



# Board of Executive Directors

## Short Procedure

Expires on 24 January 2025

AT-1559-1  
16 January 2025  
Original: English  
**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors

**From:** The Secretary

**Subject:** Brazil. Proposal for a nonreimbursable technical-cooperation funding for the project "Low Carbon Agriculture for Avoided Deforestation and Poverty Reduction Phase II - Strengthening Sustainable Value Chains in the Amazon" approved pursuant to Resolution DE-89/21. Amendment

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**Remarks:** The attached proposal is submitted in accordance with document CS-3953-6 (paragraph 3) "List of matters to be considered by the Board via Short Procedure. Update".

The Executive Directors are requested to inform the Secretary in writing with copy to "**SEC-EXE**", no later than **24 January 2025 at 5:30 p.m.**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors and a record to that effect will be made in the minutes of a forthcoming meeting.

**Reference:** CS-3953-6(12/24), DR-398-20(2/24), GN-2469-2(3/08), DE-44/08, GN-2470-2(3/08), DE-45/08, GN-2752-4(8/14), DE-103/14, AT-1559(10/21), DE-89/21



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **BRAZIL**

### **LOW CARBON AGRICULTURE FOR AVOIDED DEFORESTATION AND POVERTY REDUCTION IN BRAZIL PHASE II - STRENGTHENING SUSTAINABLE VALUE CHAINS IN THE AMAZON**

**(BR-T1462, ATN/LC-18953-BR)**

#### **PROPOSAL TO INCREASE THE AMOUNT OF NON-REIMBURSABLE FINANCING AND AMEND RESOLUTION DE-89/21**

This document was prepared by the project team consisting of: Luis Hernando Hintze (CSD/RND), Project Team Leader; Octavio Damiani (CSD/RND), Alternate Team Leader; Katia Queiroz (CSD/CCS), Alternate Team Leader; Juan Carlos Lazo and Gabriela Barrientos (VPC/FMP); Cristina Celeste (LEG/SGO); and Fernando de Sousa, Lisa Sofia Restrepo (CSD/RND).

In accordance with the Access to Information Policy, 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.

## EXECUTIVE SUMMARY

### PROPOSAL TO INCREASE THE AMOUNT OF NON-REIMBURSABLE FINANCING AND AMEND RESOLUTION DE-89/21

<b>Project name:</b>	Low Carbon Agriculture for Avoided Deforestation and Poverty Reduction in Brazil Phase II - Strengthening Sustainable Value Chains in the Amazon
<b>TC Project number:</b>	BR-T1462
<b>TC Agreement number:</b>	ATN/LC-18953-BR
<b>Beneficiary:</b>	Federative Republic of Brazil, through the Ministry of Agriculture and Livestock (MAPA)
<b>Executing Agency:</b>	Brazilian Institute for Sustainable Development (IABS)
<b>Source of Financing:</b>	Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund (LCA)
<b>Current amount of non-reimbursable financing:</b>	US\$9,630,000
<b>Proposed increase of non-reimbursable financing:</b>	US\$2,600,000
<b>New total amount of nonreimbursable financing:</b>	US\$12,230,000
<b>Objective:</b>	The general objective of the increase of the non-reimbursable financing is to expand the capacity of the project to attain its objectives by promoting nature-positive solutions based on the development of sustainable agricultural value chains in the Amazon biome
<b>Procurement:</b>	Procurements financed by the increased non-reimbursable financing resources will be conducted in accordance with established private sector and commercial practices acceptable to the IDB, as per the terms of the the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15)
<b>Exceptions to Policies and Procedures:</b>	No exceptions to policies or procedures of the Bank are envisaged

## **I. BACKGROUND**

- 1.1 The non-reimbursable Technical Cooperation (TC) “Low Carbon Agriculture for Avoided Deforestation and Poverty Reduction in Brazil. Phase II - Strengthening Sustainable Value Chains in the Amazon” ([BR-T1462](#)) is funded by the Single Donor Trust Fund “Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund” (LCA Fund). The LCA Fund is supported by the UK’s Department of Environment, Food and Rural Affairs (DEFRA) through non-refundable contributions and administered by the IDB as per an Administrative Agreement signed between the Bank and the Government of the United Kingdom on December 16, 2016.
- 1.2 The Federative Republic of Brazil, through the Ministry of Agriculture and Livestock (MAPA), is the beneficiary of the TC. The Brazilian Institute of Development and Sustainability (IABS), a non-governmental and non-profit organization, is the executing agency of the TC.
- 1.3 The objective of this TC is to mitigate Greenhouse Gas (GHG) emissions in the Amazon biome by promoting nature-positive solutions based on the development of sustainable agricultural value chains. The TC supports: (i) the adoption of sustainable production systems and technologies by small farmers and rural communities that prioritize nature, and replacement of traditional practices associated with deforestation; and (ii) the strengthening of farmer organizations to facilitate the access of farmers to markets, information, and services, demonstrating the value of ecosystem protection and restoration. The TC has three components:
  - a. Component 1 - Development of Sustainable Business Models, finances the preparation and implementation of Production Business Plans to benefit farmers and their organizations, with a focus on income generation that promotes social and environmental benefits.
  - b. Component 2 - Market Development, promotes the demand and market access for Amazonian products from six value chains.
  - c. Component 3 - Knowledge management and dissemination.
- 1.4 On October 28, 2021, the Bank’s Board of Executive Directors (“Board”) approved the TC operation in the amount of up to US\$9,630,000 chargeable to the resources of the LCA Fund, pursuant to Resolution DE/89-21. The TC Agreement (ATN/LC-18953-BR) was signed between the IDB and IABS on January 25, 2022. The operation became eligible for disbursements on July 15, 2022, and the first disbursement in the amount of US\$521,198.60 was made by the Bank on August 29, 2022. The final disbursement date of the TC is April 26, 2026.
- 1.5 This document outlines the current status of the operation and presents the government’s proposal to increase the non-reimbursable financing of the TC by up to US\$2,600,000 to be financed with LCA Fund resources.

## **II. PROGRESS OF THE TC**

- 2.1 As of September 2024, the project has disbursed 31.86% of the operation resources. The project activities have to date focused primarily on preparing field technical teams by providing them with training and tools to support the implementation efforts with the project’s direct beneficiaries (small-scale

producers, traditional communities and their cooperatives and associations).<sup>1</sup> This includes the selection beneficiaries and their organizations through open public calls, the development of technical materials and courses, and the recruitment, hiring, and training of technical extension agents who will promote the sustainable practices among the selected value chains. These activities are part of Component 1—Development of Sustainable Business Models—and serve as the foundation for most of the project's subsequent activities. Throughout 2024, the project has been working with the selected organizations to prepare the plan of activities that will be financed for each beneficiary. As a result, all key elements for working with beneficiaries are already in place.

- 2.2 The project faced two main challenges in executing its original implementation plan. Its early stages coincided with the COVID-19 pandemic, which hindered the project team's ability to establish direct contact with potential beneficiaries and partners in the field. During this period, the project prioritized activities that could be conducted remotely, such as identifying and mapping of socio-productive organizations in the project area, promoting the project, and engaging in technical dialogue with local authorities in the states of Amazonas, Pará, and Rondônia. Additionally, the project faced significant logistical challenges in accessing some communities located in remote areas of the Amazon region, resulting in longer than expected timelines for dialogue and engagement. Despite these obstacles, the project successfully completed all preparatory phases.
- 2.3 Relevant environmental and social safeguards were included in the selection process for the socio-productive organizations (SPOs). This process was based on open public calls and included strict criteria regarding compliance with socio-environmental safeguards and norms. Among them, participants were asked to demonstrate not having committed environmental crimes (including illegal deforestation) during the last five years.<sup>2</sup>
- 2.4 The results of the public calls for selecting socio-productive organizations demonstrated a significantly higher demand for project participation than originally anticipated, exceeding the expected number of organizations.
- 2.5 After the process for selecting the beneficiaries and their organizations was completed, and the detailed execution plan was updated for the following stages of implementation, it became clear that the project could reach a larger number of beneficiaries than originally expected. For example, while the original TC design aimed to strengthen 7 organizations and support 120 families in adopting or preserving sustainable practices, the call resulted (after the screening process) in 57 organizations and 2,594 eligible families.

### III. OBJECTIVE AND JUSTIFICATION OF PROPOSED AMENDMENT

- 3.1 **Request.** In June 2024, MAPA presented the Bank with a proposal—developed in coordination with the executing agency IABS—to increase the non-reimbursable financing for the operation BR-T1462 (ATN/LC-18953-BR) by

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<sup>1</sup> These beneficiaries include farmers, *quilombolas*, indigenous communities, *ribeirinhos* (traditional river communities) and *extractivistas* (people in the Amazon whose livelihood depend on the extraction of natural resources from the standing forest). The project operates in all the states of the Amazon biome. However, the activities directly supporting producers, and their organizations focus on six priority value chains and 49 municipalities: (i) Brazil nut and pirarucu fish in the state of Amazonas; (ii) coffee and the tambaqui and pacu fish value chain in the state of Rondônia; and (iii) açai and cacao in the state of Pará.

<sup>2</sup> Any history of involvement in child labour, slave-like labour practices or sexual exploitation will make a candidate ineligible to be beneficiary of the Project.

US\$2,600,000, bringing the project total cost from US\$9,630,000 to US\$12,230,000.<sup>3</sup> DEFRA supported expanding and continuing with the project, considering its relevance and current implementation status (see ¶3.4). This proposal includes the modification of the operation's results matrix to reflect increases in targets.

- 3.2 This request aligns with the project's priority to support an important government policy, the ABC+ (Low Carbon Agriculture+), which was launched in April 2021.<sup>4</sup> ABC+ is an updated version of the ABC Plan, implemented from 2010-2020. In this second phase, the promotion of sustainable agriculture continues to be a key element of the policy, now under an Integrated Landscape Approach, fostering a more productive and climate- resilient agriculture.
- 3.3 DEFRA has actively participated in strategic discussions about the project and conducted supervision missions, most recently in April 2024, which included visits to beneficiary families and socio-productive organizations (SPO). These discussions addressed a strategy for allocating the remaining LCA Fund resources, including an additional US\$2,600,000 to expand project activities of this TC and reach more beneficiaries. Given the high demand for project participation observed during the public calls (see 2.3 and 2.4) and based on insights gathered during the mission, DEFRA confirmed its interest in supporting an expansion of the project's reach with additional resources. The Project Steering Committee—comprising representatives from DEFRA, IDB, MAPA and IABS<sup>5</sup>—reviewed and approved the proposed activities to be funded through this resource increase, with DEFRA final reviewed and clearance.
- 3.4 **Objective.** The general objective of increasing the non-reimbursable resources of this TC is to expand the project's capacity to attain its objectives by enabling it to reach and benefit a larger number of families and socio-productive organizations (SPOs) within the targeted areas (see footnote 1). This expansion will support the promotion of nature-positive solutions based on developing sustainable agricultural value chains in the Amazon biome.
- 3.5 **Lessons learned.** For the implementation of the additional activities, the project will incorporate key lessons learned during its initial implementation stage: (i) the preparation of field activities is key for the project success, so adequately assessing the logistical challenges involved in reaching the beneficiaries' communities is needed; (ii) recognizing how dispersed the population is in the project area, the participation of the beneficiaries in activities outside their communities can have a high cost for them, which must be considered during the planning process; (iii) the coordination of the activities carried out by the different technical groups of the project can be improved to generate efficiency gain in project implementation; (iv) it is important to keep local authorities informed and interested in the project (both at municipal and state level) in order to achieve

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<sup>3</sup> See [Request from the Client](#)

<sup>4</sup> The Brazilian Sectoral Plan for Climate Change Adaptation and Low Carbon Emission in Agriculture, towards Sustainable Development (2020-2030), called ABC+, is a strategic agenda for the Brazilian Government that continues the sectoral policy for combating climate change in the agricultural sector. ABC+ seeks to continue the promotion of a sustainable and resilient agriculture, capable of controlling its greenhouse gas emissions while guaranteeing the supply of agricultural goods and the conservation of natural resources. ABC+ will support Brazil in the implementation of its National Determined Contributions (NDC).

<sup>5</sup> The Steering Committee was created as part of the project's execution structure. It has a consultative role, serving to discuss progress of implementation, review annual workplans, and provide strategic guidance. Monthly checkpoint meetings between IDB and DEFRA also take place to monitor and inform about the project key issues.

better execution in the territories.

- 3.6 **Strategic Alignment.** The proposal is consistent with the IDB Group's Institutional Strategy: Transformation for Scale and Impact (CA-631) and is aligned with the objectives of: (i) reducing poverty and inequality; (ii) addressing climate change; and (iii) bolstering sustainable regional growth, given that it contributes to increasing income and agricultural productivity in small and medium sized farmers and to strengthen producers' economic organizations. The proposal is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; and (ii) productive development and innovation through the private sector.
- 3.7 The proposal is also aligned with the objectives of the “Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund,” as stipulated in the Administration Agreement signed between the Bank and the Government of the United Kingdom, by supporting the objective of the Fund of financing operations that promote sustainable low-carbon land use and forest management in small and medium-scale farms. The TC supports the Amazon Forever Initiative, specifically the bioeconomy and creative economy thematic pillar. Additionally, the TC aligns with the Brazil and IDB Group Strategic Agreement - Country Strategy 2024-2027 (GN-3243-3), supporting its Pillar 1, enabling green transition and strengthening climate resilience, by promoting the sustainable use of natural resources, through the adoption of productivity enhancing and low carbon technologies in sustainable bioeconomy production systems on which local people depend, including Indigenous groups, *quilombolas*, and traditional communities. The TC is also aligned with: (i) the IDB's Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (GN-2609-1), by promoting the beneficiaries' adoption of low carbon technologies and climate change adaptation practices; (ii) the Agriculture Sector Framework (GN-2709-10) by fostering a sustainable agriculture that reduces and offsets its impact on the environment, and developing and implementing instruments that sustainably boost the income of small agricultural producers; and (iii) the Climate Change Sector Framework (GN-2835-13), by supporting the adaptation and climate resilience in the agricultural sector, and decarbonizing through the promotion of low carbon technologies.

#### IV. DESCRIPTION AND BUDGET OF THE PROPOSED AMENDMENT

- 4.1 **Allocation of the additional non-reimbursable financing** Most of the additional funds (95.5%) will be allocated to the technical activities of Component 1, aimed at the development of sustainable business models, while the remaining 4.5% will be allocated to Component 2 (see Table 1).

**Table 1. Indicative Budget (in US\$)**

Activity/Component	Original Budget	Amount of Increase	Total Funding
<b>Component 1.</b> Development of Sustainable Business Models.	5,755,000	2,482,812	8,237,812
<b>Component 2.</b> Market Development	1,407,000	117,188	1,524,188
<b>Component 3.</b> Knowledge management and dissemination	1,348,500	0	1,348,500



Activity/Component	Original Budget	Amount of Increase	Total Funding
Project Management, Auditing and Other Administrative Costs	1,119,5000	0	1,119,500
<b>Total</b>	<b>9,630,000</b>	<b>2,600,000</b>	<b>12,230,000</b>

4.2 **Modifications to the Results Matrix.** The increase in resources will support the TC objectives and allow for increases in most of the project outcomes, expanding the number of beneficiaries, and the expected benefits. Among the main outcomes that will increase its goals are: (i) number of producers' organizations strengthened (from 7 to 17); (ii) number of producers/extractivists families adopting or preserving sustainable practices (from 120 to 634); (iii) land brought under sustainable management (from 6,000 to 8,800 ha); (iv) number of producers with increased knowledge of sustainable practices and low carbon agriculture (from 600 to 700); and (v) number of technical agents trained on low carbon production/extraction. This will also allow to increase the beneficiaries among women, indigenous, AfroBrazilian and members of traditional communities (quilombo and *ribeirinhos*), as well as their socio-economic organizations.

4.3 The updated expected results from the proposed resource increase are detailed in Table 2:

**Table 2. Main changes to Result Matrix outcomes from increased resources**

Outcome	Original EOP Target	Additional Target	Revised EOP
1.1 Number of producer's organizations strengthened	7	10	17
1.2 Number of women, indigenous, Afro-Brazilian, and traditional communities strengthened	8	4	12
1.3 Producers/extractives families adopting or preserving sustainable production practices	120	514	634
1.4 Number of women headed households, indigenous, Afro-Brazilian, and traditional families adopting or preserving sustainable production practices	480	200	680
1.5 Hectares of land brought under sustainable management	6.000	2.800	8.800
1.6 Hectares of traditional (quilombo and ribeirinhos) land brought into sustainable management	3.000	2.800	5.800
1.7 Number of producers with increased knowledge on sustainable practices and low carbon agriculture	600	100	700
1.8 Number of women, indigenous, Afro-Brazilian, and traditional producers with increased knowledge of sustainable practices and low-carbon agriculture	900	50	950
1.9 Number of technical agents trained on low carbon production/extraction	120	24	144

- 4.4 To achieve these additional outcomes, the project will boost its activities from Component 1 to increase the number of socio-economic organizations participating in the project, receiving support with technical assistance and the developing of their business plans. It will also increase its efforts to train additional beneficiaries through direct technical assistance, as well as through workshops, field days, seminars, and the professional master's in Climate Change and Sustainable Value Chains. Regarding Component 2, additional events will be delivered to promote sustainable value chains.
- 4.5 The project readiness to include the new beneficiaries presents a valuable opportunity to add to the current project goals in an efficient manner, since all key activities of the preparation phase have already been completed and the project has the capacity to incorporate the organizations that were deemed eligible (and their members) and start working with them at a much lower cost than the original participants, proposing an efficient deployment of LCA resources.
- 4.6 The proposed increase will facilitate an expansion of the project's outputs and outcomes, especially those from Component 1.<sup>6</sup> Detailed changes in the project's results matrix are presented the [Revised Results Matrix](#) and the [Technical Note for Budget Increase](#). The additional activities are expected to be implemented during the current execution period (see [timeframe](#)).
- 4.7 The project will maintain its emphasis on supporting indigenous communities, riverine peoples (*ribeirinhos*), and *quilombolas*, acknowledging their vital role in sustainable land use and forest management. In close coordination with the donor (DEFRA), the project continues to prioritize gender equality within the project, ensuring that women are adequately represented among the beneficiaries and that their unique needs and perspectives are integral to all project activities. Hence this increase will also enable the project to increase the beneficiaries among women, indigenous, Afro-Brazilian and members of traditional communities, as well as their socio-economic organizations.
- 4.8 **Budget.** Considering the proposed increase in the amount of non-reimbursable financing of the TC by up to US\$2,600,000 (two million six hundred thousand dollars), the total non-reimbursable financing would increase from the current US\$9,630,000 (nine million six hundred thirty thousand dollars) to US\$12,230,000 (twelve million and two hundred thirty thousand dollars), financed by the Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund (LCA Fund).
- 4.9 **Procurement and financial management.** Procurements financed by the increased non-reimbursable financing resources will be conducted in accordance with established private sector and commercial practices acceptable to the IDB, as per the terms of the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15). The procurement plan has been updated and reviewed to ensure efficient utilization of the additional funds (see [Revised Procurement Plan](#)).
- 4.10 **Risks.** A risk that has been identified is the increase in the frequency of climate-related events, like the severe drought and fires observed this year during the dry season. The low river levels associated with the droughts make navigation through them (the only option to access some of the project's communities)

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<sup>6</sup> Nine out of the 15 outputs from Component 1 will have increases in its end of project goals.

difficult and can affect activities planned in the field, so the executing agency should monitor closely the situation and propose adjustments to the execution plan when needed to guarantee achieving the expected results. Regarding the fires, the executing agency would include as part of the activities for training SPOs in areas most exposed to fires, the issue of preparation and contingency actions in the event of forest fires.

- 4.11 No additional changes are proposed to the remaining elements of the TC, including but not limited to project objectives, activities, execution arrangement.

## **V. RECOMMENDATION**

- 5.1 Based upon the information and analysis described in this proposal, Management recommends that the Board of Executive Directors adopt by Short Procedure the proposed resolution attached to this document as Appendix I in accordance with the provisions set forth in document DR-398-19 (Regulations of the Board of Executive Directors of the IDB), as well as document CS-3953-4 (List of matters to be considered by the Board via Short Procedure) and paragraph 3.6, footnote 5 of Document GN-1838-3 (Report of the Working Group of the Board of Executive Directors of the IDB on Streamlining Approval Procedures for Sovereign Guaranteed Operations). The adoption of the proposed resolution would represent the approval of up to US\$2,600,000 in additional non-reimbursable financing and an amendment of Resolution DE-89/21 dated as of October 28, 2021, so that the total amount of the Bank's financing for the project is up to the amount of US\$12,230,000, chargeable to the resources of the "Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/25

Brazil. ATN/LC-18953-BR. Nonreimbursable Technical Cooperation. Low Carbon Agriculture for Avoided Deforestation and Poverty Reduction – Phase II – Strengthening Sustainable Value Chains in the Amazon

Amendment of Resolution DE-89/21

The Board of Executive Directors

RESOLVES:

To amend paragraphs 1 and 2 of Resolution DE-89/21, adopted on October 28, 2021, as follows:

“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 Federative Republic of Brazil, through its Ministry of Agriculture and Livestock (MAPA), as beneficiary, and with the Brazilian Institute of Development and Sustainability (IABS), as the executing agency, and to take such additional measures as may be pertinent for the execution of the project proposal contained in documents AT-1559 and AT-\_\_\_\_\_ with respect to the technical cooperation “Low Carbon Agriculture for Avoided Deforestation and Poverty Reduction – Phase II – Strengthening Sustainable Value Chains in the Amazon”.

2. Such nonreimbursable technical cooperation will be for an amount of up to US\$12,230,000, chargeable to the resources of the Phase II: Low-carbon Agriculture for Avoided Deforestation and Poverty Reduction Fund, as per the terms of the Administrative Agreement signed between the Bank and the Government of the United Kingdom on December 16th, 2016.”

(Adopted on \_\_\_\_\_ 2025)