000).

- 2.11. The objective of this component is to improve the local capacity of the cooperatives with a focus on young entrepreneurs facilitating product access to selected higher value markets.
- 2.12. The following activities will be developed in this component: (i) provide support to the cooperatives for accessing the market by developing business and marketing plans, merchandising, media, packaging, labels); (ii) developing new products and by-products (i.e., COOPRAP – honey based new products from mangroves flower; COOPALM – heart of palm cream and soluble fiber; COOPATAN - banana and other tropical fruits' products, as well as new cassava products, and COOPECON –related products (tilapia and pirarucu); (iii) identifying the needs and financing the acquisition of new equipment and tools to improve production; and (iv) supporting the certification process of cooperatives' products.
- 2.13. A special note should be made related to the participation of BNDES. BNDES has long been supporting several cooperatives in the region and is currently considering financing - through non-reimbursable grant funds - the purchase of new equipment, vehicles and tools that will improve the production in these cooperatives and renovate the Rural Family Houses. The cooperatives are expected to do business based on the fair trade with the private sector anchor partners (Walmart, Pão de Açúcar, Cesta do Povo). Agreements with special market conditions will assure this commitment.
- 2.14. The key outcomes of this component are: (i) new product(s) developed for the cooperatives; (ii) a rural business model developed, based on the youth leadership; and (iii) a cooperative managerial system implemented.

¹⁷ A field day is a traditional concept in rural areas where the community or a group of producers gathers in one rural property to experiment and learn new technologies.

Component III: Promotion of Sustainable Agricultural Practices. (MIF: US\$152,500); Counterpart: US\$77,500).

- 2.15. The objective of this component is to give youth the appropriate technical skills and tools to help cooperatives comply with the social and environmental requirements necessary to access better opportunities offered by anchor firms. This new generation of young farmers will be groomed to be the new cooperative managers with the objective of leading them to increased competitiveness, especially in the areas of (i) revenue growth and market access; (ii) cost reduction and increased in productivity; (iii) risk management and social acceptance; (iv) human capital; and (v) cooperatives reputation enhancement.
- 2.16. The activities of this component are the following: (i) building partnerships with anchor firms demonstrating best practices in innovation and to social and environmental compliance standards; (ii) training Rural Family Houses' monitors and educational assistants of the cooperatives to act as: 1) multipliers of sustainable agricultural practices to be taught to the young rural entrepreneurs; and 2) multipliers of land use and management to be taught to the Young rural entrepreneurs and cooperative members. (iii) Implementation of a short term training (100 to 200 hours cycle/module) for "non-graduated" youth at the Rural Family Houses; and (iv) contribution to the implementation of sustainable (low-carbon) agricultural technologies focusing on productive reconversion of degraded areas and socio-environmental certification to all the cooperatives.

Component IV: Knowledge Management and Communications Strategy. (MIF: US\$73,000); (Counterpart: US\$62,000).

- 2.17. The objective of this component is to systematize information, share and disseminate results and allow transference of the experience.
- 2.18. **Knowledge Gap:** This project will contribute to reducing knowledge gaps related to the question of how young people in rural areas can be effectively trained to comply with ambitious environmental and social standards, selling sustainably grown agricultural products to interested retail companies and socially responsible practices to generate benefit to the cooperatives (see paragraph 2.15).
- 2.19. **Knowledge Objective:** The objective is to systematize, document, and disseminate the experience and knowledge generated in this project, particularly though: (i) the transfer technological innovation and environmental requirements knowledge to participating cooperatives; (ii) the replication of the proven model obtained through partnerships with anchor companies.
- 2.20. **Audiences:** The strategic audiences of the project are: (i) participating cooperatives, private sector anchor firms interested in replicating this experience with other suppliers, and Rural Family Houses; (ii) other civil society organizations, multilateral organizations and networks of experts interested in developing similar projects, such as The National Service for Rural Learning (SENAR) and Fundação José Carvalho.
- 2.21. **Knowledge Products:** In order to meet these audiences' knowledge needs, the following knowledge products will be developed: (i) how-to guides that systematize and document the model of anchor companies' collaborating with family houses and cooperatives to create better agro-industrial opportunities for youth (knowledge objective ii); (ii) 1

documentary film of 15 minutes (iii) communication strategies including national and regional events in order to disseminate the how-to guide, encouraging replication.

- 2.22. On an annual basis, the Executing Agency will update the Project Fact Sheet (template provided by the MIF), which contains basic information on the project, its challenges and the intervention strategy.
- 2.23. The lessons learned and best practices from OCT, cooperatives, MIF's previous project, Mitsubishi Corporation's on-going project, and experiences from other partners will be transferred and incorporated through modular training of monitors (at Rural Family Houses) and educational assistants (at cooperatives) to become multipliers and promoters of the contents for students at the Rural Family Houses, which are primary beneficiaries of the project.
- 2.24. The project will make coordinated efforts in order for the expected knowledge products of the same topic (rural youth) to be meaningfully and cost-effectively disseminated.

D. Project Governance and Execution Mechanism

- 2.25. The project will be executed by The Land Conservation Organization - OCT with the support of the operational units of The Odebrecht Foundation, such as the marketing, connection with social partners (anchor firms) and communications departments. The OCT will establish an Operating Unit to implement the Program. This unit will have a Management Committee, with representatives of the Multilateral Investment Fund (MIF), The Rural Family Houses, the Cooperative Leaders, and the Odebrecht Foundation. The Project Coordinator will serve as the Secretary of the Management Committee. This Committee will be responsible for establishing the Project's strategic guidelines and for monitoring its results; it will provide direction, support and networks to the Implementation Team. The Management Committee will meet periodically, and the Project Coordinator will organize the meetings with input from its members. The Implementation Team, composed of a Project Coordinator, a Field Coordinator, an Administrative Assistant will be responsible for the day-to-day implementation of the Program, including preparing and executing annual work plans, designing operating procedures, ensuring counterpart financial support for all Program activities, hiring and supervising Program consultants, and preparing financial, administrative, and technical reports for submission to the MIF.
- 2.26. The Project Coordinator, Field Coordinator and the Administrative Assistant will be new hires and will be fully dedicated to the implementation of the Program. The Management Committee will be implemented in the first semester of execution and may have extraordinary meetings (other than the regularly established) depending on project's needs. This committee will also be responsible for creating an Advisory Committee which will meet at least once per year and will include anchor firms representatives and other partner companies¹⁸.
- 2.27. One year before the project ends, a **sustainability workshop** will be held with all key stakeholders (producers, Rural Family Houses directors and students, local and state

¹⁸ See 5.1

government, anchor firm representatives) to identify specific actions needed to ensure the continuity of the project's activities act the project funding has been expended.

E. Sustainability

- 2.28. The sustainability sought by the project will depend, to a large extent, on the institutional arrangements (and their economic benefits) - namely coordination among multi stakeholders/partners alliances involved in the project to be established by the Executing Agency. The key determinants for such coordination include: (i) the increased productivity of cooperatives and access to the market; (ii) the support received by the top administration of the organizations involved; (iii) the level of coordination between the cooperatives and Rural Family Houses; (iv) the support from federal, state and local governments; and (v) the political, legal and regulatory frameworks related to resource management.

F. Experience and Lessons Learned from MIF or other Institutions

- 2.29. Three main conclusions and lessons learned, can be drawn from the Project ATN/ME - 10.007-BR Integrated and Sustainable Production in Environmentally Protected Areas : (i) success is possible only when efforts are coordinated. In the case of this project, the combination of expert knowledge from R&D organization such as EMBRAPA for tropical fruits and cassava, the cooperatives access to the market via anchor enterprise, and the management example of the private sector having as key-source the Odebrecht Foundation (ii) In areas such as Baixo Sul in the state of Bahia, Brazil, governments usually lack the financial resources to support conservation and biodiversity activities, so there is a need to encourage the private sector to become more involved; and (iii) the importance of knowing how and when to intervene in order to adopt conservation and preservation practices to save natural and agricultural environments from degradation.

G. MIF Additionality

- 2.30. Non-Financial Additionality. The MIF has tested a broad array of youth training/job placement programs in more than 120 projects in 22 countries in the region and has identified specific effective models with high job placement rates such as the "Galpão Aplause" experience in Brazil and the A Ganar Project. This project will provide an opportunity to test some of the solutions developed by these models as a way to scale up its interventions and engage disadvantaged youth. Through this project, MIF will also continue to do what it does best, serve as a laboratory to test innovative ideas. Pilot projects are effective tools because they are flexible, allowing for constant improvements and adaptation as models are being developed. After testing this pilot, Odebrecht and Mitsubishi will also be able to scale up the experience, especially in connection with the entire Odebrecht Organization, a multinational company with presence in several Latin American countries. Both the Odebrecht Construction and the Mitsubishi Corporation have a signed agreement with the Bank in which these experiences are expected to be tested and expanded,
- 2.31. Furthermore, concerning the project's additionality vis-à-vis the previous MIF-funded projects, they have the following in common: i) focus on youth; ii) youth's involvement in

the cooperatives management; and iii) the cooperatives' further business growth, also adding the overall context of engagement by a large corporate group such as Odebrecht.

- 2.32. Financial Additionality. While the Odebrecht Foundation and Mitsubishi Corporation's support will be used to finance equipment needed for the cooperatives' and Rural Family Houses' expansion, the MIF's resources will help hire consultancies focused on developing products and by-products, ensuring certification, securing market access, exchanging experiences (through communication strategies and workshops) and piloting initiatives such as the first field testing involving the partnerships between the cooperatives and Rural Family Houses, integrated planning of small farm and monitoring and evaluation system.

H. Project Results

- 2.33. The expected result of this project will be the development of new, rural products which will be commercially distributed by strategic business partners (anchor firms). Youth will play a lead role in obtaining this results and the project indicators will be: (i) Number of youth who have become associated with the cooperatives; (ii) number of youth trained in improved business skills (agro ecological good practices, adaptation of products and process, etc.); (iii) number of youth who participate in new value chains; (iv) number of new technologies or practices adopted by the cooperatives; (v) number of products with new or improved access to high value market (large retailers) and Fair Trade; and (vi) number of cooperative members/youth that access knowledge products or transfer activities.

I. Project Impact

- 2.34. The project expects to improve economic and social conditions of the rural communities in the region by increasing the youth and their families' income level. The impact indicators will include: (i) Number of youth employed after project completion; (ii) average cooperative annual sales growth; (iii) average household income increase of the cooperative members/youth; and (iv) average reduction in annual energy costs by cooperative.

J. Systemic Impact

- 2.35. The project aims to achieve systemic impact by replicating this model in other cooperatives in Bahia and other states, especially in the area of activity of the Odebrecht Company. The systemic change influenced by the project, includes the following: (i) Number of MIF – introduced models replicated; and (ii) number of private/public organizations applying new practices (educational methodologies that help retain youth in rural areas and provide them with the proper technical expertise to become more efficient producers) based on the knowledge generated by the project.

III. MONITORING AND EVALUATION STRATEGY

- 3.1. Baseline: The Odebrecht Foundation's ongoing initiatives under PDCIS (Programa de Desenvolvimento e Crescimento Integrado com Sustentabilidade do Mosaico de Áreas de

Proteção Ambiental do Baixo Sul da Bahia) will be a relevant source for the establishment of baseline, using the indicators of the Logical Framework of the project: a) OCT's "Electronic Office" system that includes: (i) module registrations by OCT and social aspects, (ii) Geo Atlantic, (iii) projects and activities, and (iv) indicators; b) rapid assessment; c) data on the Family Houses files; and d) data on Cooperatives files. The baseline and the monitoring system will be established based on the Logical Framework. All indicators will be sex-disaggregated.

- 3.2. Monitoring: The monitoring of the project will be executed by the Implementation Team of OCT. The technical aspects of the implementation of the program will be adequately monitored using the modules of the system "Electronic Office" while the financial aspects will be monitored using already-established mechanisms by the Odebrecht Foundation. The Shared Service Center – CSC, headquartered in Ituberá, is the information focal point for the Executing Agency, Family Houses and Cooperatives.
- 3.3. Evaluation: A mid-term evaluation will be executed when implementation reaches its midpoint or when 50% of the resources have been invested. A final evaluation will be implemented by the end of the project. The project has the potential to be selected for an impact assessment. It is relevant to implement this assessment on the basis of the strategic value of the subject and knowledge to develop the potential for expansion and statistical data of such initiatives.
- 3.4. Closing Workshop. The executing agency will organize a closing workshop at the appropriate time to assess along with other key stakeholder the outcomes achieved, identify additional tasks to guarantee sustainability and identify and disseminate lessons learned and best practices.

IV. COST AND FINANCING

- 4.1. The project has a total cost of US\$ 2,600,000, of which US\$ 1,000,000 (38,5%) will be provided by the MIF, US\$ 1,000,000 (38,5 %) by the counterpart and US\$ 600,000 (23,0%) by co-financing. The execution period will be of 42 months and the disbursement period will be of 48 months.
- 4.2. Retroactive Recognition of Counterpart Funds. The Bank may recognize, as part of the Co-financing Resources, expenditures incurred by the Executing Agency on or after April 1st, 2014, up to US\$ 250,000, provided that such expenses are contemplated under the Budget described in Annex II, the procedures followed for the procurement of goods, works, and services are satisfactory to the Bank, and requirements substantially similar to those set forth in this Donor's Memo were fulfilled in connection with the incurrence of such expenditures.
- 4.3. The Co-financing amount from Mitsubishi Corporation in the amount of US\$ 600,000 has been transferred to the Rural Family Houses accounts on April 8th, 2014, to be used in Component 1, due to the following key reasons: (i) to mobilize the rural youth students and (ii) to avoid negative impacts in the school calendar year.

	MIF	Counterpart	Co-financing	Total
Project Components				
Component 1 Training of Young Rural Entrepreneurs	70,000	600,000	600,000	1,270,000
Component 2 New market opportunities for graduated youth and Cooperative Members	553,000	140,000	-----	693,000
Component 3 Promotion of Sustainable Agricultural Practices	152,500	77,500	-----	230,000
Component 4 Knowledge Management and Communications Strategy	73,000	62,000	-----	135,000
Execution and Supervision Components				
Executing Agency/ Administrative	-----	108,000	-----	108,000
Baseline	10,000	-----	-----	10,000
Monitoring System	7,000	-----	-----	7,000
Mid-Term Evaluation	10,000	-----	-----	10,000
Final Evaluation	10,000	-----	-----	10,000
Ex post reviews	32,000	-----	-----	32,000
Contingencies	12,500	12,500	-----	25,000
Sub-total	930,000	1,000,000	600,000	2,530,000
% of Financing	37%	39%	24%	100%
Institutional Strengthening (Financial Management and/or Procurement Training, if applicable)	10,000	-----	-----	10,000
Impact Evaluation Account (5%)	50,000	-----	-----	50,000
Agenda Account	10,000	-----	-----	10,000
Grand Total	1,000,000	1,000,000	600,000	2,600,000

- 4.4. The MIF resources will be better used for directly benefitting the target populations, rather than supporting the indirect costs of the executing agency.

V. EXECUTING AGENCY

- 5.1. The Executing Agency of the project will be the Land Conservation Organization (OCT), which will coordinates and integrates synergistic environmental actions necessary for the development and sustainable growth of Southern Bahia Lowlands. Currently, OCT prioritizes actions on the Environmental Protection Area (APA) Pratigi as pilot area and it has as a long-term goal to replicate the experiences and projects in the four other areas that make up the APA region of Southern Lowlands of Bahia. OCT is headquartered in the municipality of Ibirapitanga in the state of Bahia. Its Board of Directors has prominent names in nature conservation and promotion of sustainable development, including entrepreneurs and consultants "ad hoc" with recognized knowledge and experience, representing institutions such as the Odebrecht Foundation, Price Waterhouse Coopers, J. C. Teles & Advogados Associados and Bioatlântica Institute. As part of the institutional arrangement of the project, the creation of a Management Advisory Council is expected in order to achieve effective participatory governance. The Council will have OCT act as

the Advisory Secretariat in addition to having the participation of representatives from the Rural Family Houses and Cooperatives. The Odebrecht Foundation, IDB-MIF and Mitsubishi Corporation may participate as observers and advisors for specific topics, such as commercialization, best business practices and youth training methodologies.

- 5.2. OCT has sufficient administrative experience in establishing an integrated program as well as communication strength to support the project implementation in order to mobilize strategic partnerships for the project. OCT coordinates projects that promote the implementation of Agro-Forestry systems in small producers' lands focusing the biodiversity and generating income for over 500 families.

VI. PROJECT RISKS

- 6.1. **Potential Risks:** The following risks have been preliminary identified, and mitigating measures to address them are as follow: (i) Potential weaknesses of the Executing Agency: (1) insufficient administrative coordination in establishing an integrated program can lead to failure in securing strategic partnerships for the project; (2) communication failures could jeopardize the project implementation; Mitigating action: Utilize the Advisory Council as a link between the strategic partners and the project coordination; (ii) External risks: (1) lack of interest by students in taking risks as rural entrepreneurs (associated to cooperatives); (2) insufficient funds for fixed investment and initial working capital for young entrepreneurs (entry in the cooperative, acquisition of land, other); (3) institutional deadlines will impact negatively on the project schedule; (4) local contractors and consulting firms do not have the technical expertise to conduct the tasks; (5) lack of municipalities' financial participation in the education program at the Rural Family Houses, especially considering all the expenses and overhead related to the public education; (iii) Sustainability risks: (1) lack of coordination with other programs to enhance the future prospects of the project results and impact; (2) discontinuation of local counterpart funding; (3) insufficient strengthening of extension and support services at rural level. Mitigating actions: project coordinator will utilize the risk section of MiF's report tool to manage existing and prospective risks. Mitigating actions should include the monitoring of youth participation, identification of job and income opportunities to communicate to the youth, constant evaluation of products prepared by consulting firms, and signed agreement with partners to guarantee counterpart fundings.

VII. ENVIRONMENTAL AND SOCIAL EFFECTS

- 7.1. The project will have no negative environmental effect, given the characteristics of the proposed activities. On the other hand, the project will give youth appropriate technical skills and tools to help cooperative comply with environmental requirements and produce utilizing sustainable practices as well as play an important role in securing

inclusion of youth from Rural Family Houses belonging to economically-marginalized groups.

VIII. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex VIII.

IX. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 9.1. **Information Disclosure.** This project is classified as public for the purpose of the Bank's Disclosure Policy.
- 9.2. **Intellectual Property.** All products generated by the project will be property of IDB/MIF and IDB/MIF may use all information it requires for the systematization of the experience and to generate knowledge products to replicate the project in the future.