IFAD
Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Main report and annexes

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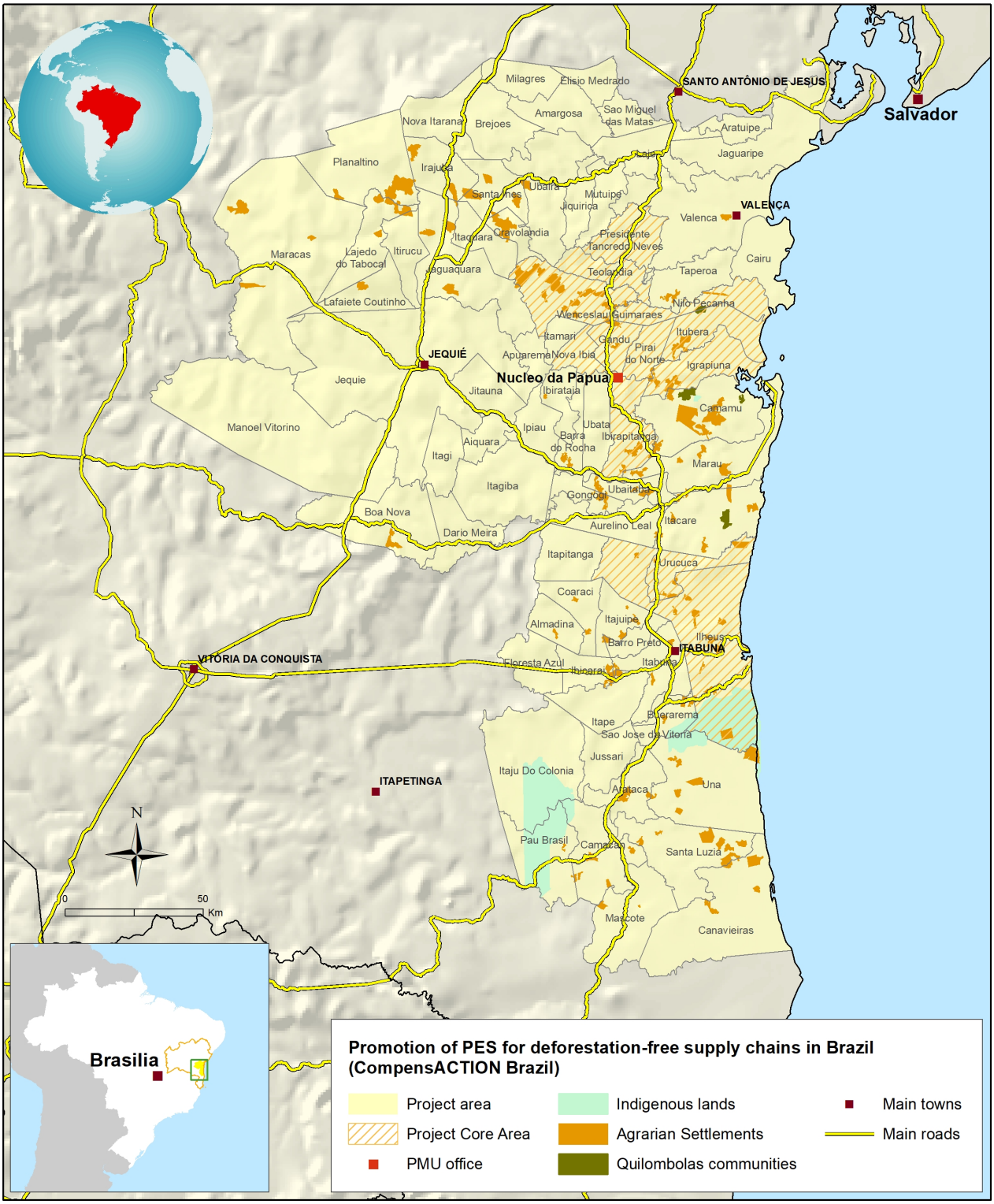
Map of the Project Area



Map compiled by IFAD | 19-09-2023

In line with IFAD mainstreaming commitments, the project has been validated as:

☐ Be gender transformative ☐ Be youth sensitive ☐ Be nutrition sensitive ☐ Prioritize persons with disabilities ☐ Prioritize indigenous peoples ☐ Include climate finance ☐ Build adaptive capacity

Executive Summary

The design of the Brazil initiative aligns with the objectives and outcomes of the CompensACTION Project, financed with supplementary funds from the German government through the Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and signed in November 2022 to support large-scale compensation mechanisms for carbon and other ecosystem services. As part of the planned activities in this project, the goal is to pilot two compensation mechanisms within IFAD's investment portfolio, specifically in the cases of Lesotho and Ethiopia. In Brazil, this initiative will be carried out by a competitively selected implementing entity and will be called CompensAÇÃO.

Recognizing that this marks IFAD's first venture into Payment for Environmental Services (PES), a consultant with expertise in PES in Brazil and Costa Rica was engaged to conduct an analysis of a sample of organizations in Brazil, examining their activities and challenges in the context of PES.

Based on the findings of this analysis and following the Financing Procedures for IFAD Regular Grants, invitations for expressions of interest (EOI) were extended to 16 organizations. Following this call for proposals, *Organizacão para Conservacao da Terra* (OCT) was chosen as the implementing partner. This non-governmental organization, founded in 2001, was selected due to its outstanding institutional and technical capacity, as well as the strength of its proposal, making it the ideal partner for this endeavor.

CompensAÇÃO will be implemented in the state of Bahia, within the Atlantic Rainforest biome. This biome spans across Brazil, Paraguay, and Argentina and is one of the most critically endangered biomes globally. Despite its fragility, it boasts one of the planet's richest biodiversities. Unfortunately, extensive deforestation has drastically reduced its expanse to just a few isolated fragments.

Bahia ranked 20th when considering GDP per capita[1] among the 27 Brazilian states in 2020, despite having the highest GDP among the Northeastern states. In 2021, 46.5 per cent of the Bahian population was in poverty and 15.8 per cent in extreme poverty. In the project area, more than 31,471 family farmers are part of de Unified Registry (72% in extreme poverty).

Southern Bahia, in particular, is renowned as a major cocoa production center. This reputation is owed in large part to the "Cabruca" system, an agroforestry approach in which cocoa is cultivated beneath the protective canopy of native species that help preserve the Atlantic Rainforest. However, in recent years, the "Cabruca" system has given way to less efficient and low-productivity methods, rendering smallholders, in particular, more susceptible to the impacts of climate change.

The **project area** covers the 77 municipalities of 4 Territories in Bahia - Baixo Sul, Litoral Sul, Vale do Jiquiriçá and Médio Rio de Contas. Three Indigenous Lands, 130 agrarian reform settlements and 72 quilombola communities have been identified in the intervention area. The **target group** includes 1,600 families (around 6,400 people), of which 50% will be smallholder farmers whose subsistence is based on low-productivity family farming and at least 20% will be quilombolas (traditional communities), 30% agrarian reform settlers.

The target population consists of rural families living in poverty and extreme poverty in the project area, whose livelihoods are based on low-productivity family farming, ensuring self-consumption with the commercialisation of surpluses and some cases of activities exclusively for commercialisation, extractive practices, and artisanal fishing.

CompensAÇÃO **goal** is to reduce rural poverty through the increased productivity of recovered ecosystems and payment for the provision of environmental and ecosystem services. Its **development objective** is to promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favouring an increase in production and income and mitigating forest degradation and deforestation processes in the Southern Bahia Cocoa Region. This will be done by piloting an innovative PES mechanism to obtain valuable lessons learned, enabling IFAD to tailor the proposed PES models to other specific environmental contexts.

To strengthen the deforestation-free cocoa production chain in the Southern Lowlands of the Bahia State, the CompensAÇÃO Project will implement the composition of a monetary and non-monetary PES that allows the "permanence" of the standing forest through the incorporation of best agroforestry management practices by the rural producers and enrichment of the diversity of forest species in existing cocoa areas. This will be achieved by implementing three integrated components: **Component 1 -***Implementation of PES in the core area,* will create conditions to promote the transition from monoculture areas with low cocoa productivity and stagnant cocoa-cabruca areas to agroforestry systems that are more biodiverse, more profitable, and less dependent on external inputs; **Component 2 -** *Support for municipal and regional PES policies,* will strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the Southern Bahia Cocoa Region (RCSB); and **Component 3 -** *Project management, knowledge management and south-south co-operation* will ensure an efficient implementation, planning, monitoring activities and evaluate the results obtained and provide a solid basis for the learning and scaling up processes.

CompensAÇÃO will be implemented by OCT as **executing entity**, based in the municipality of Ibirapitanga. Since 2012, OCT has implemented several projects focused on PES in Bahia and in the area of CompensAÇÃO, financed with funds from public and private, national, and international sources (including IDB funding). A **Project Management Unit (PMU)** will be established, with a team dedicated exclusively to CompensAÇÃO, with its office in the Núcleo Papuã in Ibirapitanga. The PMU will have a dedicated Project Coordinator. In addition, the PMU's structure will follow the best practices of IFAD projects in Brazil and will be adapted to the specific needs of CompensAÇÃO.

The **total cost** of the project for the planned implementation period of four years will be US$4.9 million, including the OCT's contribution of US$0.5 million. IFAD will finance 89.9% of the total project value and the OCT will contribute 10.1% of this total.

1. Context

A. National context and rationale for IFAD involvement

a. National Context

1. The project "Promoting Payment for Environmental Services (PES) for deforestation-free production chains in Brazil" is part of a comprehensive set of activities called "CompensACTION for food security and a healthy planet", funded by Germany through the ASAP+. The CompensACTION initiative came into force on 15 November 2022 with the signing of the Supplementary Funds Agreement with Germany.

2. Given that the initiative in Brazil will be a stand-alone project under ASAP+, IFAD has opted to adopt procedures similar to those for investment projects to guide its development. This approach aims to guarantee appropriate quality and due diligence. A process analogous to that used in the Amazon Sustainable Management Project (PAGES), also funded by German resources via ASAP+, has been followed. The other CompensACTION projects are currently integrated with ongoing loan-funded projects in Lesotho and Ethiopia.

3. The project will address deforestation in Brazil, a problem that results in water scarcity, soil erosion and desertification, reduced air purification, loss of biodiversity and high carbon emissions. Consequently, ecosystem services are degraded. To combat these adverse effects, the project will pilot PES schemes based on deforestation-free production chains, with the aim of incentivising forest conservation and restoration. The pilot, which for Brazil will be called CompensAÇÃO, will be implemented by the Organização de Conservação da Terra (OCT), a competitively selected non-governmental organisation (NGO) that will operate the PES mechanism in the Cocoa Region of southern Bahia. The project aims to provide an incentive to promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, towards more profitable and economically viable agroecological systems and with greater potential for providing ecosystem services, favouring increased production and income, and in turn providing mitigation of forest degradation and deforestation processes. CompensAÇÃO targets the poorest and most vulnerable people in Bahia's Atlantic Forest.

4. **State context**

5. The state of Bahia is the largest state in the Northeast region of Brazil with an area of 564,760 km^2, which represents 36% of the Northeast and 6% of the national territory. The state has 417 municipalities and the total population of Bahia is 14,985,000 inhabitants, 11% of whom live in rural areas[2]. With a populace of nearly 15 million inhabitants, Bahia secures its place as the fourth most populous state in Brazil. Its population is primarily urban, borne from a historical intermingling of European, Indigenous, and African heritage. The state capital, Salvador, reigns as the largest city within the state and claims the fourth spot among Brazil's most populous cities, boasting approximately three million residents. Bahia is the main economy in the north-east of Brazil. A well-diversified economy, bolstered by a commendable level of industrialization, distinguishes the state. Predominantly, Bahia's exports gravitate towards the processing of agricultural and mineral goods. The bedrock of its primary sector lies in robust agricultural production, notably featuring commodities such as mangoes, sisal, cocoa, cotton, coconut, bananas, and papaya. Bahia's secondary sector, anchored by a robust industrial base, owes its strength to the strategic distribution of manufacturing facilities. The Camaçari Petrochemical Complex takes the limelight as the chief industrial hub, housing the state's most significant factories. Among the state's leading industries, petrochemicals, automobiles, machinery and equipment, beverages, cellulose, footwear, and clothing reign supreme. The tertiary sector also commands attention within the state's economic landscape, encompassing commerce and services that flourish predominantly in major urban centers. Tourism stands as a significant player in Bahia's tertiary sector, with cities like Salvador and Porto Seguro serving as prominent tourist magnets.

6. Southern Bahia gains distinction as a cocoa production hub, while the western expanses host extensive monoculture cotton and soy plantations. Within the hinterlands along the São Francisco River, irrigated fruit cultivation reigns supreme. In the realm of livestock, cattle breeding claims the spotlight. Additionally, extractive endeavours encompass activities such as mining magnesite, talc, and oil.

7. Brazil ranks as the seventh-largest cocoa producer globally, contributing nearly 5% to the world's total cocoa production. While Brazil once occupied a more prominent position in global cocoa production, this distinction is now held by West African nations such as Ivory Coast, Ghana, Nigeria, and Cameroon, as well as other countries outside this region like Indonesia and Ecuador. In Brazil, the leading cocoa-producing states are Pará, accounting for 51% of the production, and Bahia, contributing 42%[3]. Cocoa originally hails from the Amazon and Central America, and it was introduced to Bahia during the 19th century[4]. Thriving in this new environment, cocoa has firmly established itself as one of Bahia's primary agricultural products. Today, cocoa is renowned as a traditional crop in the South of Bahia.

8. Bahia's climate predominantly assumes a tropical character. This climatic pattern manifests through two well-defined seasons, marked by a hot summer and a mild winter. However, variations in local topography led to the prevalence of high-altitude tropical climates in the elevated reaches of the state, characterized by milder temperatures. In the Bahian hinterlands, a semi-arid tropical subtype prevails, driven by the influence of high-pressure zones in the region. Semi-arid regions are hallmarked by scorching temperatures and erratic rainfall.

9. In view of the varying climatic influences, Bahia accommodates three primary vegetation formations: Cerrado, Caatinga and Atlantic Rainforest. Lush tropical forests flourish in the wettest regions, particularly in the southern coastal stretches. However, the remnants of the Atlantic Rainforest are under heavy anthropogenic pressure, ranking 2nd in terms of deforestation in the Atlantic Rainforest between 2019 and 2020[5].The Cerrado ecosystem blankets the state's interior, aligning with the region's

distinctly tropical climate marked by two distinct seasons. Meanwhile, the Caatinga vegetation dominates the hinterlands, characterized by arid conditions stemming from the semi-arid climate's protracted droughts.

10. Despite having the highest GDP among the Northeastern states, accounting for 4% of the national GDP and occupying 7th position among the 27 Brazilian states in 2020, Bahia ranked 20th when considering GDP per capita[6]. At 2010, last time state level HDI was measured, Bahia's HDI was 0.660, considered average, and the state ranked 22nd out of the 27 federal units. However, in the same year, the state's Rural HDI was only 0.538, considered low[7]. In 2021, 46.5 per cent of the Bahian population was in poverty and 15.8 per cent in extreme poverty, the worst rates in the previous nine years[8]. Between 2020 and 2021, the population living in poverty increased by 24% and extreme poverty by 59%[9].

11. Another troubling social indicator is that the state, along with Pernambuco, had an unemployment rate of 21.3 per cent in 2021, the highest in the country and well above the national average of 14.7 per cent[10]. The increase in the unemployment rate tended to coincide with an increase in income inequality. Income inequality at work in Bahia increased by 4.9% between 2015 and 2019[11].

12. **Context of the project area**. The project area is made up of 77 municipalities located in the southern region of Bahia, within the Atlantic Forest biome. Family farming predominates in this region, accounting for 78 per cent of agricultural establishments. Of the total agricultural establishments in the area (family and non-family), 87% have land titles and 51% have less than 5 hectares (IBGE, 2017).

13. Among the top 20 cocoa-producing municipalities in Brazil, seven are situated in Bahia, all within the project region[12]. In some of these municipalities, such as Ibirapitanga, the cultivation of organic or fine cocoa, which commands higher prices, is a common practice. Nevertheless, most municipalities engaged in cocoa production adhere to conventional methods.

14. Cocoa certification emerges as a compelling strategy to elevate the value of this agricultural product. During the project's design phase, several families in Ibirapitanga were already engaged in the cultivation of certified cocoa. At that time, certified cocoa was fetching approximately R$ 450.00 per arroba, marking a significant 125% premium compared to conventional cocoa, which was priced at approximately R$ 200.00 per arroba. Notably, various types of certifications are available in the region, including fine (flavored) cocoa, cocoa with an indication of origin, and sustainable cocoa options like organic, Fair Trade, Rainforest Alliance (RA), and UTZ.

15. However, it's essential to acknowledge that the certified cocoa market still constitutes a relatively small fraction of the total cocoa production in the country. According to Senar[13], in 2018, only 3% of the cocoa marketed in Brazil bore certification. A study conducted by Marrocos et al[14]. indicated that, in 2015-2016, only 77 properties in the southern Bahia region were certified. Nonetheless, this market is steadily expanding.

16. One significant milestone occurred in 2009 when MARS Incorporated pledged to purchase 200,000 tonnes of UTZ and RA certified cocoa annually by 2020 (Marrocos et al., 2018). Furthermore, in 2014, the Cacau Sul Bahia Association (ACSB-IG Cacau) was established, uniting cooperatives, associations, and social institutions, comprising a total of 3,460 cocoa producers in the southern Bahia region. Their efforts were rewarded in January 2018 when they received the Indication of Origin South of Bahia - IP Sul Bahia from the INPI (National Institute of Industrial Origin), exclusively for cabruca cocoa producers. According to a study conducted by the Arapyau Institute, the premium cocoa niche market is experiencing impressive annual growth, estimated at 9.15%[15].

b. Special aspects relating to IFAD's corporate mainstreaming priorities

1. As an ASAP+ initiative, the project is fully aligned with the IFAD’s climate finance commitment. The project will have social co-benefits in women and youth empowerment and nutrition, but its activities are primarily centered on recovering degraded environments and ecosystem services. Strategies for Gender, Youth, Social Inclusion, and Nutrition were elaborated; still, the project activities will not allow for transformational impacts on gender power relations, youth empowerment or nutrition. (See Annex 8 - MIP). As the project is financed exclusively with German supplementary funds and does not include IFAD core funding, the Multilateral Development Banks (MDB) methodology for climate finance is not applied.
2. **Mitigation and adaptation to climate change.** The Northeast region is considered one of the most vulnerable to climate change in the country. Future climate models, regardless of the scenario and time interval analysed, predict an increase in temperatures and a reduction in rainfall for the entire state, and the reduction in rainfall may be even more pronounced in the coastal regions. At the same time, there is a greater likelihood of extreme climatic events, such as the drought recorded in the north-east of the project area between 2012 and 2015, or floods of great magnitude, such as those seen at the end of 2021, mainly in the South Coast Identity Territory.
3. **Environment** Brazil is the country with the greatest biological diversity in the world and has the second largest forest area. Brazil's forests represent a global public good in terms of providing a wide range of ecosystem services, including water, biodiversity and carbon sequestration and storage. The Atlantic Rainforest, one of Brazil's six biomes and one of the most biologically diverse forests in the world with a high level of endemicity, is nevertheless under serious threat, with destruction dating back to the arrival of Europeans in Latin America and resulting in the loss of more than 80 per cent of its original tree cover. Bahia is the second Brazilian state with the highest rates of deforestation of the Atlantic Forest, totalling 5,719 hectares in the 2021-2022 period, which represents an increase in the rate of deforestation of 15% compared to the previous period. Since the green revolution and the cocoa crisis, the region has been converted from large areas of cocoa production integrated into the native forest (called "cabruca") to pasture and full-sun cocoa plantations or agroforestry systems with low diversity and no native species (for example, cocoa plantations with rubber trees). Accompanied by unsustainable agricultural practices (inadequate soil management and excessive use of pesticides) and the region's steep topography, this has resulted in soil erosion, landslides and reduced water quality. Another factor influencing water and soil quality in rural areas is the

lack of basic sanitation and proper solid waste management.

4. In Bahia, the Gender Disparity Index is 0.68 per cent, indicating that women are 32 per cent less likely to have the same opportunities as men, with the biggest gaps being in the dimensions of political empowerment and economic opportunity[16] . Gender disparities are expressed in restrictions on control and access to resources, both social and monetary. Only 27 per cent of family farmers with land titles are women. Despite rural women's significant contribution to the family economy, their work is often neglected because they are not part of the formal labour market and do not generate monetary income from productive activities aimed at self-consumption. Women also suffer from greater difficulty in accessing public policies and a double working day, being the main collectors of water, food and firewood in a context where the growing pressure on natural resources and environmental degradation negatively affect the supply of water and food in particular. Women from traditional communities face triple discrimination based on gender, race and socio-economic conditions. Bahia is one of the Brazilian states with the highest number of cases of violence against women, with rural women[17] and women of African descent being disproportionately affected[18]. In 2022, the number of Bahian women who were victims of violence increased by 58 per cent compared to the previous year.
5. In the Project area, there are around 282,551 rural young people[19]. 25% of young people in Bahia aged between 15 and 29[20] are considered vulnerable to poverty because they neither study nor work[21]. Young women of African descent have a higher percentage out of school and the labour market. Household chores and caring for family members are among the main barriers faced by young people in continuing their studies or getting paid work. Another important causal factor is the high rate of teenage pregnancy. In 2021 alone, more than 1,500 children under the age of 14 became mothers in Bahia[22]. According to the latest Demographic Census, the illiteracy rate among young people in Bahia is 18.8 per cent, almost double the national rate and below the average for the Northeast, which is 21.9 per cent[23]. For rural young people in Bahia, living conditions, employment, education, and social assistance are precarious. In the project area, only 10.5 per cent of PA establishments are run by young people under the age of 35 and only 6.1 per cent of young family farmers have access to technical assistance. Because of the lack of formal study opportunities and sustainable work for rural youth, there has been a process of exodus to urban centres, particularly of young women with more schooling, which has led to ageing and a decrease in the number of women in the rural population. Comparing the 2006 and 2017 Agricultural Census, the number of heads of rural establishments fell by 8,677 people[24]. The state has a State Youth Policy, a State Youth Plan[25] and a State Youth Council (Cejuve)[26].
6. Food insecurity affects 60 per cent of Bahians, with family farmers among the most affected[27]. Despite the nutritional transition, the state faces a double burden of malnutrition - undernourishment and an increase in the prevalence of overweight/obesity. In Bahia, by 2022, obesity had reached 27 per cent of the population and overweight 35 per cent[28]. In the same year, in the project area, 4% of children aged 0 to 5 were malnourished - low or very low weight for their age and 7.2% were short for their age - indicative of chronic malnutrition[29]. Among quilombola communities, the mortality rate from nutritional problems is higher[30]. The main root causes of food and nutritional insecurity in the Project area are the declining quality of water for human consumption; limited production capacity and low productive diversification; the low quality of food consumed; the lack of productive infrastructure; and low levels of food and nutritional education. It is worth highlighting the direct correlation between food and nutritional insecurity, poverty rates (73.2 per cent of family farmers in the project area live in extreme poverty)[31], and environmental restrictions (such as lack of basic sanitation, interruptions in water flows and poor quality of water sources). Only 60 per cent of households in the Project area have access to the public sewage system and 70 per cent are connected to the public water supply network[32]. The Governmental Group for Food and Nutritional Security (GGSAN) is responsible for drawing up, based on the guidelines of the Bahia State Council for Food and Nutritional Security (CONSEA-BA), the Policy[33] and the State Plan for Food and Nutritional Security, its guidelines, targets, resources, and M&E instruments.

c. Rationale for IFAD involvement

17. **Development problem.** The Atlantic Rainforest represents one of Brazil's six biomes and can be found in 17 states along the coast of Brazil. Despite being a *biodiversity hotspot of* global importance, it is under significant threat, with only 24 per cent of its original area remaining. During the 19th century, the region was one of the main cocoa producers in the world. Until before the green revolution, the "cabruca", a shaded cocoa production system integrated into the cleared native forest that conserves the Atlantic Rainforest, was predominant. However, the cocoa crisis in the 1990s generated by a drastic fall in the price of cocoa and the destruction of cocoa trees devastated by the "witches' broom" disease, caused many large and small landowners to abandon their plantations.

18. In addition to the significant socio-economic challenges of increased poverty and unemployment in the region, this cocoa crisis and the green revolution that promoted the "modernisation" of production systems, leading to a massive conversion of cabruca areas into pastures and full-sun cocoa cultivation or agroforestry systems with low diversity. This was also accompanied by an "intensification" in the application of large quantities of pesticides, herbicides, fungicides and synthetic fertilisers by small farmers even in traditional systems, with risks to the farmer's health, indebtedness, contamination of soils and water bodies, as well as negative impacts on native flora and fauna.

19. Currently smallholder cocoa production is largely limited to low productivity '"cabruca" systems or full-sun cocoa cultivation. The investment in inputs and labour, as well as the technical capacities required to develop the full potential of cabruca cacao production is beyond most smallholder's means. Hence, the trend is for such lands to be converted to inefficient full sun cocoa cultivation or pastures for grazing. This deforestation not only reduces the environmental services provided by the standing Atlantic Forest, but also entrenches smallholders in a cycle of inefficiency and low productivity, as well as increasing their vulnerability to climate change.

20. **IFAD's comparative advantage.** IFAD has extensive experience of working with the poorest and most vulnerable rural populations, both globally and in Brazil. This is possible due to the implementation of highly focussed and targeted models for the priority groups it serves. Furthermore, IFAD has played a key role in introducing and delivering innovative solutions that have been successful in improving the resilience of small farmers in the face of environmental challenges and climate change. In addition, IFAD has a partnership spanning more than 25 years with the Government of Bahia, with the aim of improving the food security and resilience of rural populations facing poverty and marginalisation. The Bahian government plays a facilitating role, offering support and promoting the introduction of innovative practices throughout the state. This is done through collaboration with various organisations, with the aim of contributing to the improvement of public policies that directly benefit IFAD's target group. This project, implemented in the form of three separate pilots in Lesotho, Ethiopia and Brazil, aims to test a "smart income mix" that compensates small farmers and traditional communities for the role they play not only in producing food for a significant percentage of the world's population, but also in conserving multifunctional ecosystem services as positive externalities in doing so. In Brazil, CompensAÇÃO will also have synergies with a new investment project, co-financed by IFAD and IDB, currently being designed, Parceiros da Mata (PdM), which will also operate in the same region. This project will PES subcomponent that is expected to scale up the experience developed in CompensAÇÃO. Hence CompensAÇÃO will pilot the implementation of the PES mechanism and will support municipalities in establishing the appropriate institutional arrangements for PES implementation, to be financed through PdM resources. The joint implementation of both initiatives will therefore enable cross-learning, sustainability and scaling up of CompensAÇÃO.

B. Lessons learned

21. CompensAÇÃO is a pilot project in IFAD Brazil's portfolio, given that there have been no other operations about PES mechanisms since the institution began operating in the country. However, OCT was selected, among other factors, because of its experience and expertise in the PES strategy since 2012, having implemented several projects in the Southern Bahia Lowlands. It began with the "Produtor de Água do Pratigi" pilot project in the Juliana River basin, in partnership with various private and public institutions, even before there was state legislation to structure the issue. In 2013, it expanded the project area to other micro-basins and carried out inter-institutional liaison to form a local arrangement with a view to creating governance as a strategy to influence the creation of public policies. In 2014, it supported the Ibirapitanga City Council to establish the Municipal PES Law and create the Ibirapitanga Water Producer Programme, making it the first municipality in Bahia to set up a public policy and a municipal PES programme. Since then, OCT has acted as a mediator with partners and investors in the Ibirapitanga Water Producer Programme, developing projects to encourage the provision of various environmental services.

22. Among the lessons learnt during the implementation of these projects, the following can be highlighted:

- **Social engagement**: A series of actions with local leaders and technical teams from the town halls that promote social mobilisation with an emphasis on environmental education at all stages of the project have been fundamental in creating a more favourable environment for implementing the planned actions and activities.
- **Qualified and comprehensive technical support:** Considering that the approach and methodology of PES mechanisms is something recent and under construction, it is essential to prepare and train technical teams, who do not have the appropriate knowledge to work with this mechanism. In addition to passing on technical content, it is necessary to pass on the use of more comprehensive tools aimed at planning the areas to be recovered, drawing up recovery plans, supporting the environmental regularisation of properties, among other topics.
- **Optimisation of operating costs:** The OCT allowed for a reduction in costs compared to forest restoration practices carried out in Brazil, reaching 75% of what is practised in areas managed with total planting and maintenance of native species, without losing ecological gains, thus showing that it is possible to use practices that allow costs to be reduced by valuing local practices such as seedling production, collective purchases of inputs, etc.
- **Socio-economic development:** It is strategic to choose technical proposals (short-cycle species, diversification of cultivated species, production for family consumption and the market, etc.) that provide an income stream for families in the communities, generating jobs and income in the local economy and helping to structure the forest restoration production chain.
- **Communication:** Considering that PES mechanisms are recent and little-known practices, it is important to highlight how these mechanisms work and the gains they bring with a view to helping publicise the practice, improve knowledge and potentially increase demand.
- **Monitoring and knowledge management:** It is essential to highlight the results of an appropriate monitoring system, using data from this to support knowledge management products, which is a key point in PES projects. Communication actions are underpinned by the generation of acquired knowledge, and are integrated as an important part of PES projects.
- **Scaling** up**:** Increasing the number of rural properties benefiting from the programme is essential to help achieve a minimum scale, which justifies structuring the teams in the town halls, optimises operating costs, creates a dynamic among the beneficiaries and increases credibility. In this sense, communication and resource mobilisation actions are important to help create a positive spiral.

2. Project Description

C. Project objectives, geographic area of intervention and target groups

23. The **aim of** the project is to reduce rural poverty through the increased productivity of recovered ecosystems and payment for the provision of environmental and ecosystem services.

24. The **development objective** is to promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favouring an increase in production and income and mitigating forest degradation and deforestation processes in the Southern Bahia Cocoa Region. The process to achieve this objective will involve piloting an innovative PES mechanism. This approach will yield valuable lessons learned during its implementation, enabling IFAD to tailor the proposed PES models to this and other specific environmental contexts and potentially scale them for use in other interventions and regions in the future.

25. This objective will be achieved through an integrated strategy that includes: i) Providing qualified Technical Assistance (TA) services to strengthen the capacities of beneficiary families and their community organisations to introduce productive innovations; ii) Fostering environmental and ecosystem services through financial and non-financial incentive mechanisms (provision of TA and inputs); iii) Strengthening families' capacities to access public credit and marketing policies; iv) Ensuring the agroecological transition of production systems; v) Strengthen the capacities of municipalities to implement PES mechanisms; vi) Supporting the structuring of a regional PES mechanism governance network; vii) Preparing the conditions for establishing a PES mechanism; viii) Developing knowledge management products from this pilot project and develop communication actions to disseminate the experience and results; and ix) Organising exchanges and south-south cooperation events, in particular with other IFAD-supported projects.

26. The **project area** covers the 77 municipalities of 4 Territories in Bahia - Baixo Sul, Litoral Sul, Vale do Jiquiriçá and Médio Rio

de Contas, with a surface area of 42,528 km². The total population of this area is 1,799,981 and the rural population is estimated at 515,007 people. There are around 102,477 agricultural establishments in the project area, 78% of which are family farms. Of the 31,471 family farmers on the Unified Registry, 72% are in extreme poverty and 7% in poverty. Three Indigenous Lands, 130 agrarian reform settlements and 72 quilombola communities have been identified in the intervention area.

27. This area was selected on the basis of the following criteria: i) high levels of poverty (concentration of low municipal HDI) ii)relevance and strong expressiveness of the cocoa production chain; iii) presence of other projects or programmes that could help strengthen and scale up CompensAÇÃO's activities, such as IFAD's Parceiros da Mata Project; iv) high concentration of family farming establishments, traditional communities and agrarian reform settlers; v) high concentration of Environmental Preservation Areas (APA), Conservation Units and Integral Protection with endemic species, favouring connectivity between protected areas.

28. Component 1 will be implemented in 12 municipalities[34], which will make up a **core area of the project**, which, in addition to the criteria mentioned above, have approved PES legislation and high potential for agroecological transition (see maps in Annex 8 - MIP).

29. **Target audience**. The project will directly benefit 1,600 families (around 6,400 people), of which 50% will be smallholder farmers whose subsistence is based on low-productivity family farming and at least 20 per cent will be quilombolas (traditional communities), 30 per cent agrarian reform settlers. Of the total target audience, 50 per cent will be women and 15 per cent young people.

30. The target population consists of rural families living in poverty and extreme poverty in the project area, whose livelihoods are based on low-productivity family farming, ensuring self-consumption with the commercialisation of surpluses and some cases of activities exclusively for commercialisation, extractive practices, and artisanal fishing. Although the production strategies of the target populations are similar, they are diverse in their socio-cultural characteristics, organisation of production, relationship with their territory, level of association and access to the market. The project's main target groups are: i) small family farmers living in poverty and extreme poverty; ii) rural women; iii) rural youth; iv) traditional peoples and communities.

31. Family farmers: This will be the largest target group due to their high numbers and poverty levels in the project area.

32. Gender equality and the empowerment of rural women. Women will represent at least 50 per cent of all beneficiaries. Special attention will be paid to young women and those from families in traditional communities. The project will contribute to gender equality, fundamentally through the economic empowerment of women, ensuring that 50 per cent of the PES have women as beneficiaries. To achieve this, the participating families' male and female heads will jointly sign a co-ownership declaration for the land, a requirement to access PES. This approach aims to encourage increased participation of women in CompensAÇÃO. Women's participation and voice will be strengthened through leadership in natural resource management.

33. Inclusion of rural youth. Young people between the ages of 15 and 29 will represent at least 15 per cent of the total number of beneficiaries, half of whom will be women. Special attention will be paid to young people from traditional communities and students enrolled in Agricultural Family Houses (CFA), who will be prioritised in the selection of the TA team and PES beneficiaries. In the case of the CFAs, the modalities of participation in the project's activities will be defined in greater detail at the start of implementation.

34. Traditional communities. Traditional communities will be prioritised when they are present in the selected municipalities. The approach to TA and the construction of Integrated Property Plans (PIP) will consider the social aspects, culture and traditional knowledge and ways of life of these communities, and Free, Prior and Informed Consent (FPIC) will be guaranteed, where applicable.

35. **Direct Targeting.** The main eligibility criterion for families will be registration in the Unified Registry (Cadúnico) - at least 70 per cent of beneficiaries must be registered. In the case of those who are in a situation of poverty or extreme poverty and are not yet registered with the Cadúnico, the project, through TA, will be able to support them in registering with the relevant bodies.

36. Other targeting measures (self-focussing, facilitative, empowerment and capacity building and operational) are detailed in Annex 8.

37. Nutrition Strategy. The project aims to improve the quality of the beneficiary families' diets through different trajectories: i) increasing the availability of and access to nutritious food through greater diversification and production of nutritious food and the promotion of good agro-ecological practices; ii) knowledge about nutrition and food diversification will be fostered, improving eating and nutritional habits; iii) sustainable practices for managing natural resources and increasing climate resilience will be promoted; and iv) gender equality and women's empowerment will be encouraged (more details in Annex 8). The TA teams will be trained in nutrition to advise the beneficiaries on the basics of nutrition, enriched and diversified diets, healthy food safety practices, sanitation, and hygiene.

The logic of PES CompensAÇÃO

Payments for Environmental Services have been gaining significant traction in Brazil in the last years as a key mechanism to promote conservation and sustainable land use practices. Brazil has established a legal framework to support PES initiatives, with the 2012 Forest Code. In the State of Bahia, the PES was made official in 2015 through State Law No. 13,223. In 2021, the Brazilian Payment Policy for Environmental Services was instituted (Law No. 14,119). The PES National Policy contemplates six payment modalities, among them, direct payment, monetary or non-monetary and; providing social improvements to rural and urban communities. In the case of the Bahia State Law on PES, technical assistance is also considered a form of PES.

Most of the PES initiatives currently implemented in Brazil are linked to the accounting of a single form of ecosystem service (mainly hydrological – as is the case of the "Programa Produtores de Agua" initiative led by the National Water Agency (ANA) or; CO2 capture – through different forms of carbon projects linked to voluntary markets), mostly arising from forest restoration or conservation. There are few PES initiatives that contemplate the environmental services provided by farmers associated with agricultural production systems.

To strengthen the deforestation-free cocoa production chain in the Southern Lowlands of the Bahia State, the CompensAÇÃO Project will implement the composition of a monetary and non-monetary PES that allows the "permanence" of the standing forest through the incorporation of best agroforestry management practices by the rural producers and enrichment of the diversity of forest species in existing cocoa areas.

In the first year of the project, the transfer of inputs and technical assistance (both considered non-monetary PES) to rural producers is contemplated, fostering the recovery and transition of cocoa monoculture and stagnant cabruca areas to agroforestry arrangements less dependent on external inputs. The adoption of best agroforestry management practices and inputs tend to generate agricultural production and environmental additionality. In addition, to recognize the services provided by rural producers for the benefit of the environment, a monetary PES will also be transferred directly to farmers after verifying compliance with the incorporation of good agroforestry management practices and compliance with the conservation of forest counterpart areas (detailed in the following subsections). Environmental additionality will be evaluated and monitored through the application of the PIP established in each rural property benefited by the Project.

D. Components/outcomes and activities

38. The project consists of three integrated components: 1) Implementation of PES in the core area; 2) Support for municipal and regional PES policies; and 3) Project management, knowledge management and south-south co-operation.

39. **Component 1: Implementation of PES in the core area.** This component aims to create conditions to promote the transition from monoculture areas with low cocoa productivity and stagnant cocoa-cabruca areas to agroforestry systems that are more biodiverse, more profitable, and less dependent on external inputs. To this end, actions will be taken to strengthen the technical capacities of municipal staff to better implement municipal PES programmes. In addition, this component will be responsible for the implementation of PES (monetary and non-monetary), which will seek to reward the environmental services provided by rural producers, as well as the ecosystem services derived from agroforestry production (and avoided degradation /deforestation in adjacent areas). The provision of the PES will be supported by TA technicians, and its implementation will involve the development of instruments and a multi-sectoral institutional arrangement, which at the same time allows for greater capillarity and transparency in the process and strengthens and expands the PES agenda that already exists in the region.

40. **Subcomponent 1.1**. - **Selection for participation in PES scheme and strengthening capacities.** This subcomponent will identify and select the farmers and rural properties that will take part in the project. The farmer selection process will include the application of prioritisation criteria, technical inspection and validation of the information contained in the registration forms by the extension agents and analysis of the eligibility criteria (see Annex 8). Project proponents and OCT staff will develop the PIP[35], which will be the guiding plan for definition of measures to be implemented in each participating farm.

41. This subcomponent will also strengthen incipient Municipal PES programmes, contributing to the consultation processes for the regulation of municipal legislation and the structuring of the respective financial funds, as well as strengthening the TA services of the municipalities located in the core area. Numerous municipalities have approved PES policies but have yet to implement the schemes[36]. CompensAÇÃO will support this process by providing specialised advice to train the municipal teams, preparing support and guidance material for the municipal teams, supporting the creation of sectors dedicated to PES, seeking cross-cutting links with other sectors of municipal management and forming municipal management committees, and raising the visibility to the work carried out, to avoid discontinuity in the possible changes of municipal teams during the implementation of the project.

42. The main activities in this subcomponent are i) creation of a technical assistance team for project implementation; ii) training of the TA technical team in gender, ethnic and racial issues, biodiversity conservation and agroecology; iii) identifying communities and beneficiary families that will participate in the project iv) drawing up a PIPs for project participants; v) creating a municipal level technical committee for participating in the project vi) training or levelling the knowledge on the municipal PES policy for the members of the technical chamber; and vii) consolidating and strengthening municipal PES programmes in the core area by providing legal advice to municipalities, training teams on PES mechanisms, etc.

43. PIPs will be developed at the property level, or at the community level in the case of traditional communities (such as quilombolas). The PIPs will define the baseline and targets for the production systems and conservation areas to be supported by the project, as well as the assessment and monitoring to be carried out on each property/community. The transfer of PES resources to beneficiaries will be based on the information contained in the PIP and the respective monitoring carried out by the extension agent in charge. Drawn up with the participation of the landowner, the PIP includes an environmental and production adaptation plan and a schedule of activities. The stages in drawing up the PIP will be: i) technical visits with the landowner to take the points (geoprocessing) for the delimitation and sketch of the property and internal areas and carrying out the socio-environmental and economic diagnosis; and ii) analysing and geoprocessing the data and drawing up maps.

44. **Subcomponent 1.2. - Implementation of the PES mechanism.** This subcomponent aims to develop joint monetary and non-

monetary PES actions, through cash payments, provision of TA and inputs, based on three types of modalities implemented:

	Baseline scenario	**Monetary and non-monetary payment**	**End of project scenario***
Mode 1 **Cabruca PES** (Enrichment)	§ 1,500 ha of cabruca system with low productivity; § 3,800 ha of areas with forest vegetation (standing forests and cabruca systems)	**Non-monetary PES (Total payment:** R$4,707/ha of improved cabruca): § Renovation (shade management) of forest species; § Pruning and replacing part of the cocoa tree; § Soil analysis and provision of inputs (lime + organic fertiliser); § Enrichment with 50 forest/fruit seedlings and 400 cocoa trees per hectare; § TA monitoring (6 visits/year); **Monetary PES**: Cash payment: R$299/ha/year for 2 years.	5,300 hectares, considering: § 1,500 ha of renovated cabruca system with high production § 3,800 ha of undisturbed forest areas (forests and cabruca systems) in counterpart from producers and communities
Mode 2 Cocoa monoculture enrichment PES	§ 1,500 ha of cocoa monoculture with low productivity; § 3,800 ha of areas with forest vegetation (forests and cabruca systems)	**Non-monetary PES (Total cost:** R$4,537/ per ha of agroforestry system): § Pruning and replacing part of the cocoa tree; § Soil analysis and provision of inputs (lime + organic fertiliser); § Enrichment with 100 forest/fruit seedlings and 400 cocoa seedlings per hectare; § TA monitoring (6 visits/year); **Monetary PES**: Cash payment: R$398/ha/year for 2 years.	5,300 hectares, considering: § 1,500 ha of agroforestry system with high cacao productivity § 3,800 ha of undisturbed forest areas (forests and cabruca systems) in counterpart from producers and communities
Mode 3 **Social PES**	100 hectares of low productivity plots	**Non-monetary PES (Total cost:** R$4,433/ha): § Soil analysis and provision of inputs (lime + organic fertiliser); § Enrichment with 300 forest/fruit seedlings and 240 cocoa trees per hectare; § TA accompaniment** (6 visits/year); **Monetary PES**: Cash payment: R$437/ha/year (for 2 years)	100 hectares of agroforestry productive backyards (average of 1 ha/family, no counterpart required)

45. * PES beneficiaries will be required to commit to not degrading additional existing forested areas within their property, which will be acknowledged as a counterpart contribution. This contribution will have a minimum ratio of 1:1 in relation to the area of the enriched production system.

46. **provided by OTC as a counterpart to the Project

47. The “PES cabruca” modality is based on the renovation (forest shade management) and enrichment (increase in the number of forest species) of the cabruca system. Cabruca is an agroforestry production system in which cocoa is cultivated under the shade of native species from the Atlantic Forest biome. According to Art. 15 of Decree Nº 15.180/2014 (which regulates the management of forests in the State of Bahia) the cabruca system must have at least a tree density equal to or greater than 20 individuals of native species per hectare. An agroforestry system is the intercropping between an agricultural crop and woody forest species. The modality “PES for the enrichment of cocoa monocultures” is based on supporting the transition from areas of cocoa monocultures to more diversified agroforestry arrangements. The “PES social modality” consists of increasing the diversity of forest species around the farmer's residence (agroforestry backyard), which also involves the raising of small animals and other agricultural crops.

48. The total value of monetary and non-monetary PES to be passed on to the beneficiaries will depend on the type of benefit. In modalities 1 and 2, the project will work in the Direct Intervention area, with inputs and TA (non-monetary PES). In the Counterpart area, there will be no direct intervention, but the farmer will make a commitment not to degrade. Counterpart areas will be calculated in each property, requiring landowners not to depredate existing forest within their forest, and thus preventing leakage. A minimum of a 1:1 counterpart ratio will be required for project participation. In the case of community properties (in traditional communities), the counterpart areas will be defined jointly with the community along similar principles, applying the same three models.

49. It is estimated that modalities 1 and 2 will benefit a total of 1,500 families. Per family, this will represent an average direct intervention area of 2ha, and an average counterpart area of 5ha, totalling approximately 10,500ha.

50. In the case of the third modality, 100 families will benefit, with an average of 1ha each, totalling 100ha of intervention.

51. Considering a period of three years in which the actions linked to the PES are carried out, the value per hectare of the benefit to be realised by the FFs will refer to: i) the cost of providing the TA (R$1,248); ii) the costs of the inputs depending on the PES modality (from R$3,913 to R$4,433), and; iii) the monetary resource (monetary PES) depending on the PES modality (from R$598 to R$874)[37]. See Annex 8 for details of the logic linked to productive, environmental, and legal additionality.

52. The actions linked to the non-monetary PES will have different execution deadlines. The transfer of inputs for enriching production systems will take place in the first year once the OCT's *commitment agreement has been* signed with the beneficiary: limestone and gypsum (2 t/ha); rock dust (1 t/ha); organic fertiliser (manure or castor bean cake + guandu bean seeds); cacao seedlings (240 to 400 seedlings/ha); soil analysis; forest and fruit seedlings (50 to 300 seedlings/ha); and forest pruning (only for the cacao-cabruca modality).

53. The monetary PES will be paid in two instalments (the first at the end of the second year of the *Term of Commitment* and the second at the end of the third year), after the TA technician has checked in the field that the productive interventions and good management practices agreed in the *Term of Commitment have been* incorporated, as well as the non-degradation of counterpart lands. In addition to technician verification, compliance will also be verified via satellite imagery.

54. TA to selected rural producers and communities will be carried out over 3 years and will be implemented directly by the OCT, ensuring transparency in the processes and the correct use of inputs. There will be six visits per year to each beneficiary with an average duration of 3 hours per visit. Among other actions and responsibilities, the technicians, together with the owner, will be responsible for: i) implementing the PIP; ii) drawing up the Environmental and Productive Adequacy Plan (which will guide good production practices and safeguard application as described in the project ESMP and Implementation Manual); iii) defining and applying monitoring and compliance parameters; iv) providing technical guidance; v) organising logistics and monitoring the delivery of inputs and; vi) overseeing the contractual commitments established with the beneficiaries; vii) exchanging information and knowledge with other extension agents, contributing to the institutional strengthening of TA services in the region and viii) providing support for families’ inclusion in the Unified Registry, assuring proper timing for their onboarding in the PES program.

55. When hiring TA agents, the inclusion of women and young people will be prioritised, particularly those who have graduated from CFAs. The process of preparing extension agents will seek to provide a more holistic view of rural property. To this end, among other things, the agents will receive training considering gender issues, nutritional food security and practices and customs associated with traditional peoples and communities.

56. The initiative's communication actions will take place through Component 3, in all the years of the Project implementation - with a 4-year term.

57. **Component 2: Support for municipal and regional PES policies.** This aims to strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the Southern Bahia Cocoa Region (RCSB). These aspects will be fundamental to guaranteeing the transparency of the process and strengthening the legitimacy of the PES mechanisms.

58. The Component will operate in the total area of the Project (77 municipalities), including the core area, with complementary strategies orientated in line with the dynamics promoted by SEMA, among other opportunities identified regionally and structured based on the State PES Policy and Municipal Policies.

59. CompensAÇÃO will contribute to building the PES governance process in the RCSB, which could take the form of a network or platform, a topic currently under discussion with the various public, private, and organised civil society players, representatives of family farmers and cocoa producers, other projects and programmes, universities, and research institutes, among others.

60. The OCT is part of a broad network of partnerships, which could help in this regard, as well as seeking greater integration of private actors involved at diverse levels of the cocoa chain. By giving greater visibility to PES actions around a process of territorial governance, it will make it possible to identify and mobilise new partners and in particular investors to expand, consolidate and make PES processes more sustainable.

61. This innovative initiative will be an important contribution of the project, which could materialise through studies, the organisation of events and the implementation of a communication strategy at the service of the players involved. The actions and results of Component 1 should directly contribute concrete references for the training and information actions of Component 2.

62. The activities carried out within the scope of this component will be systematised and will thus constitute inputs for communication material and actions throughout the project. Knowledge management and communication will also be important means of identifying and approaching potential new partners, thus giving greater magnitude and representativeness to the dynamics to which the project will contribute. The methodology and results of this component could also form the basis for building South-South exchanges and co-operation with other regions or countries, particularly those where IFAD is involved with projects dealing with or planning to incorporate similar initiatives.

63. **Subcomponent 2.1- Promotion of Municipal PES Programmes.** Its aim is to contribute directly to building the network and better utilising and coordinating human and financial resources to achieve synergistic results in the actions being developed in the RCSB.

64. The state of Bahia, and the RCSB in particular, has a particularly favourable institutional context and offers solid potential for structuring an institutional arrangement aimed at guaranteeing participatory governance of PES actions. There is a dynamic in the development of actions and projects in the RCSB with a focus on or interest in PES schemes, as evidenced by the increase in interventions (GEF Cabruca-FAO, Atlantic Forest Project - IFAD/IDB - Government of Bahia - initiatives led by other organisations such as the Arapyau Institute, the Forest Peoples network, Casas Família Agrícola and Casa Família Agroflorestal, Bahia Rural Development Secretariat (SDR), Ministry of Agriculture and Livestock - MAPA, Secretariat for Innovation, Sustainable Development, Irrigation and Cooperativism - SDI/Executive Commission of the Cocoa Farming Plan - Ceplac, inter-municipal consortia and the Food and Agriculture Organisation of the United Nations - FAO), so the need to consolidate and organise interventions is increasingly evident.

65. CompensAÇÃO will support this dynamic at an opportune moment. The subcomponent provides for the organisation of regional events and mobilisation, information, and communication actions, as a means of enabling exchanges of experiences between municipalities in the core area and municipalities that have not yet become involved in PES implementation.

66. The subcomponent will also organise training events involving municipalities that have not yet drawn up municipal laws, to help expand the PES strategy in the territory. This process will be coordinated by the OCT with the support of SEMA.

67. **Subcomponent 2.2: Development of the Regional PES Plan and Network.** This subcomponent is concerned with the continuity and expansion of PES mechanisms beyond the CompensAÇÃO programme and will aim to strengthen the sustainability of PES mechanisms in the region. In this sense, the network will have a strong potential to mobilise partners to raise funds and other means that can contribute to building this financial and institutional continuity of the project.

68. To structure and guide the work of the network, a Regional PES Plan will be drawn up at RCSB level. Given that there is no organised information at the level of this area of coverage and this specific theme, a document of this profile is necessary. The OCT will coordinate this development, which will be conducted in a participatory manner with the network's actors. To this end, it will be necessary to carry out socio-environmental and economic studies, with primary data collection in the field, which should characterise the region, identify opportunities and limiting factors to define and implement a governance process geared towards landscape and forest restoration. These studies will be carried out in partnership with the University of Santa Cruz (UESC) and other local institutions that will be identified as having the potential to contribute.

69. As part of the Regional Plan, there will be a chapter on the main aspects of economic valuation to recognise and provide economic incentives for the environmental services provided, including studies on the opportunity cost of land, the methodology for calculating environmental valuation and the adaptation of the table for bonusing the physical-environmental and socio-economic attributes of rural properties benefiting from CompensAÇÃO.

70. It is worth pointing out that this plan and the environmental valuation study could become guiding instruments and therefore be considered as a reference for the construction of similar planning documents in other regions of the state or country. In this regard, the participation of SEMA, as the authorised and legitimate body at regional level, will be fundamental and the OCT will pay particular attention to ensuring the best possible appropriation.

71. To this end, the project will organise, through the Regional Network, meetings with the participation of strategic players, to discuss, among other things, the different options, and models for fundraising, and to analyse existing models for other types of activities. Based on these meetings, the Network will be able to define the most appropriate models and integrate this action into its planning. This mobilisation of institutions and resources should lead to the creation of a PES fund.

72. **Component 3 - Project management, knowledge management and CSST.** Its aim is to coordinate, supervise, manage resources, procure and approve services, guaranteeing the execution of the project's activities. It will also carry out monitoring and evaluation as well as knowledge management of the experiences arising from the project and the exchange of knowledge via south-south cooperation. A Project Management Unit (PMU) will be set up, which will be physically based at the OCT, and will be made up of a mix of professionals with partial and exclusive dedication to the project.

73. The PMU will be responsible for the proper implementation of the Project's resources, ensuring compliance with the requirements of environmental and social safeguards, tenders and contracts, financial management, disbursement requests and

rendering of accounts for the resources contributed, executed and/or committed, including those of the beneficiaries.

74. **Subcomponent 3.1 - Project Management.** Activities include: i) Implementing and supervising the execution of the Project in accordance with the negotiated terms and what will be established in the Project Implementation Manual; ii) Carrying out technical-operational and fiduciary management (relating to financial and bidding procedures and contracts), in accordance with the respective IFAD regulations and administrative management of the Project; iii) Arrange for annual external audits to validate the project accounts, under the applicable terms of the financing entity; and iv) Disseminate IFAD's policies on combating fraud and corruption, and non-tolerance of harassment, exploitation and sexual abuse throughout the implementation of project activities.

75. This subcomponent will also be responsible for implementing and operating the Planning, Monitoring and Evaluation (M&E) system. The main activities are: i) Planning the activities, including drawing up the Annual Work Plan and Budget (AWPBs); ii) Implementing a management and monitoring system for the Project and the PES; iii) Monitoring the logical framework indicators; iv) Carrying out evaluation studies: effect and impact; and v) Providing information and supporting the preparation of Knowledge Management and Communication studies.

76. **Subcomponent 3.2 - Knowledge management (KM) and south-south co-operation.** Aims to implement appropriate and flexible learning activities, processes and systems that adapt to and accompany the implementation of the Project. The main activities are: i) Establishing a KM strategy, with annual plans and budgets; ii) Generating activities and knowledge products relevant to public policies; iii) Recording, systematising, documenting and publishing experiences and good practices to share at state level, in the Northeast region and for South-South Cooperation actions (in particular with countries that have strong PES experience, such as Costa Rica and Ecuador); iv) Carrying out communication actions to capture good practices, experiences, knowledge and results; and v) Developing specific communication materials to disseminate good practices and success stories among beneficiaries.

E. Theory of Change

77. **Current scenario.** Family farmers, who belong to the most vulnerable group, face a situation of poverty, reflecting persistent inequality in the state of Bahia, and are among the populations most exposed to the growing impacts of climate change, including increasingly less predictable rainfall patterns, droughts, floods and rising temperatures.

78. Small producers have limited income-generating capacity because they depend on aging and poorly diversified cocoa plantations, with no management and low productivity - an extractive production system (without replenishing the necessary nutrients), which in turn encourages degradation and increased pressure on existing forest fragments (protected areas), with unsustainable production practices, as well as increased sensitivity of cocoa production to climate change (droughts and high temperatures).

79. Existing TA services are limited and do not adhere to sustainability best practices. They are poorly suited to the needs of women, young people and traditional communities. In addition, there has been an increasing trend to establish a full sun cocoa production system, thus promoting deforestation and degradation while also demanding excessive use of external synthetic inputs.

80. Community organisations are weakened, and producers suffer a lack of incentives and investment capacity for sustainable production. In addition, there is little dissemination of PES experiences in the region, which is compounded by conceptual misinformation and a lack of coordination between initiatives that promote and implement PES in the region, including municipalities with PES legislation established without broad public consultation, or municipalities without PES decrees.

81. **Project focus**. CompensAÇÃO aims to create conditions aimed at promoting governance dynamics to foster an agroforestry transition from cocoa growing areas to more resilient and advantageous production arrangements, favouring an increase in production and income and mitigating forest degradation and deforestation processes in the Cocoa Region of Southern Bahia, with the aim of improving the living conditions of rural and quilombola families, especially women and young people, and reducing their vulnerability and increasing their resilience to the effects of climate change. To this end, the project is developing an integrated strategy based on three components, following causal paths that lead to the expected effects and impacts presented below:

    - *Implementation of PES in the core area*: This component proposes developing the logic of the PES scheme, based on the principle that producing in a more sustainable way supports the maintenance of forests. This transition is often not a simple

task and represents a high transaction, implementation and opportunity cost for rural producers, especially those who are decapitalised and living in poverty.

82. By bringing together ecological principles that conserve soil fertility and recover other ecosystem services (which are rarely available on degraded agricultural land), Agroforestry Systems (SAF) present themselves as a productive alternative that is more suited to the social and biophysical conditions of the Atlantic Rainforest. This form of production - which combines agricultural species with tree species - allows for greater production of ecosystem services, including CO2 capture and storage, regulation of the hydrological cycle and the local and regional climate, and biodiversity conservation.

83. There will be a process of preparing extension agents to provide a more holistic view of rural properties. To this end, among other things, the agents will receive training on gender issues, nutritional food security and practices and customs associated with traditional peoples and communities. The TA trained for this initiative will be in place for 3 years.

84. Expected effects: Farmers increase and diversify their production, with sustainable practices, and improve their income-generating capacity through PIPs implemented, and PES mechanisms enable the diversification and sustainable management of cocoa areas, the improvement of farmers' capacities, through TA, in the themes of agroecology, sustainable intensification of productivity and nutritional issues.

    - *Support for municipal and regional PES policies:* The project proposes to develop actions to strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the RCSB. The actions will focus on supporting the construction of a Regional Network and a PES financing mechanism, as well as organising information and consultation workshops on PES processes.

85. The component will work at the level of the project area, with strategies orientated in line with the dynamics promoted by SEMA, and among other opportunities identified regionally and structured based on the State PES Policy and Municipal Policies.

86. It will enable the Municipal Policy to be implemented in the municipalities where it has already been approved, by providing specialised advice, preparing support and guidance material for the municipal teams, and giving visibility to the work carried out, to avoid discontinuity in the possible changes of teams in the municipalities during the implementation of the project.

87. Based on the lessons learnt and the experience gained in the municipalities of the core area, the project will seek to replicate the implementation of the policy, with a view to scaling it up to a greater number of municipalities with approved laws and decrees.

88. Expected effects: PES network and mechanisms created and operational at regional level; capacities of municipalities strengthened to subsidise the drafting and approval of PES laws and decrees.

    - *Project management, knowledge management and SSTC*: Includes support for a knowledge management system, promotion of SSTC and exchanges of knowledge and experiences developed. Policy-relevant knowledge products will be produced from the systematic documentation of the project's good practices and intervention approaches supported by the project's management, monitoring and evaluation system.

89. Expected effects: PES activities, processes and learning systems implemented; Innovative KM materials widely disseminated.

90. The project will work with the active participation of women, young people and quilombolas, across all components. Specific support will be provided so that women and young people have access to productive assets and natural resources, and greater participation in decision-making.

91. **Future scenario**. The interventions favour a scenario of sustainable socio-economic, production and climate development in the cocoa region of southern Bahia: i) Forms of production are adapted to the context of climate change, with agroecological transition, a reduction in external inputs and farmers with strengthened capacities; ii) With improved production/products, in addition to their diversification, agroecological transition and sustainable agri-food systems, contributing to improved income; iii) Monetary and non-monetary PES represent an intelligent combination of income that contributes to improving food security and increasing ecosystem services, as well as mitigating and adapting to climate change; iv) The implementation of the PES fund creates favourable conditions for the continuity of sustainable and resilient agroforestry production, agroecological transition and the conservation of the Atlantic Forest, through the network, in the cocoa region; and v) In line with this, climate change is mitigated by reducing greenhouse gas emissions from forest degradation;

92. The theory of change is based on the following hypotheses: i) Rural farming families and traditional communities agree to take part in the project and become protagonists in changing traditional production methods; ii) The most vulnerable families (women, young people and quilombolas) will have access to quality TA, as well as productive inputs to promote agroecological transition (non-monetary PES); iii) Monetary PES resources are made available after verification of the incorporation of production interventions and good management practices agreed between the farmer and the project; iv) Improved production/productivity translates into improved income and a consequent reduction in pressure on Atlantic Forest vegetation; and v) The PES Network and Fund create favourable conditions for the sustainability and scaling-up of the project's actions.

93. Generating sustainable income reinforces families' incentive to maintain activities and preserve natural resources; strengthening the capacities of TA teams and farmers contributes to the sustainability and resilience of actions and contributes to mitigating and adapting to climate change and reducing greenhouse gas emissions. Annex 2 shows the ToC diagram.

F. Alignment, ownership and partnerships

94. The design of the Brazil initiative aligns with the objectives and outcomes of the CompensACTION Project, financed with supplementary funds from the German government through the Enhanced Adaptation for Smallholder Agriculture Programme (ASAP+) and signed in November 2022 to support large-scale compensation mechanisms for carbon and other ecosystem services. As part of the planned activities in this project, the goal is to pilot two compensation mechanisms within IFAD's investment portfolio, specifically in the cases of Lesotho and Ethiopia. In Brazil, this initiative will be carried out by a competitively selected implementing entity and will be called CompensAÇÃO. The underlying assumption for piloting a PES mechanism in Brazil is that deforestation-free value chains align with traditional practices and create an intrinsic interest amongst poor and food-insecure communities to maintain the forest integrity and adopt sustainable practices. IFAD recognizes the potential contribution of PES as a mechanism that incentivises the conservation of forests, for which proposes to implement a PES pilot with the objective of promoting forest conservation by marginalised communities through a market mechanism based on deforestation-free value chains.

95. CompensAÇÃO will contribute to the following goals of the 2030 Agenda: Sustainable Development Goal (SDG) 1 (poverty eradication) and SDG 2 (zero hunger and sustainable agriculture), which will be achieved through the implementation of actions that enable: i) diversification of production with sustainable practices that improve people's ability to generate income through greater access to markets and credit and ii) increased food and nutritional security for family farmers, through greater access and people's ability to meet their food needs. SDG 13 (action against climate change) and SDG 15 (life on land) are mainly related to actions to: iii) recover surface area through an agroforestry transition from cocoa growing areas to more resilient production arrangements that provide mitigation of forest degradation and deforestation processes in the Cocoa Region of Southern Bahia; and iv) strengthen state institutional capacities and institutional arrangements around a participatory governance process to drive municipal PES policies. SDG 17 (partnerships and means of implementation) will be achieved through actions that enable: v) the development of the Regional PES Plan and Network to help expand the PES strategy in the region.

96. The project will contribute to IFAD's 3 strategic objectives: (i) increasing the productive capacity of the most vulnerable rural poor; (ii) increasing their market participation benefits; and (iii) strengthening the environmental sustainability and climate resilience of their economic activities in the face of climate change.

97. CompensAÇÃO is fully aligned with COSOP 2016-2024, as it proposes to strengthen rural development and poverty reduction policies by introducing innovations in a pilot modality, with non-reimbursable financing. This approach aims to expand on the good practices and knowledge acquired in investment operations, as is the case with the Parceiros da Mata project. It is worth noting that the Forest Partners project will be implemented in the same intervention area as this new project and has a PES activity planned, making it possible to promote learning, scaling and synergies between the two projects. In addition, the agroforestry transition of cocoa growing areas to more resilient production arrangements has contributed to an increase in producers' income, as well as strengthening food security. In addition, the development and strengthening of the public sector's institutional capacities will be key to improving the institutional set-up around a participatory governance process. The goal is to promote the implementation of municipal PES policies in the region, seeking a more sustainable and integrated management of natural resources.

98. At the state level, the project is aligned with the State PES Policy and the State PES Programme (PEPSA), established by Bahia State Law No. 13.223 in 2015. At the national level, the PES instrument has been regulated through Federal Law No. 14,119 of 13 January 2021. In addition, the implementation of PES is provided for in the Brazilian Forest Code (Law No. 12.651/2012) in the following modalities: carbon, scenic beauty, biodiversity, water, climate regulation, cultural valorisation and traditional knowledge, conservation, soil improvement and maintenance of Permanent Preservation Areas, Legal Reserves and restricted use areas.

99. The project will involve the participation and convergence of various public institutions and other strategic partners who will be mobilised during implementation.

100. (a) SEMA: Support in liaising with and training municipalities, setting up the PES Network and monitoring the project's actions. A Technical Cooperation Agreement will be signed;

101. (b) Municipalities: Support for mobilisation in the communities, formation of a technical chamber in each municipality in the core area to strengthen the project's actions, and participation in the PES Network. A Technical Co-operation Agreement will be signed;

102. (c) Municipal Consortia: Provide spaces for consultation and coordination with public policies, projects and programmes;

103. (d) Universities: Development of studies and research that will make the project's strategic actions feasible. A Technical Co-operation Agreement will be signed;

104. (e) Research institutes: Development of studies and research that will make the project's strategic actions viable. A Technical Co-operation Agreement will be signed;

105. (f) Other projects: Search for synergies and complementarity with other projects working in the same area as CompensAÇÃO, which aim to strengthen the cocoa production chain and conserve the remaining forests of the Atlantic Forest biome, considering Payment for Environmental Services mechanisms in their scope (GEF Cabruca, Parceiros da Mata, Cacau Mais Programme, etc.);

106. (g) Other NGOs or implementation partners: Support for mobilising and engaging other strategic partners, the search for new investors, technological innovation and territorial intelligence: Instituto Arapyaú, Taboa, Rede Povos da Mata, Agência de Desenvolvimento Regional (ADR), Centro de Inovação do Cacau (CIC), Cima, Fundação Mundial do Cacau (Cocoa Action), Parque Científico e Tecnológico do Sul da Bahia.

107. Other organisations that will be sought to form the PES Network: TNC, Conservation International, WRI, Imaflora, Sebrae and SENAR.

G. Costs, benefits and financing

a. Project costs

108. The total cost of the project for the planned implementation period of four years will be US$4.9 million, including the OCT's contribution of US$0.5 million. IFAD will finance 89.9 per cent of the total project value. The OCT will contribute 10.1 per cent of the total project value. The project costs include inflationary effects (3% annually). To transform the costs from local currency into US (United States) dollars, the exchange rate used was R$4.91/US$.

109. The OCT will make non-monetary contributions (labour, project management, etc.) and monetary contributions (organisation of events) to the implementation of agroforestry systems and support in the formation of municipal and regional PES programmes.

110. Considering all the project's resources, including the OCT's counterpart, component 1 concentrates 75% of the resources, component 2 2%, and the third and final component the remaining 23%. Considering only the resources disbursed by IFAD, component 1 concentrates 84% of the resources, component 2 1%, and the third and final component the remaining 15%.

111. **Table: Project costs by component and financier**

112. (Thousands of US dollars)

	IFAD Grant		OCT		Total	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
A. Implementation of PES in the core area (12 municipalities)						
1.1 Selection for participation in PES scheme and strengthening capacities	121	88,8	15	11,2	136	2,8
1.2 Implementation of PES programmes	3.549	100,0	-	-	3.549	72,6
Subtotal	3.671	99,6	15	0,4	3.686	75,4
B. Support for Municipal and Regional PES Policies (77 Municipalities)						
2.1 Promotion of Municipal PES Programmes	34	100,0	-	-	34	0,7
2.2 Development of the Regional PES Plan and Network	25	100,0	-	-	25	0,5
Subtotal	59	100,0	-	-	59	1,2
C. Project Management, Knowledge Management and South-South Cooperation						
3.1 Project Management	608	56,0	477	44,0	1.084	22,2
3.2 Knowledge Management and South-South Cooperation	56	97,3	2	2,7	58	1,2

Subtotal	664	58,1	478	41,9	1.142	23,4
Total PROJECT COSTS	4.394	89,9	493	10,1	4.887	100,0

113. **Table: Project costs by expenditure category and financier**

114. (Thousands of US dollars)

	IFAD Grant		**OCT**		**Total**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
I. Investment Costs						
I. Vehicles and equipment	133	100.0	-	-	133	2.7
II. Training and Technical Support	270	99.4	2	0.6	272	5.6
III. Grants and subsidies	436	100.0	-	-	436	8.9
IV. Goods, services and inputs	3 064	100.0	-	-	3 064	62.7
Total Investment Costs	3 903	100.0	2	-	3 905	79.9
II. Recurrent Costs						
V. Salaries and allowances and operating costs	490	49.9	492	50.1	982	20.1
Total Recurrent Costs	490	49.9	492	50.1	982	20.1
	4 394	89.9	493	10.1	4 887	100.0

115. The progress of the project's activities and investments in general in relation to the total cost responds to the following annual sequence:

116. **Table: Project costs by component and by year, without contingencies**

117. **(Thousands of US dollars)**

	Totals								
	2024	**%**	**2025**	**%**	**2026**	**%**	**2027**	**%**	**Total**

	A. Implementation of PES in the core area (12 municipalities)									
	1.1 Selection for participation in PES scheme and strengthening capacities.	114	83	16	12	3	2	3	2	136
	1.2 Implementation of PES programmes	1.244	35	1.406	40	591	17	308	9	3.549
	Subtotal	1.357	37	1.423	39	594	16	311	8	3.686
	B. Support for Municipal and Regional PES Policies (77 Municipalities)									
	2.1 Promotion of Municipal PES Programmes	5	15	11	34	12	35	6	17	34
	2.2 Development of the Regional PES Plan and Network	10	41	9	34	3	12	3	13	25
	Subtotal	15	26	20	34	15	25	9	15	59
	C. Project Management, Knowledge Management and South-South Cooperation									
	3.1 Project Management	358	33	255	23	228	21	243	22	1.084
	3.2 Knowledge Management and South-South Cooperation	15	26	19	33	9	15	16	27	58
	Subtotal	373	33	274	24	237	21	259	23	1.142
Total PROJECT COSTS		1.746	36	1.716	35	846	17	579	12	4.887

b. Project financing/co-financing strategy and plan

118. The contributions made by IFAD will be 100 per cent financial/monetary. The OCT's contributions consist mainly of the time dedicated to the project by permanent staff (427 thousand dollars), and the provision of office space (in-kind contribution of 48 thousand dollars).

119. Below is a table detailing the contribution that each source will make to the activities that will be carried out in each component over the 4 years of planned implementation:

	IFAD	OCT
Comp. 1	It will contribute to the costs of setting up and enriching agroforestry systems, mainly with technical assistance and the purchase of inputs.	It will contribute to the costs of the events to set up the municipal PES programmes (training) and to the technical assistance for the Social PES (backyards). The cost of food during the training courses is estimated at R$75,000. If these costs turn out to be higher than estimated, the additional amount will be the responsibility of the OCT.
Comp. 2	It will contribute to all the costs associated with supporting municipal and regional PES policies, especially when organising events.	-
Comp. 3	It will contribute to the costs of hiring new professionals and consultants, as well as other project management costs (including monitoring and evaluation). It will also contribute to the costs of knowledge management and south-south co-operation.	It will contribute to project management costs, the management team already working at the OCT and the project office. It will contribute a small portion of the costs of knowledge management and south-south co-operation, relating to the accommodation of visitors and interpreters.

120. In the event of exchange rate variations that reduce the amount available to the beneficiary, a reduction in the purchase of inputs for rural properties is expected, starting with organic fertiliser, followed by rock dust, limestone and gypsum.

c. Disbursement

121. **Categories of expenditure:** The categories of expenditure for the Project will be:

122. I. Training and Technical Support: Costs related to studies, and other consultancy services within the framework of the programme carried out by international and local consultants. Expenses related to meetings, trainings, workshops and publication materials.

123. II. Good, services and inputs: Subsidies to beneficiaries in the form of agricultural inputs including soil analysis and tree pruning and technical assistance services provided;

124. III. Grants and subsidies: (Sub-grants for PES Mechanism): Monetary subsidies under the MPSA (Payment Mechanism for Environmental Services).

125. IV. Vehicles and equipment: Purchase of items that enable the OCT to carry out the project's activities;

126. V. Salaries and allowances and operating costs: Expenditure related to the salaries and allowances of the grant beneficiary's staff directly assigned to project and additional staff and consultants hired for overseeing the project, office running costs (including maintenance and utilities, cost of audit of project financial statements and other administrative costs.

127. IFAD disbursements will be made in accordance with the approved AWPB and based on coordinated planning between the technical, administrative, and financial areas. Disbursements arrangements will be communicated to OCT through the Project Financial management and Financial Control Arrangements Letter (FMFCL) and will be based on cash projections included in the IFRs submitted and the Revolving Fund methodology. OCT will use ICP to submit disbursement requests.

128. IFAD will disburse funds in US$ to a Designated Account in Brazilian real (BRL), opened exclusively for the Project in Banco do Brasil. The documentation showing the designated account has been opened, with notification of the persons/charges authorized to conduct operations therein, must reach IFAD prior to initiating any withdrawal of funds, in accordance with Annex 1 of the FMFCL.

d. Summary of benefits and economic analysis

129. The viability and financial and economic sustainability of the project proposal, for the direct beneficiaries and for society, was confirmed through the economic and financial analysis of the project. For this analysis, scenarios of increased production and valuation of ecosystem services were developed for the different PES models, based on three basic production models.

130. The first model serves as the basis for the Cabruca PES programme, and is a cabruca system with 500 cocoa trees per hectare and a yield of 17@/ha of beans (1@ = 15 kg). It also produces additional crops such as bananas, tangerines, lemons, and coconuts. The average size of this property is 7 hectares. In the PES programme, this system will be enriched with 400 cocoa trees and 50 seedlings of forest, fruit and leguminous species.

131. The second model is the basis for the SAF PES programme and is like the first, but in full sunlight. Initially, it has 500 cocoa trees per hectare and yields 17@/ha of beans. It will be enriched with 400 cocoa trees and transformed into a SAF system with 100 larger trees (forest, fruit and leguminous) per hectare, such as rubber trees and cupuaçu.

132. The third model serves as the basis for the Social PES programme (quintal). This is a property of just 1 hectare with banana production as the main crop, and cocoa, manioc and corn as additional crops. On this property, 300 seedlings of forest, fruit and leguminous species will be planted, as well as 240 cocoa trees.

133. The financial analysis incorporates the total cost and revenue flow of each PES model, considering all the benefits foreseen in each one.

134. To carry out the financial analysis of the project, a Cost-Benefit analysis was used, calculated based on the incremental net benefit flows over a 20-year period, considered adequate to reflect the maturity of the activities supported and/or promoted by the project. The analysis was carried out at market prices in Brazilian Real and the discount rate used was 10%, which is the rate used in similar analyses in Brazil.

135. The analysis was carried out considering the expected incremental benefits and costs, with interventions on the part of the family farmer's activities, keeping the rest of his activity stable (therefore not included in the model). The prices used are market prices and are all at the family farmer's sales level.

136. The indicators used to analyse the financial viability of the proposed alternatives were the incremental net benefits at market prices compared to the "without project" situation; the financial net present value, the internal rate of return and the Benefit/Cost (B/C) ratio. These indicators were calculated on the cash flow for a period of 20 years.

137. Initially, a productivity gain of 15@ per hectare is expected in the second year, because of changes in management practices such as pruning and the application of lime. After planting the cocoa trees and other fruit trees, it is estimated that production will begin in the fifth year of the project, with an average yield of 1kg of almonds per tree in the seventh year.

138. The net present value (NPV) and internal rate of return (IRR) obtained by type of PES and level of productivity are shown in the table below. These figures only consider the costs invested in the farm and the benefits of increased production. Other project costs (management, etc.) and the external benefits generated (carbon, etc.) are not considered. The NPV was calculated using a 20-year horizon.

Net income per day worked without project (Year 8)								
R$ 291,35								
R$ 335,11								
R$ 200,00								
PES model	**Number of families**	**Family income without project (Year 8)**	**Family income from projects (Year 8)**	**Incremental Family Income (Year 8)**	**Net income per day worked without project (Year 8)**	**Net income per day worked on project (Year 8)**	**NPV / hectare**	**IRR**
SAF PES	750	R$ 23.760,00	R$ 41.626,58	**R$ 17.866,58**	R$ 291,35	R$ 331,24	**R$ 41.808,35**	**48%**

PES Cabruca	750	R$ 30.020,00	R$ 45.626,58	**R$ 13.606,58**	R$ 335,11	R$ 348,60	**R$ 27.666,86**	**44%**
Social PES	100	R$ 4.025,00	R$ 10.042,91	**R$ 6.017,91**	R$ 200,00	R$ 221,84	**R$ 22.898,28**	**28%**

139. To verify the financial viability of the project, the Annual Incremental Net Benefit Flow was calculated over a 20-year period for the total number of beneficiaries of each model according to their phase of incorporation into the project.

140. For the purposes of calculating the project's financial indicators, the incorporation of families into the projects was affected by an adoption rate of 80 per cent, assuming that 20 per cent of the projects financed (despite having 3 years of technical assistance) may not be socially, productively or economically successful. This adoption rate was considered in the long term and is conservative in terms of the actual impact of the economic and productive benefits that each investment will generate. The experience of other projects shows that the impact on the family economy tends to be achieved over the long term. In this case, the initial level of vulnerability of the families justifies it.

141. This analysis was carried out in Brazilian Real (R$) and the discount rate used to calculate the Net Present Value (NPV) was 10%, the value usually used for this type of analysis.

142. With this information, the project's financial viability indicators were calculated, resulting in a financial Internal Rate of Return (IRR) of 34.5 per cent and a discounted financial NPV at 10 per cent of US$15.8 million.

143. The results show that the three models are highly financially viable for cocoa producers, and that an enrichment of the degraded cabruca in full sunlight is financially attractive.

144. **Economic analysis**. The economic analysis of the project is based on the financial models multiplied by the number of families participating in each model. We added the environmental services generated, the farmers' cost of opportunity (per diem) and removed the taxes paid and the monetary PES payments. Monetary PES payments were not included as a cost in the economic analysis because they are a transfer between economic actors and not a cost to the economic system. The opportunity costs of full sun cocoa were also considered, assuming that in the absence of the project 1,200 families would have enriched their cacao plantations in a full sun system.

145. The EXACT tool was used to analyse carbon sequestration. The carbon dioxide balance resulting from the implementation of the project was calculated in relation to the current situation. The result of this analysis showed a net reduction of 342,463 tCO2e over a 20-year period from the start of project activities. This produces an average sequestration of 17,123 tonnes CO2eq per year. Considering a social cost of carbon of US$ 42 per tonne[38], the estimated annual value is US$ 719,166 per year.

146. In turn, the ecosystem benefits of agroforestry systems are added, such as carbon, climate regulation, water and biodiversity (pollination and biological pest control) with diverse levels of valuation obtained from the ESVD database[39].

147. When obtaining the values for ecosystem services from the database, the value of half a hectare of agroforestry system was considered because the project will recover degraded systems, with an increase in the number of trees from 500 to 1000. In this way, each hectare of the project intervention represents a gain of 0.5 hectares of agroforestry, which provides climate regulation (estimated at US$ 55) and water (estimated at US$ 33.90).

148. In the evaluation scenario only climate regulation and water are monetarily valued, and biodiversity in the form of pollination or pest control are not included. Other scenarios were evaluated in the sensitivity analysis.

149. With this information, the project's economic indicators were calculated, resulting in an economic Internal Rate of Return (IRR) of 18,8%, a discounted NPV at 10% of US$ 7.9 million and a benefit/cost ratio (B/C) of 1.35. The NPV of environmental services represents 35 per cent of the total NPV.

150. The project's sensitivity analysis considered three different productivity levels (0.5, 1 and 1.5 kg of kernels per tree) and three ecosystem service valuation scenarios (low, medium and high). In the scenario of low productivity and low value of ecosystem services we found an NPV of US$2.4 million, IRR of 14.4 per cent and B/C of 1.13.

151. In conclusion, the project is robust to changes in certain variables and its indicators show realistic values for the socio-economic reality of the beneficiary families.

e. Exit Strategy and Sustainability

152. The project's strong alignment with the state of Bahia's PES law and plan, combined with OCT's excellent partnership with SEMA, should ensure strong integration and ownership of the project's actions during and after its implementation.

153. The State Policy and Programme for Payment for Environmental Services was instituted in Bahia in 2015 by State Law No. 13.223. Up to now, the legislation has not been regulated. However, SEMA, as the entity responsible for implementing the policy, is currently working on conceptualising the register (Art. 33) of PES initiatives that will be registered in the Information System linked to the policy, this being a mandatory condition for their participation in the future Platform for Promoting the PES Market to be promoted by the State of Bahia. In the conversation with the SEMA officials responsible for Bahia's PES Programme, held during the design of CompensAÇÃO, they were informed that the first version of the PES register linked to the State Programme will be created based on the PES initiatives linked to IFAD's CompensAÇÃO and Atlantic Rainforest Sustainable Development (Parceiros da Mata) Projects.

154. At a local level, the implementation of PES in the 12 municipalities in the core area will take place through close partnerships with municipal teams, which will be another key factor in the sustainability of CompensAÇÃO.

155. Other important points of sustainability include:

- Strengthening the capacities of the municipal teams that the project will carry out, both in the municipalities in the core area and in the municipalities willing to draw up a PES law;
- Supporting the structuring of the Regional Network and strengthening the institutional governance of all segments of local actors;
- The preparation of a PES fund or fundraising mechanism for continuity, involving the participation of new players;
- The introduction of innovative practices aimed at an agroecological transition, stimulated by qualified TA over a three-year period, will strengthen the capacities of beneficiary families and community organisations;
- Strengthening the capacities of the project's technical team and municipal teams;
- The diversification of production systems seeks to reduce risks, diversifying sources of food and income with a view to improving the living conditions of the beneficiaries;
- The involvement of young people and women in TA actions and the implementation of PES mechanisms.

156. In the first year of implementation, a sustainability plan will be drawn up with the participation of the main partners, which will be monitored and adjusted during missions carried out by IFAD.

157. A crucial factor to consider guaranteeing sustainability is that the actions of Parceiros da Mata project (PPM) tend to complement (in terms of area and period) the PES actions promoted by CompensAÇÃO. During the mission to prepare the PPM project, it was agreed that among the PES modalities to be established under the PPM will be the SAF productive transition modalities and the renewal of Cabruca systems (also covered by the CompensAÇÃO initiative).

3. Risks

H. Project risks and mitigation measures

158. **Project risks and mitigation measures**

159. This section identifies the main risks that could hinder the implementation of the Project and the achievement of the objectives, as well as the respective mitigation measures. For a full assessment of all the risks and mitigation measures, see the table in Annex 9.

160. **Political commitment.** *The inherent risk is substantial and the residual risk is moderate. At the country level, there is a risk that there is no political commitment due to the change of government representatives in new elections.* At the level of the state of Bahia, there may be a change in support or strategy in relation to the implementation of the PES Policy by SEMA, the main institutional partner. At the level of the municipalities in the project area, the 2024 elections could lead to changes in mayors and management teams in the municipalities in the core area from the first quarter of 2025.

161. Brazil is at the beginning of a new presidential management, which has the history of being committed to the service of the extremely poor population class, a fact that decreases the risk of no political commitment, besides the fact that this project is a donation to a Non -governmental entity: OCT. And the government entities will be partners, example: the SEMA - Secretary of the Environment. SEMA was involved throughout the project design process and has an important level of commitment. SEMA's involvement and permanent dialogue was considered sufficient to avoid the risk of distancing itself from this key partner, which has been working on PES issues since 2015, when the State PES Law was approved. In the first year, the project will support the preparation of booklets and systematise the process underway in the municipalities, with a view to providing support materials to ensure the transition between teams. Another key factor will be to maintain the work that the OCT team has been doing in the municipalities of the core area, to support the new teams that will take office from the first quarter of 2025.

162. **Policy alignment.** *The inherent risk is substantial and the residual risk is low.* Difficulty in implementing municipal laws due to the complexity of the instruments or the laws drafted because they have weaknesses. These difficulties can result in delays in implementation of Component 2, lack of transparency.

163. SEMA has been training municipalities on what the PES is and how to draw up draft municipal laws. The municipalities have shown great interest in the mechanism. Based on these training sessions and the experience accumulated by the municipality of Ibirapitanga, which is recognised at state and regional level, CompensAÇÃO will implement an ongoing programme to monitor and train municipalities that are in the initial stages of drafting. In addition, the communication surrounding the project and the PES mechanism will contribute to the necessary transparency.

164. *The inherent risk is moderate and the residual risk is low.* The Project area has suffered significant environmental degradation due to the historical and continuous deforestation of the Atlantic Rainforest. Aggravated by the impacts of extreme weather events (droughts and extreme precipitation), it has resulted in the loss of biodiversity, soil erosion, landslides, floods that affect the availability and quality of water for human consumption.

165. **M&E arrangements.** *The inherent risk is substantial and the residual risk is moderate.* The OCT has no experience in monitoring, following up and evaluating projects with a large number of beneficiaries.

166. The M&E Plan, which will be drawn up at the start of the project, will highlight the obligations, means and procedural flows with the aim of mapping out all the M&E obligations. There is funding for the acquisition of an M&E system capable of storing a significant volume of tabular and geographical information, as well as the inclusion of a questionnaire for carrying out the baseline study and final evaluation. It is planned to hire scholarship holder(s) at universities to help carry out the M&E tasks.

167. Procurement. The inherent and residual risk are substantial. The OCT uses its own regulation called “Internal Purchasing and Contracting Regulations”, which was structured based on several principles and best practices for carrying out However, there are no clear prevention indications to combat Fraud and Corruption and Sexual Harassment, Exploitation and Abuse, and a selection process based on the definition of qualitative evaluation criteria is not foreseen. The same regulation also does not provide for compliance with the principle of transparency and does not describe the responsibilities of purchasing professionals. There is no mention of auditing procurement processes. The OCT does not have diverse experience in bidding, but rather in simple purchases, which it prioritizes in accordance with its Internal Regulations. Purchases made by the OCT are based on budgets, with at least three different suppliers being prioritized, if the regional market allows, but from the purchasing point of view and not the bidding procedure. They do not select consultancies based on qualitative criteria. In this way, the Implementing Agency's Internal Purchasing Regulations will not be used, but rather the IFAD Regulations for tenders foreseen within the scope of the project and the IFAD standard documents for procurement and contracts.

168. The OCT team will be required to comply with the Project Operationalization Manual, which will provide guidelines for conducting tenders in accordance with the IFAD Bidding and Contracting Policy. The Project Operationalization Manual will define responsibilities and other principles to be complied with, as established in the IFAD Tenders and Contracts Policy, as well as provide for the hiring of an independent audit for the project, in accordance with IFAD regulations, and will record the frequency of supervision that will be carried out by IFAD in project It will also detail the steps of the methods and procedures necessary to comply with IFAD policy on bidding and contracting. Lastly, IFAD will provide training on tenders and contracts for the OCT team, on the tender methods they will use, on IFAD policy on selections and contracts, and on the use of OPEN - IFAD's bidding system and the CMT - IFAD's contractual management system, which they are mandated to implement.

169. **Financial management.** *The inherent risk is substantial and the residual risk is substantial*. The most relevant risks are: (i) The OCT does not have sufficient financial staff to manage the additional funding for this project. The OCT's financial team does not have professional accounting qualifications; (ii) The OCT does not have a complete set of financial/administrative policies and procedures; (iii) The project includes cash payments to farmers for environmental services; (iv) Based on its legal status as a Civil Society Organisation of Public Interest (OSCIP), the OCT is not required to have its institutional financial statements audited.

170. The applicable mitigation measures are: (i) Hiring a part-time consultant dedicated to the financial management of the project with professional qualifications and experience in the financial management of IFIS funding. (ii) Draft procedures are pending approval OCT decision making bodies, to be approved before the project start date. If Internal Regulations are not approved in time, the same topics will be included in the PIM for No objection IFAD and condition for first disbursement. (iii) Include clear procedures in the PIM to establish verification of compliance with the provision of environmental services as a condition for payments, iv) OCT will submit a complete set of audited project financial statements in full compliance with the Manual for Financial Reporting and Auditing of IFAD Funded Projects.

I. Environment and Social category

171. The environmental and social category of the project was assessed as **moderate**. In general, this is justified by the small size of the project in terms of the financial resources involved and the limited scope (PES scheme), the low level of risk and the environmentally and socially positive nature of the activities envisaged in the project.

172. With regard to environmental aspects, the category is justified by the following: i) although the Project will only implement activities in protected areas that allow agricultural activities and the sustainable use of natural resources, these will be limited to restoration and improved management through agroecological practices of agroforestry systems, as well as investments in solid waste management; ii) the Project will only allow the purchase of non-synthetic and agroecological inputs (e.g. limestone, organic fertiliser/compost, rock dust) and will provide TA to Project participants to make the transition from the use of synthetic agrochemicals to agroecological production methods; iii) the introduction of invasive exotic tree species (based on the Bahia State invasive species list and scientific sources) is strictly prohibited; vi) the purchase of natural resource materials will be limited to certified and sustainable primary suppliers.

173. Regarding social risks, there are moderate risks related to the presence of indigenous peoples and traditional communities with their own knowledge and ways of life. Because there is a diverse range of risks, such as poor understanding of the PES mechanism, lack of adherence and the impossibility of applying FPIC, the project will not include indigenous peoples in the actions of Component 1, which are those involving the implementation of the PES project. CompensAÇÃO will also develop a Gender, Youth, Nutrition and Social Inclusion Strategy to mitigate any risks related to the inclusion, care and empowerment of the target groups and to ensure the effective participation of these groups.

J. Climate Risk classification

174. The climate risk rating for this project is **moderate**. This is justified by the fact that the project area faces a number of hazards including flooding, landslides, extreme heat and wildfires (more frequent in drier transition zones). Projections suggest an increase in temperatures and days of extreme heat. Regarding precipitation, an overall reduction is foreseen with an increase in dry periods and droughts, as well as higher concentration of rain in short spells increasing the risk of flooding. There is a potential exposure of the cocoa value chain linked to extreme climate events such as drought and flooding. In response, the project will promote diversified agroforestry models that are more resilient in the face of climate-related risks conserving ecosystems services. An analysis of the climate hazards and mitigation measures faced by project participants will be integrated in the social, environmental diagnosis and PES contracts.

4. Implementation

K. Organizational Framework

a. Project management and coordination

175. CompensAÇÃO will be implemented by OCT, a non-governmental organisation founded in 2001 and based in the municipality of Ibirapitanga, in the state of Bahia. OCT was selected as the project's executing organisation due to its outstanding institutional and technical capacity, obtained through a rigorous competitive selection process conducted by IFAD. This process followed the guidelines of IFAD's Funding Procedures for Regular Donations of November 2022.

176. Since 2012, OCT has implemented several projects focused on PES in Bahia and in the area of CompensAÇÃO, financed with funds from public and private, national, and international sources (including IDB funding). As part of these projects, the organisation has worked in partnership with SEMA and other local organisations.

177. The geographical location of the OCT is strategically equidistant from the core area of 12 municipalities, which already have approved PES legislation. This will make it easier to move around during project execution. To guarantee transparency and social control, with the aim of engaging the main players involved, a Project Management Unit (PMU) will be established, with a team dedicated exclusively to CompensAÇÃO, with its office in the Núcleo Papuã in Ibirapitanga. The PMU will have a dedicated Project Coordinator. In addition, the PMU's structure will follow the best practices of IFAD projects in Brazil and will be adapted to the specific needs of CompensAÇÃO.

178. In addition to the profiles needed to implement and manage the project, professionals will be hired with technical specialisation and proven experience in the new themes that will be addressed by the OCT, such as knowledge management, communication, and South-South and triangular cooperation.

179. In order to guarantee the sustainability and scalability of the project, a Project Consultative Committee (CCP) will be created, made up of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose role will be to provide strategic guidance and maintain the coherence of the actions carried out with the regional development objectives of PES in Bahia. The CCP will also identify possible synergies and opportunities for scaling up and complementing the project's activities with Parceiros da Mata (IFAD and IDB), which will include a PES subcomponent, as well as with other related projects working on the issue in Bahia. The OCT may invite representatives of institutions that can contribute their technical expertise in various aspects of implementation and sustainability.

b. Financial Management, Procurement and Governance

180. Financial management will be carried out by the OCT under the responsibility of the financial manager and the financial specialist, who will dedicate 30 per cent of their time to the project, with the support of a consultant with a professional accounting degree and relevant experience on a part-time basis). The consultant will be hired on the basis of a job description with no objection from IFAD.

181. The OCT finance team will be responsible for: (i) Properly managing the financial resources allocated to the project; (ii) Executing and controlling the budget allocated to the project; (iii) Controlling and recording financial movements by component, expenditure category and funding source; (iv) Preparing quarterly Interim Financial Reports (IFRs); (v) Requesting disbursements of funds based on cash forecast as included in IFRs; (v) Coordinate with the technical area the preparation of the Annual Operational Plan (AWPB) and Procurement Plan and its reprogramming; (vi) Coordinate the process of contracting the annual audit; (vii) Prepare the financial statements and supplementary statements in accordance with government regulations and IFAD guidelines; and, (xiii) Supervise and control the PES monetary contributions transferred to farmers.

182. Planning and budgeting: The project will prepare an Annual Operating Plan (AWPB) that includes details of expenditure by component, activity, category, funding and quarter. The PMU will send the AWPB for the following year to IFAD for no objection by 30 October.

183. IFAD will issue a Financial management and Financial Control Arrangements letter (FMFCL) detailing the procedures to be followed for disbursement, financial reporting and auditing.

184. Cash payments for environmental services (PES) will be made to farmers on the basis of signed commitment agreements and confirmation of the environmental service provided. To receive the payment, the farmer must follow PES Mechanism.

185. Accounting system: OCT will track project expenditure on the basis of a separate cost centre via its "Sapiens" accounting system.

186. Internal control: There are currently no written internal financial and administrative policies and procedures in place. Procedures have been drafted and are in the process of being approved. In the meantime, the PIM includes a detailed description of the procedures to be followed for managing project funds.

187. Financial reporting. OCT will prepare half-yearly interim financial reports (IFRS) in accordance with the due dates and formats included in Annex 3 of the FMFCL. In accordance with the IFAD Audit Manual and the instructions provided in the FMFCL, the OCT will submit a complete set of unaudited financial statements for the project within 4 months after the end of each fiscal year, prepared in accordance requirements IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects.

188. Audit: The Recipient must ensure that the entire period of expenditure and implementation of the Project is covered by an audit, in accordance with the IFAD Manual for Financial Reporting and Audit of IFAD Funded Projects. Based on its legal status as a Civil Society Organisation of Public Interest (OSCIP), the OCT is not required to have its institutional financial statements audited. The OCP will submit a complete set of audited financial statements for the project, in accordance with the requirements of the IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects.

189. Counterpart funding: Counterpart funding provided by the OCT, which consists mainly of time dedicated by permanent OCT staff and the provision of office space, must be included in the AWPB and reported separately in the IFR and in the unaudited and audited annual financial statements. Staff costs will be allocated based on actual costs and the percentage of time dedicated to the project and office space based on the office space used by staff dedicated to the project. The methodology must be documented in the PIM.

190. Procurement Risk Assessments: The OCT has a purchasing sector, but does not have a procurement The purchasing sector is made up of a person responsible for purchasing and a person responsible for finance who follow their own regulations and meet all OCT's demands, which will not allow them to be exclusive to the project. Despite demonstrating adequate mastery of their activities, they have not yet carried out projects with external funding. This way, a procurement specialist experienced with the FIDA rule or similar will be hired.

191. Systems: Use the Sapiens system to record and monitor purchasing This system allows implementations and registration of project-specific codes (project identification) and records the phases in which activities are being carried out, but does not monitor contracts. Project procurements will be recorded in IFAD's procurement system, OPEN, and contract monitoring will be carried out by IFAD's CMT system.

192. Procurement Arrangement: It is necessary to hire a professional who can be dedicated and who has experience with tenders and contracts, preferably with projects that comply with the procurement policy of IFAD, or other financial institutions whose rules are similar , to complement the team and reduce the risk of delays in execution. This contract will be carried out in accordance with IFAD regulations, in the “Time Contract” modality. The Project Manual will provide guidance for operationalizing the planned tenders.

193. Purchasing and Contracting Plan (PAC): The first PAC will be prepared with the activities that can be carried out within 18 months. Subsequent plans will be annual (12 months), with the possibility of adjustments that will be analyzed by IFAD. Any project activity must be included in the PAC approved by IFAD through the issuance of a “no objection” before proceeding with the bidding stages. The initial PAC provides for only three IFAD methods: RfQ - Request for Quotation (up to a limit of USD 70,000.00), NCB - National Competitive Bidding (for amounts greater than USD 70,000.00), and Selection of Individual Consultants.

194. Governance Aspects: All bidding notices and respective contracts that are financed in whole or in part by IFAD must include IFAD's Anti-Corruption and Anti-Harassment clauses and contain Self-Certification Forms. The Project Implementation Manual (PIM) and the OCT website, in the specific field of the project, must include information and space to provide reporting opportunities and effective ways to address solutions and protect

195. Rule to be used: Tenders will follow the IFAD Procurement Regulations, with the rules reflected in detail in the In support of the project, IFAD will conduct training with the procurement team whenever necessary.

L. Planning, M&E, Learning, KM and Communication

a. Planning, M&E, Learning, Knowledge Management and Communication

196. Monitoring and Evaluation (M&E) will be one of the agents responsible for planning, monitoring and recording the project's physical actions, measuring the results achieved, as well as proving the agreements made with the farmer for the purposes of transferring PES funds.

197. M&E will work on two synergistic fronts, the first relating to the project, such as registering families and activities, drawing up six-monthly progress reports, etc.; and the second around monitoring, following up and evaluating interventions in the field for the purposes of PES payment, including measuring results/impacts.

198. The M&E team will be made up of one specialist, with exclusive dedication, and will be based in the PMU, responsible for registering beneficiaries and activities, as well as planning and conducting the project's evaluation studies, including monitoring the PES.

199. The information generated by the M&E system will be widely used by the Knowledge Management and Communication (KM&C) team in the process of systematisation, communication and dissemination, serving as inputs to influence public opinion and influence the political sphere.

200. **Planning**. The M&E team will be responsible for drawing up and monitoring the following documents/tasks:

- *Monitoring and Evaluation Plan - M&E Plan*: Prepared by the M&E team at the start of the project, its purpose is to define the guidelines to be followed during its implementation. For example, the presentation of M&E processes, the dictionary of indicators and the methodology for feeding the Logical Framework (LF), the definition of evaluation studies, the monitoring of the PES, among other topics;
- *Annual Work Plan and Budget (AWPB):* drawn up by the project each year and consists of a forecast of the actions to be carried out in the following year. Its planning will be in line with the project's main documents, such as the design and the IPM, and will contain the financial resources that will be used during the year. The activities that involve assisting families must present the physical quantities, and must be related to an LF indicator, and the target will be included for the year in question;
- *Six-monthly Progress Report (RSP):* Must be sent to IFAD every six months, containing a detailed description of the activities carried out in the last six months of the project, including information on physical and financial progress by component and sub-component, and to what extent they contributed to meeting the project's goals.
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201. **Project and PES monitoring.** Definition of means and methods that will be able to obtain information on the implementation of the Project. Monitoring will be carried out based on ML indicators, which include process, effect and impact indicators.

    1.
        - *Monitoring system*: The project will have to keep the information management system up to date, and it will store disaggregated data on beneficiaries, geographical data on the glebes and the type of benefit received. To this end, an M&E system will be purchased;
        - *PES monitoring*: For PES payment purposes, the TA technician will check that the agreements with the farmer have been complied with, based on the information in the M&E system. This will be verified with GIS data, as the participating plots will be mapped at project initiation and at the time of verification.
    2. **Evaluation**. Its aim is to verify and measure the changes that have taken place in beneficiary families at various levels. The data will be obtained in the field by the TA team.
        - *Preliminary results assessments*: Preliminary results assessments will be used to support management and indicate whether the project is on track. The team will use data contained in the M&E System, which will be updated as planned in the M&E Plan.
        - *Baseline and Impact Evaluation*: OCT will carry out the impact evaluation survey with the aim of verifying and measuring the changes that have taken place in the beneficiary families. The research will be carried out in 2 stages: i) Baseline: to be carried out before the start of the project's intervention; and ii) Final and Impact Evaluation: a final study to be carried out on the families that were part of the baseline and mid-term, including a comparative analysis. The research will be carried out considering: i) the Treatment Group, a sample of beneficiary families; and ii) the Control Group, a sample of non-beneficiary families, but who have similarities with the treatment group (in terms of social, territorial, production, etc.). In addition to the impact indicators, the survey will also provide answers to the COI indicators, in accordance with IFAD's methodology.
        - *Adaptation, biodiversity and carbon mapping tool (ABC-Map)*: It will make it possible to holistically assess the environmental impact of the Project's actions using satellite images and data from the M&E System, making it possible to identify improvements in biodiversity at the ecosystem level. This tool will be used to measure the ML indicator of biodiversity improvements at the ecosystem level.

202. The M&E team, together with the Component 1 team, and with the support of the IFAD team, should carry out the initial, mid-term and final study using this tool, based on the data registered in the M&E System.

203. **Production, Knowledge Management, Communication (KMC) and SSTC**. The PMU will have two professionals dedicated to knowledge management and communication, who will be responsible for including in the project management team a learning culture that values documenting, analysing and communicating the experiences and lessons of implementation, establishing work strategies and ensuring their active participation in the project's planning and monitoring processes.

204. *Knowledge Management and SSTC:* The project must draw up a Knowledge Management and Communication Plan in year 1 of implementation, detailing the methodology that will be used during implementation. This plan should contain the activities, processes, systems, capabilities and success indicators for the topic, with the aim of structuring and internalising the KMC actions, and should have a detailed timetable for the systematisation process and product deliveries. It is important that the timetable is built considering the implementation of the project's actions in the field. The KMC materials produced by the project will be translated into Spanish and/or English. The *SSTC* aims to implement procedures for the exchange of knowledge between farmers, technicians and managers, providing an exchange of knowledge between regions and countries that have the same production characteristics and/or implement PES mechanisms.

205. *Communication:* The team will use the M&E data to draw up documents to communicate the main results of the project to the media, including partners. It is estimated that Communication will be able to: i) Carry out communication actions to capture good practices, experiences, knowledge and results; and ii) Develop specific communication materials for dissemination.

b. Innovation and scaling up

206. IFAD has little experience with PES initiatives, most of which are implemented through GEF projects. In the Latin America and Caribbean Division, the only project with a PES activity is the Mechanisms for the Retribution of Ecosystem Services (MERESE), implemented in the Cañete and Jequetepeque river basins in the Andean highlands of Peru. However, unlike in the case of CompensAÇÃO, farmers receive retribution for the conservation, restoration and sustainable use of Andean ecosystems and there is no monetary payment involved. This project is an innovation at both LAC and IFAD and, together with the other CompensATION projects in Lesotho and Ethiopia, will provide valuable lessons on PES mechanisms that can be replicated in future projects.

207. In Brazil, there are only a small number of PES projects in the country's northeast region, most of which are implemented in the Atlantic Forest biome. Although this biome represents only 15 per cent of the northeastern territory, it is of global importance in terms of biodiversity, carbon storage capacity and other ecosystem services.

208. Except for the PES initiative in the municipality of Ibirapitanga, small farmers who are contributing to the maintenance of ecosystem services through the conservation of native forests and cultivation in the form of the cabruca system are neither being recognised nor compensated for the key role they play. This lack of recognition and awareness of the importance of conserving native forests, the low productivity of cabruca systems and poverty lead some small farmers to convert their land to pasture or unshaded cocoa systems, which are less sustainable and climate-resistant.

209. The PES initiative in the deforestation-free cocoa value chain is innovative in that it consists of a monetary payment, as well as a non-monetary part made up of TA and inputs, aimed at transitioning from input-intensive cabruca systems to agroecological and organic systems that are equally or more profitable due to the higher prices/premiums of organic cocoa. Ensuring this economic viability, together with the small farmer's commitment not to deforest an equal area that will receive benefits from the Project, is an important strategy for achieving the conservation of the remaining forests.

210. In terms of monitoring and evaluation, the Project will adopt IFAD's new biodiversity indicator and the associated ABC mapping tool to carry out its valuation, thus providing an accurate overview of the impacts on biodiversity of the changes in land use and management practices that the Project has promoted. GIS data will be taken in all participating areas and satellite imagery will be used for monitoring of compliance with PES agreements.

211. The focus of Component 2 of CompensAÇÃO is project sustainability and scale up.

212. Numerous municipalities in the State of Bahia have expressed interest in implementing PES, with several of them already implementing legislation allowing the mechanisms to be established, The project aims to strengthen a state-level network linked to PES, involving the 77 municipalities in the project area, which will facilitate the expansion of the project's PES mechanism, which will be implemented in 12 municipalities (component 1).. Furthermore, , IFAD is currently designing “Parceiros da Mata”, a project in collaboration with the government of Bahia and the IDB in the same area as CompensAÇÃO. The State Government has requested that the project include a PES subcomponent. This is a unique opportunity to scale up the PES mechanism. It is envisaged that the Parceiros da Mata Project will be a financing source for the municipal PES mechanisms supported in Component 2 of the project. Hence, the CompensAÇÃO pilot will be replicated at the state level, thus reaching more municipalities and/or more small farmers and traditional communities. The project also allows for additional complementary activities that support the development of an enabling environment, such as supporting SEMA's work to enable municipalities to develop their own long-term PES programmes.

M. Project Target Group Engagement and Feedback, and Grievance Redress

a. Project Target Group Engagement and Feedback.

213. [41]

214. The Stakeholder Participation Plan, detailed in Annex 14, is a fundamental pillar for the success of the project, having an impact on the sustainability of the interventions and the results obtained. This is an inclusive process that began during the design phase, but which will be implemented throughout the project cycle on a significant and regular basis.

215. Stakeholders will be mobilised considering the most appropriate means, depending on their different interests and circumstances, to ensure the effective engagement of all affected or potentially impacted parties. Information on the risks and potential socio-environmental effects of the Project must be made available in a timely manner, be complete, accessible and appropriate to the different stakeholders. The Project will promote visibility activities with the aim of publicising and clarifying doubts about the results of its activities, both for the target groups and for the partners involved in implementation.

216. Whenever the project intends to involve beneficiaries in general, separate meetings or discussion groups for women will also be organised, with the understanding that in mixed groups, although women are present, they may not feel comfortable expressing themselves, especially on sensitive topics such as gender-based violence (GBV).

217. CLPI's Implementation Plan (see appendix 12A) provides guidance for building and implementing the consultation process with communities and is an integral part of this project's design.

b. Grievance redress.

218. In accordance with IFAD's environmental and social policies, a public and accessible complaints and redress mechanism (GRM) will be made available to the Project's target groups for individuals or community representatives affected by the implementation of the Project. The Project will set up a system for receiving and handling complaints and denunciations with the adoption of an Ombudsman channel.

219. The Project must promote an ongoing programme of dissemination of integrity policies, as well as training and guidance on the use of whistleblowing tools for the communities and beneficiaries of the Project. All people potentially affected by the Project's activities will be informed and given clear instructions on what procedures should be followed for registering reports and complaints. This information will be made available in plain language.

220. Complaints can also be submitted through IFAD's Complaints Procedure, which allows individuals and communities to contact IFAD directly and make a complaint if they believe they are or may be adversely affected by an IFAD-funded project that does not comply with IFAD's Social and Environmental Policies and their mandatory aspects.

221. In line with IFAD's Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (2020), the Project will ensure that adequate safeguard measures are in place for a safe and harassment-free working environment, including sexual harassment and free from sexual exploitation and abuse in its activities and operations[42].

N. Implementation plans

a. Supervision, Mid-term Review and Completion plans.

222. CompensAÇÃOis financed with supplementary funds from the German government through the ASAP+ programme. It is a stand-alone operation, being treated as an investment project and processed in IFAD's systems (ORMS) under Track 3 (simplified processing).

223. According to the project design schedule, the PDR will be finalised in August and in September it will be submitted for approval by the OPR, LEG and FMD. In October 2023, it will be sent for review by the QAG. If relevant issues arise, it may be necessary to convene a DRM meeting to improve the quality of the PDR proposal.

224. The final approval of the PDR will be provided by the AVP/PMD, for subsequent request for approval by the President of IFAD, scheduled for November 2023. The Financing Agreement between IFAD and the OCT will then be signed in December 2023 or January 2024.

225. **Project start-up plan.** Project preparation activities, to be carried out by the grant recipient before the Financing Agreement (FA) is signed and the operation begins, include: i) finalising/adjusting the Project Implementation Manual (MIP - Annex 8); ii) reviewing and updating the Annual Operating Plan (POA) for the first year (Annex 6) and the Annual Contracting Plan (PAC) for the first 18 months of Project operation (Annex 7); iii) preparing the disbursement plan and opening designated and operating accounts; iv) setting up the Project Management Unit (PMU), as planned; v) drawing up the Monitoring and Evaluation (M&E) plan and the knowledge management plan.

226. The official launch of the project, together with the start-up workshop, is scheduled for the first quarter of 2024. Immediately, after the FA signature the PMU staff will be recruited to participate in the capacity building sessions to be undertaken during the start-up mission, foreseen in the first quarter of 2024.

227. To facilitate and speed the project's start-up, it was agreed that the OCT team would work on the following aspects, between the end of the project's design and the start of its implementation:

-
  - Organisation of meetings with the main partner institutions to coordinate and plan 2024 and the actions of the PES network;
  - Preparation of the Technical Co-operation Agreements to be signed with the main partner institutions;
  - Raising awareness and publicising the Compensation initiative in the communities in the project's core area;
  - Preparation of communication material on the general presentation of the project;
  - Preparation of the training plan for the technical team, which will be implemented as soon as the technicians are hired;
  - Preparation of the hiring processes for the members of the PMU and the technical team;
  - Reviewing and updating the main implementation tools, particularly the Integrated Property Plan (PIP);
  - Preparation of detailed TORs for the studies to be carried out in the first year of implementation.

228. It is worth mentioning that the preparation of activities with city halls will be a priority considering that 2024, which is supposed to be the first year of implementation, will coincide with the election year of the city halls, which will lead to restrictions on carrying out some activities.

229. The project will be supervised directly by IFAD under the current guidelines for direct supervision, in dialogue with OCT, the executing entity. As far as possible, to ensure alignment with Parceiros da Mata, parallel supervision will be carried out with sharing knowledge meetings between the two projects.

230. The supervision missions will review progress in achieving the objectives, the performance of the Project and the fulfilment of the contractual conditions. The following will be carried out: i) at least one Supervision Mission and one Implementation Support Mission annually and ii) the closing mission to prepare the technical and administrative closure and plan the Project Completion Report (PCR). As this is a 4-year implementation project, there will be no mid-term review mission. The supervision reports, in addition to the annual written progress reports, will be shared with the German Federal Ministry for Economic Cooperation and Development in accordance with the Supplementary Funds Agreement. The Completion Report will be provided by the OCT 6 months after the date of completion of the physical execution period.

Footnotes

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[2] IBGE, 2021. Panorama of Bahia. Available at: https://cidades.ibge.gov.br/brasil/ba/panorama

[3]https://www.bnb.gov.br/s482-dspace/bitstream/123456789/650/3/2021_CDS_149.pdf

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[14]https://www.rbgdr.net/revista/index.php/rbgdr/article/download/3806/686/8330

[15]https://arapyau.org.br/wp-content/uploads/2019/05/Cabruca_FINAL_reduzida-1.pdf

[16] BENIGNO, Gabriel Oliveira Loiola; VIEIRA, Diego Mota; OLIVEIRA, Jessica Eloísa de. Gender gap in Brazilian states and stakeholder analysis of the National Council for Women's Rights. Revista de Administração Pública, v. 55, p. 483-501, 2021. Available at: https://www.scielo.br/j/rap/a/xkJn9DbJmFbXnMVvmcYdyFG/?format=pdf&lang=en.*

[17] In rural areas, there is a lack of equipment in the Network for Combating Violence against Women, which makes rural women more vulnerable to cases of violence, as well as access to protection.

[18] Security Observatory Network, 2023. They live. March 2023 edition. Available at: http://observatorioseguranca.com.br/wordpress/wp-content/uploads/2023/03/RELATORIO_REDE-DE-OBS-elas-vivem_final-2.pdf

[19] IBGE, 2010. Demographic Census.

[20] Brazil's Youth Statute (2013) defines young people as those between the ages of 15 and 29. Available at: https://www.gov.br/mdh/pt-br/navegue-por-temas/juventude/publicacoes/estatuto_da_juventude_2022-defeso.pdf

[21] IBGE, 2022. Synthesis of Social Indicators, 2022. Available at: https://biblioteca.ibge.gov.br/visualizacao/livros/liv101979.pdf.

[22] Available at: https://www.ibahia.com/brasil/gravidez-na-adolescencia-mais-de-15-mil-menores-de-14-anos-se-tornaram-mae-em-2021-na-ba

[23] In 2019, the situation worsened and Bahia became the state with the highest illiteracy rate in the country. Source: IBGE. PNADC, 2020. Reference year 2019.

[24] 2006 Agricultural Census - table 1111; 2017 Agricultural Census - table 6776.

[25] The State Youth Plan was approved in 2011 and has five axes: i) youth emancipation and autonomy; ii) youth well-being; iii) development of citizenship and youth organisation; iv) support for youth creativity and v) recognition of diversity.

[26] COJUVE is an instrument for dialogue and listening between the public authorities and civil society, especially youth movements. It is a permanent consultative body made up of 20 members of the public authorities and 40 members of civil society working on the issue. Among its competences, COJUVE proposes strategies for monitoring and evaluating the State Youth Policy.

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[31] Single Registry, 2023. Available at: https://aplicacoes.cidadania.gov.br/vis/data3/data-explorer.php

[32] Idem.

[33] The State Food and Nutrition Security Policy (PESAN) has the general objective of promoting food and nutrition security, with a

view to ensuring the human right to adequate and healthy food throughout Bahia.

[34] Guandú, Ibirapitanga, Igrapiúna, Ilhéus, Ituberá, Nilo Peçanha, Nova Ibiá, Piraí do Norte, Presidente Tancredo Neves, Teolândia, Uruçuca and Wenceslau Guimarães.

[35] The methodology for drawing up and monitoring the PIP is already applied by the OCT for decision-making and guidance in supporting rural property management in adopting good environmental and production practices. The M&E System will be responsible for monitoring it.

[36] The methodology for drawing up and monitoring the PIP is already applied by the OCT for decision-making and guidance in supporting rural property management in adopting good environmental and production practices. The M&E System will be responsible for monitoring it.

[37] The total amount per hectare (R$ 5,306) for the PES (non-monetary and monetary) that will be transferred to the beneficiaries of the CompensAÇÃO is very close to the amount transferred (up to R$ 6,500) to the beneficiaries of the Atlantic Forest Connection Project (implemented in the state of Rio de Janeiro, https://conexaomataatlantica.mctic.gov.br/), referring to the "productive conversion" PES modality.

[38] The social cost of carbon (SCC) is estimated as the net present value of climate change impacts over the next 100 years (or longer) of one additional tone of carbon emitted to the atmosphere today. It is the marginal global damage costs of carbon emissions. (Source: OECD, https://www.oecd.org/env/cc/37321411.pdf).

Policymakers use (SCC) as a means to assess the costs and benefits of implementing carbon reduction policies. For this analysis, the values of $42 is used, which is the US estimate of SCC in 2020. This is a conservative value; in 2021 the US set the social cost of carbon to $51 per ton, and many studies find the SCC to be much higher , with estimates up to 185 or 300 $/ton (https://iopscience.iop.org/article/10.1088/1748-9326/ac1d0b)

[39] Ecosystem Services Valuation Database (ESVD): This database compiles the results of ecosystem services valuation from several studies. It gathers information on economic welfare values related to ecosystem services measured in monetary units. It currently contains 9,500 value records from over 1100 studies distributed across all biomes, ecosystem services and geographic regions.(https://www.esvd.net/)

[40] In the area covered by CompensAÇÃO, there are two Indigenous Reserves: RI Fazenda Bahiana - Nova Vida, and RI Caramuru - Paraguassu (Pataxó Hãhãhãe people). There is also one Indigenous Land (TI Tupinambá de Olivença - Tupinambá people). The estimated population of these three territories is around 8,316 people (approximately 1600 families) Source: Sesai/2014. These areas are in different land tenure situations, but all are recognized.

[41] See Framework for Operational Feedback from Stakeholders https://webapps.ifad.org/members/eb/128/docs/EB-2019-128-R-13.pdf?attach=1 and Annex ABC for further details.

[42] IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse available at: https://www.ifad.org/documents/38711624/42415556/SEA_e_web.pdf/85275c4d-8e3f-4df0-9ed8-cebaacfab128?t=1611326846000.

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Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 1: Logframe

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Latin America and the Caribbean
Programme Management Department

Promotion of PES for deforestation-free supply chains in Brazil

Logical Framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project				Project M&E System	Annual	Project M&E Unit	Good implementation capacity and data monitoring./ The components are implemented according to the design schedule and the AWPB.
	Males	0	320	800				
	Females	0	320	800				
	Young	0	96	240				
	Not Young							
	Indigenous people	0	128	320				
	Non-Indigenous people							
	Total number of persons receiving services	0	640	1600				
	1.a Corresponding number of households reached				Project M&E System	Annual	Project M&E Unit	
	Households	0	640	1600				
	1.b Estimated corresponding total number of households members				Project M&E System	Annual	Project M&E Unit	
	Household members	0	2560	6400				
	Groups that receive services promoted or supported by the project				Project M&E System	Annual	Project M&E Unit	
	Groups	0	20	50				
	Communities that receive services promoted or supported by the project				Project M&E System	Annual	Project M&E Unit	
	Communities	0	20	50				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Project Goal Reduce rural poverty increasing productivity of recovered ecosystems and payment for the provision of environmental and ecosystem services	Families that increase their agricultural income (SDG1/2/10)				Project M&E System	Baseline & End of Project	External consultancy	Maintenance of policies and incentives that provide agroecological productive transformation./ The implementing entity has counterpart funds to carry out the project./ Data is collected in good time.
	Households	0	320	800				
	Households	0	50	50				
Development Objective Promote agroforestry transition of cocoa growing areas for production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favoring increased production and income, and mitigating forest degradation and deforestation processes in the Cocoa Region of Southern Bahia.	3.2.1 Tons of Greenhouse gas emissions (tCO2e) avoided and/or sequestered				Impact Survey - Nationally Determined Contribution Expert Tool (NEXT)	Baseline & End of Project	External consultant	Maintenance of policies and regulations that protect Rural Protection Areas./ Government agencies fulfil their commitments, maintaining monitoring and inspection activities of the native forest./ No major natural or climatic disasters will occur during the project's execution period.
	Hectares of land	0	1240	3100				
	tCO2e/20 years	0	0	342463				
	tCO2e/ha	0	0	110.5				
	tCO2e/ha/year	0	0	5.5				
	3.2.4 Biodiversity improvements at ecosystem-level				Project M&E System and Adaptation, Biodiversity and Carbon Mapping (ABC-Map)	Baseline & End of Project	Environment and Climate PDT member or consultant with support from Biodiversity team in IFAD's Environment, Climate, Gender and Social Inclusion (ECG) Division.	
	Area of Intact Biodiversity (AIB) in Ha	0	0	0				
	Average Natural Capital per ha (ANC) in US$/ha	0	0	0				
	Ecosystem based indicator in 0 or 1	0	0	1				
	1.2.2 Households reporting adoption of new/improved inputs, technologies or practices				Project M&E System	Baseline & End of Project	External consultant	
	Total number of household members	0	1536	3840				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Households	0	60	60				
	Households	0	384	960				
	Farmer households have adopted environmentally sustainable and climate-resilient technologies (SDG2/13)				Project M&E System	Baseline & End of Project	External consult	
	Households	0	640	1600				
	Households	0	100	100				
	Farmer households receive improved agricultural advisory services compared to the baseline (SDG2/12)				Project M&E System	Baseline & End of Project	External consult	
	Households	0	512	1280				
	Households	0	80	80				
Outcome C1. Farmers increase and diversify their production with sustainable practices and improve access to markets and credit	2.2.1 Persons with new jobs/employment opportunities				Project M&E System	Baseline & End of Project	External consultant	Productive development initiatives in forestry and agroforestry value chains./ Liquid guarantee funds to facilitate access to credit
	Males	0	48	120				
	Females	0	48	120				
	Young	0	14	36				
	Total number of persons with new jobs/employment opportunities	0	96	240				
	1.2.4 Households reporting an increase in production				Project M&E System	Baseline & End of Project	External consultant	
	Total number of household members	0	1536	3840				
	Households	0	60	60				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Households	0	384	960				
	Farmer households have increased credit-rating and improved access to markets as result of increased household income (SDG8)				Project M&E System	Baseline & End of Project	External consult	
	Households	0	320	800				
	Households	0	50	50				
	SF.2.1 Households satisfied with project-supported services				Project M&E System	Baseline & End of Project	External consultant	
	Household members	0	1920	4800				
	Non-indigenous households							
	Non-women-headed households							
	Households (%)	0	75	75				
	Households (number)	0	480	1200				
	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Project M&E System	Baseline & End of Project	External consultant	
	Household members	0	1792	4480				
	Non-indigenous households							
	Non-women-headed households							
	Households (%)	0	70	70				
	Households (number)	0	448	1120				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Output C1. Integrated Family Farmers Projects are implemented, and PES mechanisms allow for the diversification and sustainable management of cocoa areas, the improvement of farmers' capacities, through TA, in the areas of agroecology, sustainable intensification of productivity and nutritional issues.	ASAP+ 1. Poor smallholder household members supported in coping with the effects of climate change							Productive development initiatives in forestry and agroforestry value chains./ Liquid guarantee funds to facilitate access to credit
	Total household members	0	2560	6400				
	Households	0	640	1600				
	Males	0	320	800				
	Females	0	320	800				
	Young	0	96	240				
	Indigenous people	0	128	320				
	3.1.4 Land brought under climate-resilient practices				Project M&E System	Annual	Project M&E Unit	
	Hectares of land	0	4280	10700				
	1.1.8 Households provided with targeted support to improve their nutrition				Project M&E System	Annual	Project M&E Unit	
	Total persons participating	0	640	1600				
	Males	0	320	800				
	Females	0	320	800				
	Households	0	640	1600				
	Household members benefitted	0	2560	6400				
	Young	0	96	240				
	Families receiving technical assistance (TA) (SDG2/3/5/12/13/)				Project M&E System	Annual	Project M&E Unit	
	Households	0	640	1600				
	Females	0	320	800				

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
	Females	0	50	50				
	Farmers receiving a financial pay-out (payment for environmental service - PES) (SDG2/10/13)				Project M&E System	Annual	Project M&E Unit	
	Households	0	640	1600				
	Females	0	320	800				
	Females	0	50	50				
	Males	0	320	800				
	Males	0	50	50				
Outcome C2. PES network and fund set up and operational at regional level	Funding mechanism for deforestation free value chains is developed, tested, and ready to scale (SDG2/10/13)				Project M&E System	End of Project	Project M&E Unit	The OCT, municipal and state governments, the private sector and civil organizations work in synergy.
	Instrument	0	1	1				
Output C2. Strengthening the capacity of municipalities to support the drafting and approval of PES laws and decrees	Municipalities in the region with PES decrees established with broad consultation (SDG13/17)				Project M&E System	Annual	Project M&E Unit	The OCT, municipal and state governments, the private sector and civil organizations work in synergy.
	Municipalities	0	2	6				
	Information and consultation workshops on PES processes (SDG13/17)				Project M&E System	Annual	Project M&E Unit	
	Workshop	0	2	4				
Outcome C3. Innovative KM materials widely disseminated	Number of access to OCT communication media (website, facebook, instagram and Youtube) (SDG/17)				Social media provide	Annual	Project M&E Unit	
	Access	0	5	20				
Output C3. Innovative KM materials developed	Policy 1 Policy-relevant knowledge products completed				Communication Manager	Annual	Project M&E Unit	
	Number	0	2	6				

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Project Design Report

Annex 2: Theory of change

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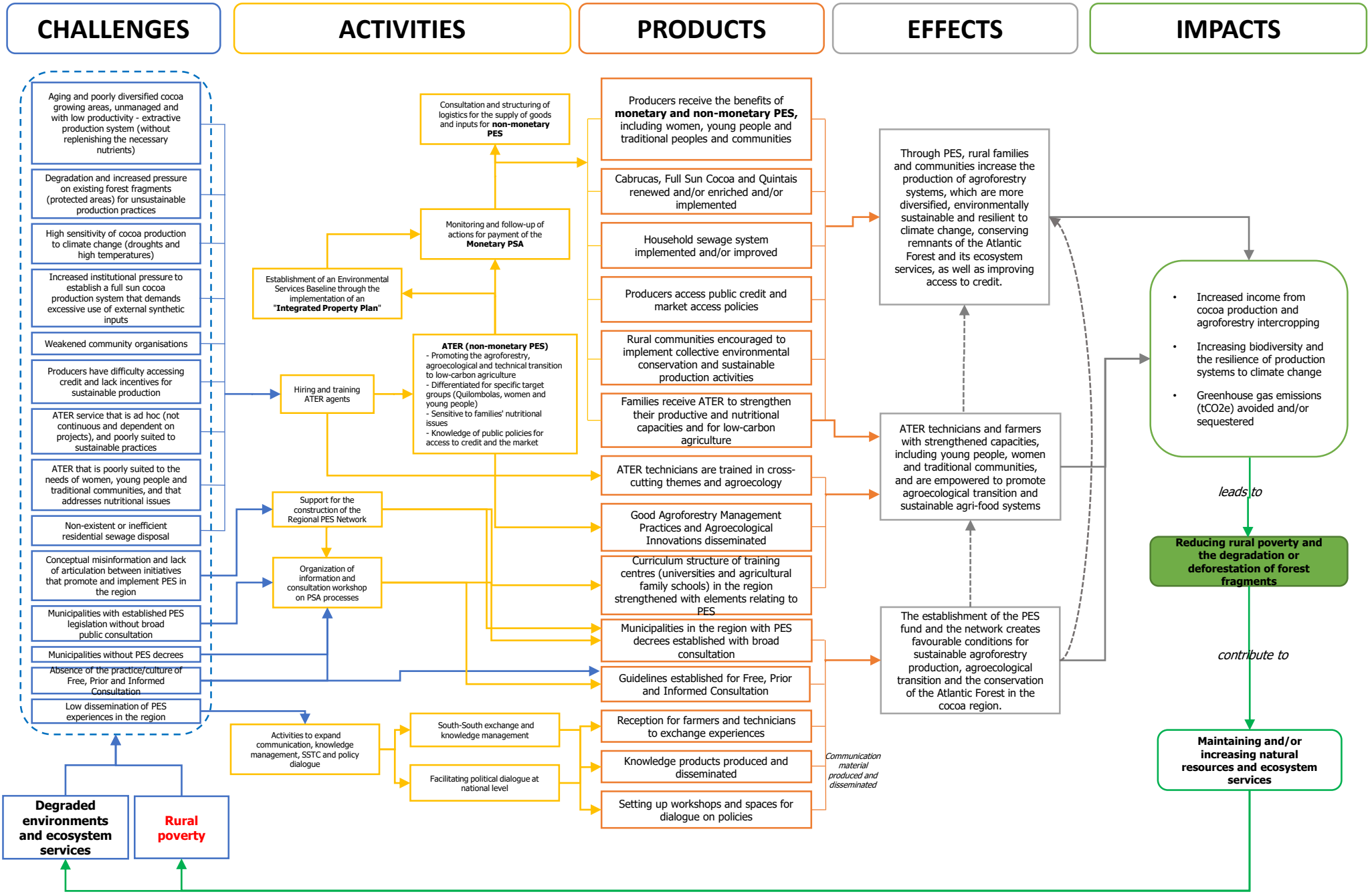
CHALLENGES
ACTIVITIES
PRODUCTS
EFFECTS
IMPACTS
Aging and poorly diversified cocoa growing areas, unmanaged and with low productivity - extractive production system (without replenishing the necessary nutrients)
Degradation and increased pressure on existing forest fragments (protected areas) for unsustainable production practices
High sensitivity of cocoa production to climate change (droughts and high temperatures)
Increased institutional pressure to establish a full sun cocoa production system that demands excessive use of external synthetic inputs
Weakened community organisations
Producers have difficulty accessing credit and lack incentives for sustainable production
ATER service that is ad hoc (not continuous and dependent on projects), and poorly suited to sustainable practices
ATER that is poorly suited to the needs of women, young people and traditional communities, and that addresses nutritional issues
Non-existent or inefficient residential sewage disposal
Conceptual misinformation and lack of articulation between initiatives that promote and implement PES in the region
Municipalities with established PES legislation without broad public consultation
Municipalities without PES decrees
Absence of the practice/culture of Free, Prior and Informed Consultation
Low dissemination of PES experiences in the region
Degraded environments and ecosystem services
Rural poverty
Consultation and structuring of logistics for the supply of goods and inputs for non-monetary PES
Monitoring and follow-up of actions for payment of the Monetary PSA
Establishment of an Environmental Services Baseline through the implementation of an "Integrated Property Plan"
Hiring and training ATER agents
ATER (non-monetary PES)
- Promoting the agroforestry, agroecological and technical transition to low-carbon agriculture
- Differentiated for specific target groups (Quilombolas, women and young people)
- Sensitive to families' nutritional issues
- Knowledge of public policies for access to credit and the market
Support for the construction of the Regional PES Network
Organization of information and consultation workshop on PSA processes
Activities to expand communication, knowledge management, SSTC and policy dialogue
South-South exchange and knowledge management
Facilitating political dialogue at national level
Producers receive the benefits of monetary and non-monetary PES, including women, young people and traditional peoples and communities
Cabrucas, Full Sun Cocoa and Quintais renewed and/or enriched and/or implemented
Household sewage system implemented and/or improved
Producers access public credit and market access policies
Rural communities encouraged to implement collective environmental conservation and sustainable production activities
Families receive ATER to strengthen their productive and nutritional capacities and for low-carbon agriculture
ATER technicians are trained in cross-cutting themes and agroecology
Good Agroforestry Management Practices and Agroecological Innovations disseminated
Curriculum structure of training centres (universities and agricultural family schools) in the region strengthened with elements relating to PES
Municipalities in the region with PES decrees established with broad consultation
Guidelines established for Free, Prior and Informed Consultation
Reception for farmers and technicians to exchange experiences
Knowledge products produced and disseminated
Setting up workshops and spaces for dialogue on policies
Communication material produced and disseminated
Through PES, rural families and communities increase the production of agroforestry systems, which are more diversified, environmentally sustainable and resilient to climate change, conserving remnants of the Atlantic Forest and its ecosystem services, as well as improving access to credit.
ATER technicians and farmers with strengthened capacities, including young people, women and traditional communities, and are empowered to promote agroecological transition and sustainable agri-food systems
The establishment of the PES fund and the network creates favourable conditions for sustainable agroforestry production, agroecological transition and the conservation of the Atlantic Forest in the cocoa region.
Increased income from cocoa production and agroforestry intercropping
Increasing biodiversity and the resilience of production systems to climate change
Greenhouse gas emissions (tCO2e) avoided and/or sequestered
leads to
Reducing rural poverty and the degradation or deforestation of forest fragments
contribute to
Maintaining and/or increasing natural resources and ecosystem services

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Project Design Report

Annex 3: Project cost and financing: Detailed costs tables

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Annex 3: Project costs and financing

A. INTRODUCTION

1. This annex presents a comprehensive breakdown of the project's costs and its financing structure, categorized by its various components, activities, and expenditure categories, aligning with the organizational framework employed by IFAD to facilitate disbursements. These detailed cost breakdowns are meticulously presented in tabular form, accompanied by comprehensive descriptions. These tables not only encompass the overall project cost but also offer a granular view of cost distribution across its components.

2. The data included in this annex, along with its corresponding tables, derives from the proposed budget outlined in the Supplementary Funds Agreement between Germany and IFAD, which was formally signed in November 2022 for the CompensACTION pilot budget – Brazil PES fund support. The total funding allocated for this pilot project amounts to USD 4.4 million (net of management fees), with PES activities accounting for a significant 80% of the project's costs.

3. In addition to the allocation of resources for PES schemes, the **investment allocation** also encompasses capacity-building activities aimed at enhancing the skills of municipal staff in PES programs, workshops, and meetings. Strengthening the municipal management capacity in various areas, including PES public policies/programs, consultation processes for municipal legislation regulation, and the formation of municipal management committees, is a key objective. To achieve these goals, the project plans to execute a series of actions aimed at bolstering the public sector. Additionally, specialist hiring in various domains is envisioned to ensure the quality and efficiency of the intervention.

4. PES beneficiaries will be required to refrain from degrading any additional existing forested areas within their property, thereby contributing to the project as a counterpart. This contribution will be measured against a minimum ratio of 1:1 concerning the area of the enriched production system.

5. The unit costs associated with activities, goods, and services financed by the project have been estimated in reais, and these estimates are grounded in prevailing market prices.

6. In terms of **funding sources**, the primary allocation of IFAD resources will be predominantly channeled towards investments supporting the implementation of the PES mechanism. This support encompasses cash payments, the provision of technical assistance (TA), and the supply of inputs. Three specific modalities will be implemented: Cabruca PES, Cocoa monoculture enrichment PES, and Social PES.

7. OCT's contribution will center on providing training and technical assistance, primarily directed at establishing municipal PES programs and facilitating the implementation of PES schemes by the project management unit staff.

8. The financial structure of the project involves IFAD financing 89.9% of the total project cost, with OCT contributing the remaining 10.1%, resulting in a total project budget of USD 4.9 million.

9. Additional aspects related to project financing include:
   - Anticipated expenditure categories align with those utilized in IFAD's various Rural Development Projects.
   - The project's implementation phase spans a period of four years from the date of entry into force.
   - The annual allocation of costs mirrors the progress of distinct project activities. The initial year prioritizes participant selection for PES schemes, capacity strengthening, the formulation of Integrated Property Plans (PIP), and the establishment of the Project Management Unit (PMU). It also encompasses personnel hiring and procurement of essential project management assets and non-monetary PES.
   - PES program implementation is concentrated during the project's first two years, with most inputs for non-monetary PES being supplied within this timeframe, while monetary PES disbursements occur in the final two years of project implementation.
   - Municipal capacity-building activities are slated to take place over the course of the entire four-year project implementation period.
   - Project activity progress and investments are proportionally distributed as follows across the total project cost, considering inflationary effects of 3% annually and contingencies for investments requiring transfers at 1% annually:

YEAR 1	YEAR 2	YEAR 3	YEAR 4
36%	35%	17%	12%

10. The project activities are organized into three components: 1) Implementation of PES in the core area; 2) Support for municipal and regional PES policies; and 3) Project management, knowledge management and south-south co-operation.

B. PROJECT COSTS

11. **Total Costs.** The total cost of the project for the planned implementation period of four years will be US$4.9 million, including OCT's contribution of US$0.5 million. IFAD will finance 89.9 per cent of the total project value. OCT will contribute 10.1 per cent of the total project value. The project costs include inflationary effects (3% annually). To transform the costs from local currency into US (United States) dollars, the exchange rate used was R$4.91/US$.

12. OCT will make non-monetary contributions (labour, project management, etc.) and monetary contributions (organisation of events) to the implementation of agroforestry systems and support in the formation of municipal and regional PES programmes.

13. Considering all the project's resources, including OCT's counterpart, component 1 concentrates 75.4% of the resources, component 2 1.2%, and the third and final component the remaining 23.4%. Considering only the resources disbursed by IFAD, component 1 concentrates 83.5% of the resources, component 2 1.3%, and the third and final component the remaining 15.1%.

Table 1: Project costs by component and financier

(Thousands of US dollars)

	IFAD Grant		OCT		Total	
	Amount	%	Amount	%	Amount	%
A. Implementation of PES in the core area (12 municipalities)						
1.1 Selection for participation in PES scheme and strengthening capacities	121	88,8	15	11,2	136	2,8
1.2 Implementation of PES programmes	3.549	100,0	-	-	3.549	72,6
Subtotal	3.671	99,6	15	0,4	3.686	75,4
B. Support for Municipal and Regional PES Policies (77 Municipalities)						
2.1 Promotion of Municipal PES Programmes	34	100,0	-	-	34	0,7
2.2 Development of the Regional PES Plan and Network	25	100,0	-	-	25	0,5
Subtotal	59	100,0	-	-	59	1,2
C. Project Management, Knowledge Management and SSTC						
3.1 Project Management	608	56,0	477	44,0	1.084	22,2
3.2 Knowledge Management and South-South Cooperation	56	97,3	2	2,7	58	1,2
Subtotal	664	58,1	478	41,9	1.142	23,4
Total PROJECT COSTS	4.394	89,9	493	10,1	4.887	100,0

14. **Costs by expense category.** This project has established five expenditure categories falling under IFAD's classification: (1) vehicles, equipment, and materials; (2) Training, TA and studies; (3) PES transfers (monetary and in-kind); (4) Salaries and allowances and (5) Operating and maintenance costs. Categories 1,2, and 3 are investment costs, while categories 4 and 5 are recurrent costs.

Table 2: Project costs by expenditure category and financier

(Thousands of US dollars)

	IFAD Grant		OCT		Total	
	Amount	%	Amount	%	Amount	%
I. Investment Costs						
I. Vehicles and equipment	133	100.0	-	-	133	2.7
II. Training and Technical Support	270	99.4	2	0.6	272	5.6
III. Grants and subsidies	436	100.0	-	-	436	8.9
IV. Goods, services and inputs	3 064	100.0	-	-	3 064	62.7
Total Investment Costs	3 903	100.0	2	-	3 905	79.9
II. Recurrent Costs						
V. Salaries and allowances and operating costs	490	49.9	492	50.1	982	20.1
Total Recurrent Costs	490	49.9	492	50.1	982	20.1
	4 394	89.9	493	10.1	4 887	100.0

15. Expense categories include the following expenses:

I. Training and Technical Support: Costs related to studies, and other consultancy services within the framework of the programme carried out by international and local consultants. Expenses related to meetings, trainings, workshops and publication materials.

II. Good, services and inputs: Subsidies to beneficiaries in the form of agricultural inputs including soil analysis and tree pruning and technical assistance services provided;

III. Grants and subsidies: (Sub-grants for PES Mechanism): Monetary subsidies under the MPSA (Payment Mechanism for Environmental Services).

IV. Vehicles and equipment: Purchase of items that enable the OCT to carry out the project's activities;

V. Salaries and allowances and operating costs: Expenditure related to the salaries and allowances of the grant beneficiary's staff directly assigned to project and additional staff and consultants hired for overseeing the project, office running costs (including maintenance and utilities, cost of audit of project financial statements and other administrative costs.

Table 3. Project Costs by Component and Expenditure Category (USD)

	Implementação de PSA na área núcleo (12 municípios)		Apoio a Políticas Municipais e Regionais de PSA (77 Municípios)		Gestão do Projeto, Gestão do Conhecimento e Cooperação Sul-Sul		
	Criação dos Programas Municipais de PSA	Execução de Programas de PSA	Promoção de Programas Municipais de PSA	Desenvolvimento do Plano e Rede Regional de PSA	Gestão do Projeto	Gestão do Conhecimento e Cooperação Sul-sul	Total
I. Investment Costs							
I. Vehicles and equipment	25	49	-	-	59	-	133
II. Training and Technical Support	96	-	34	25	59	58	272
III. Grants and subsidies	-	436	-	-	-	-	436
IV. Goods, services and inputs	-	3 064	-	-	-	-	3 064
Total Investment Costs	121	3 549	34	25	117	58	3 905
II. Recurrent Costs							
V. Salaries and allowances and operating costs	15	-	-	-	967	-	982
Total Recurrent Costs	15	-	-	-	967	-	982
Total PROJECT COSTS	136	3 549	34	25	1 084	58	4 887

16. The progress of the project's activities and investments in general in relation to the total cost responds to the following annual sequence:

Table 4: Project costs by component and by year, including contingencies

(Thousands of US dollars)

	Totals Including Contingencies								
	2024	**%**	**2025**	**%**	**2026**	**%**	**2027**	**%**	**Total**
A. Implementation of PES in the core area (12 municipalities)									
1.1 Selection for participation in PES scheme and strengthening capacities.	114	83	16	12	3	2	3	2	136
1.2 Implementation of PES programmes	1.244	35	1.406	40	591	17	308	9	3.549
Subtotal	1.357	37	1.423	39	594	16	311	8	3.686
B. Support for Municipal and Regional PES Policies (77 Municipalities)									
2.1 Promotion of Municipal PES Programmes	5	15	11	34	12	35	6	17	34
2.2 Development of the Regional PES Plan and Network	10	41	9	34	3	12	3	13	25
Subtotal	15	26	20	34	15	25	9	15	59
C. Project Management, Knowledge Management and SSTC									
3.1 Project Management	358	33	255	23	228	21	243	22	1.084
3.2 Knowledge Management and South-South Cooperation	15	26	19	33	9	15	16	27	58
Subtotal	373	33	274	24	237	21	259	23	1.142
Total PROJECT COSTS	1.746	36	1.716	35	846	17	579	12	4.887

Table 5. Component 1: Implementation of PES in the core area (USD)

		Quantities						Base Cost					Other Accounts	
	Unit	2024	2025	2026	2027	Total	Unit Cost	2024	2025	2026	2027	Total	Disb. Acct.	Fin. Rule
I. Investment Costs														
A. 1.1 Criação dos Programas Municipais de PSA														
1. Comitê gestor e câmara técnica /a														
Evento inicial /b	pessoa	50	-	-	-	50	48,9	2 444	-	-	-	2 444	II	IFAD grant
Reuniões anuais /c	pessoa	30	9	9	12	60	48,9	1 466	440	440	587	2 933	II	IFAD grant
Subtotal								3 910	440	440	587	5 377		
2. Capacitação sobre política municipal de PSA (membros do comitê e das câmaras técnicas) /d														
Consultoria para capacitação	número	2	1	-	-	3	1.018,3	2 037	1 018	-	-	3 055	II	IFAD grant
Eventos da capacitação /e	pessoa	96	48	-	-	144	85,5	8 212	4 106	-	-	12 318	II	IFAD grant
Subtotal								10 248	5 124	-	-	15 373		
3. Capacitação técnica (equipe técnica) /f														
Consultoria para capacitação	número	2	1	-	-	3	1.018,3	2 037	1 018	-	-	3 055	II	IFAD grant
Eventos da capacitação /g	pessoa	40	20	-	-	60	85,5	3 422	1 711	-	-	5 132	II	IFAD grant
Subtotal								5 458	2 729	-	-	8 187		
4. Elaboração do plano integrado da propriedade														
Experto de levantamento no campo	pessoa-ano	3	-	-	-	3	10.183,3	30 550	-	-	-	30 550	II	IFAD grant
Analista para processomento de dados	pessoa-ano	2	-	-	-	2	10.183,3	20 367	-	-	-	20 367	II	IFAD grant
Drones	número	3	-	-	-	3	6.110,0	18 330	-	-	-	18 330	I	IFAD grant
GPS	número	3	-	-	-	3	611,0	1 833	-	-	-	1 833	I	IFAD grant
Notebooks	número	2	-	-	-	2	1.222,0	2 444	-	-	-	2 444	I	IFAD grant
Impressora	número	2	-	-	-	2	916,5	1 833	-	-	-	1 833	I	IFAD grant
Subtotal								75 356	-	-	-	75 356		
5. Apoio ao Programa Municipal de PSA em execução														
Documentário sobre a história do Programa Municipal de PSA /	número	1	-	-	-	1	12.220,0	12 220	-	-	-	12 220	II	IFAD grant
Evento regional sobre PSA /i	número	-	1	-	-	1	2.444,0	-	2 444	-	-	2 444	II	IFAD grant
Subtotal								12 220	2 444	-	-	14 664		
Subtotal 1.1 Criação dos Programas Municipais de PSA								**107 193**	**10 737**	**440**	**587**	**118 957**		
B. 1.2 Execução dos Programas de PSA														
1. Veículos														
Motos para técnicos	número	10	-	-	-	10	3.055,0	30 550	-	-	-	30 550	I	IFAD grant
2. Equipamentos														
Uniformes para técnicos	número	50	50	50	50	200	10,2	509	509	509	509	2 037	I	IFAD grant
Notebooks	número	10	-	-	-	10	712,8	7 128	-	-	-	7 128	I	IFAD grant
Smartphone	número	10	-	-	-	10	468,4	4 684	-	-	-	4 684	I	IFAD grant
EPI para técnicos /j	número	10	-	10	-	20	203,7	2 037	-	2 037	-	4 073	I	IFAD grant
Subtotal								14 358	509	2 546	509	17 923		
3. PSA - Transferencias a Produtores														
a. PSA monetario														
PSA SAF (Enriquecimento) + Nascentes	ha	-	-	750	750	1 500	156,6	-	-	117 464	117 464	234 929	III	IFAD grant
PSA Cabruca (Enriquecimento)	ha	-	-	750	750	1 500	122,0	-	-	91 497	91 497	182 994	III	IFAD grant
PSA Social (Quintal)	ha	-	-	50	50	100	177,9	-	-	8 895	8 895	17 790	III	IFAD grant
Subtotal								-	-	217 856	217 856	435 713		
b. Insumos em modalidade de PSA														
Mudas de cacau	número	489 600	489 600	244 800	-	1 224 000	0,6	299 145	299 145	149 572	-	747 862	IV	IFAD grant
Mudas de frutíferas e nativas	número	102 000	102 000	51 000	-	255 000	1,0	103 870	103 870	51 935	-	259 674	IV	IFAD grant
Calcário	t	3 100	3 100	-	-	6 200	77,4	239 919	239 919	-	-	479 837	IV	IFAD grant
Adubo Orgânico	t	1 550	1 550	-	-	3 100	122,2	189 409	189 409	-	-	378 819	IV	IFAD grant
Gesso	t	1 240	1 240	-	-	2 480	47,9	59 348	59 348	-	-	118 697	IV	IFAD grant
Pó de rocha	t	1 550	1 550	-	-	3 100	112,0	173 625	173 625	-	-	347 251	IV	IFAD grant
Sementes feijão guandu	kg	-	2 560	640	-	3 200	7,6	-	19 552	4 888	-	24 440	IV	IFAD grant
Subtotal								1 065 316	1 084 868	206 395	-	2 356 578		
c. Serviços em modalidade de PSA														
Análise de solo	família	320	960	320	-	1 600	22,4	7 169	21 507	7 169	-	35 845	IV	IFAD grant
Mão de obra para poda	ha	450	1 050	-	-	1 500	98,8	44 450	103 717	-	-	148 167	IV	IFAD grant
Subtotal								51 619	125 224	7 169	-	184 012		
Subtotal PSA - Transferencias a Produtores								**1 116 935**	**1 210 092**	**431 421**	**217 856**	**2 976 303**		
Subtotal 1.2 Execução dos Programas de PSA								**1 161 843**	**1 210 601**	**433 966**	**218 366**	**3 024 776**		
Total Investment Costs								**1 269 037**	**1 221 338**	**434 406**	**218 952**	**3 143 733**		

		Quantities						Base Cost					Other Accounts	
	Unit	2024	2025	2026	2027	Total	Unit Cost	2024	2025	2026	2027	Total	Disb. Acct.	Fin. Rule
II. Recurrent Costs														
A. 1.1 Criação dos Programas Municipais de PSA														
1. Salarios e diarias														
Pensão completa para cursos /k	pessoa-dia	100	100	50	50	300	50,9	5 092	5 092	2 546	2 546	15 275	V	OCT
B. 1.2 Execução dos Programas de PSA														
1. Salarios e diarias em modalidade de PSA														
Técnicos ATER (CLT) e técnico OCT para PSA SAF e Cabruca	pessoa-ano	2.5	10	10	5	27.5	10.183,3	25 458	101 833	101 833	50 916	280 041	IV	IFAD grant
Diarias para técnicos	pessoa-dia	200	200	200	200	800	61,1	12 220	12 220	12 220	12 220	48 880	IV	IFAD grant
Novos contratos telefônicos /m	mês	120	120	120	120	480	18,3	2 200	2 200	2 200	2 200	8 798	IV	IFAD grant
Subtotal								39 878	116 253	116 253	65 336	337 719		
2. Funcionamento e manutenção														
Motos	ítem-ano	10	10	10	10	40	2.444,0	24 440	24 440	24 440	24 440	97 760	IV	IFAD grant
Subtotal 1.2 Execução dos Programas de PSA								64 318	140 692	140 692	89 776	435 479		
Total Recurrent Costs								**69 409**	**145 784**	**143 238**	**92 322**	**450 754**		
Total								**1 338 446**	**1 367 122**	**577 645**	**311 274**	**3 594 487**		

\a Criação e apoio de um comitê gestor e câmara técnica para implementação do projeto por município da área núcleo.
\b Aluguel do espaço, transporte e lanche.
\c Hospedagem e alimentação
\d Para os membros do comitê e das câmara técnicas (consultoria e OCT) em questões de gênero, etnico racial, conservação da biodiversidade e agroecologia.
\e 1 pernoitamento, transporte e lanche.
\f Para os membros da da equipe técnica em questões de gênero, etnico racial, conservação da biodiversidade e agroecologia.
\g 1 pernoitamento, transporte e lanche.
\h Especificamente sobre o Programa Municipal de PSA na área núcleo do projeto .
\i Evento de 2 dias com aproximadamente 100 pessoas.
\j Equipamento de Proteção Individual.
\k Financiadas por OCT.
\l Ano 1: aproximadamente 5 técnicos no segundo semestre.
\m Para 10 técnicos com dados móveis.

Table 6. Component 2: Support for municipal and regional PES policies (USD)

		Quantities						Base Cost					Other Accounts	
	Unit	2024	2025	2026	2027	Total	Unit Cost	2024	2025	2026	2027	Total	Disb. Acct.	Fin. Rule
I. Investment Costs														
A. 2.1 Promoção de Programas Municipais de PSA														
1. Apoio a Rede de PSA Municipal /a														
Hospedagem e alimentação para pessoal dos municipios	número	20	20	20	20	80	61,1	1 222	1 222	1 222	1 222	4 888	II	IFAD grant
Evento regional sobre PSA /b	número	1	1	1	1	4	3.258,7	3 259	3 259	3 259	3 259	13 035	II	IFAD grant
Divulgação do evento	número	1	1	1	1	4	611,0	611	611	611	611	2 444	II	IFAD grant
Subtotal								5 092	5 092	5 092	5 092	20 367		
2. Capacitação em Programas Municipais /c														
Consultor experto em Programas Municipais	pessoa-mês	-	2	2	-	4	1.018,3	-	2 037	2 037	-	4 073	II	IFAD grant
Logística (combustível) pelo consultor	litro	-	250	250	-	500	1,2	-	305	305	-	611	II	IFAD grant
Hospedagem e alimentação pelo consultor	dia	-	10	10	-	20	61,1	-	611	611	-	1 222	II	IFAD grant
Evento de capacitação /d	número	-	1	1	-	2	2.932,8	-	2 933	2 933	-	5 866	II	IFAD grant
Subtotal								-	5 886	5 886	-	11 772		
Subtotal 2.1 Promoção de Programas Municipais de PSA								5 092	10 978	10 978	5 092	32 138		
B. 2.2 Desenvolvimento do Plano e Rede Regional de PSA /e														
1. Elaboração do Plano Regional de PSA														
Estudo territorial socioambiental e produtivo /f	número	0.5	0.5	-	-	1	6.110,0	3 055	3 055	-	-	6 110	II	IFAD grant
Estudo Tábua de Valoração Econômica /g	número	0.5	0.5	-	-	1	10.183,3	5 092	5 092	-	-	10 183	II	IFAD grant
Encontro sobre ações do estudo territorial e a tábua de valoração. /h	número	1	-	-	-	1	1.955,2	1 955	-	-	-	1 955	II	IFAD grant
Subtotal								10 102	8 147	-	-	18 248		
2. Apoio na estuturação para a sustentabilidade financeira para a Rede de PSA														
Encontros entre atores estratégicos para desenvolver modelo de captação de recursos /i	número	-	-	2	2	4	1.425,7	-	-	2 851	2 851	5 703	II	IFAD grant
Subtotal 2.2 Desenvolvimento do Plano e Rede Regional de PSA								10 102	8 147	2 851	2 851	23 951		
Total								15 193	19 124	13 829	7 943	56 090		

/a Articulação e organização da Rede de PSA - Assessoria técnica para implementação dos Programas Municipais de PSA da RCSB com Política Municipal de PSA.
/b Alimentação e kit para aproximadamente 100 pessoas por evento.
/c Para aprox. 120 funcionarios de municipios.
/d Aluguel do espaço e lanche para aprox. 120 pessoas por evento.
/e Para a Região Cabruca do Sul da Bahia (RCSB).
/f Estudo para governança na restauração de paisagem e florestas na RCSB, a preparar durante um periodo de 10 meses por um bolsista. Inclui transporte e hospedagem.
/g Estudo Tábua de Valoração Econômica para RCSB viabilizando a valoração econômica para reconhecimento do incentivo econômico em PSA, Estudo para governança na restauração de paisagem e florestas na RCSB, a preparar durante 10 meses por um bolsista.
/h Uma reunião de um dia com aprox. 80 pessoas, inclui aluguel do espaço e lanche.
/i Cada encontro de 1 dia com aprox. 30 pessoas. Inclui aluguel do espaço, transporte e lanche para 30 pessoas e hospedagem para 10 pessoas.

Table 7. Component 3: Project management, knowledge management and SSTC (USD)

		Quantities						Base Cost					Other Accounts	
	Unit	2024	2025	2026	2027	Total	Unit Cost	2024	2025	2026	2027	Total	Disb. Acct.	Fin. Rule
I. Investment Costs														
A. 3.1 Gestão do Projeto														
1. Veículos														
2WD vehicles	número	2	-	-	-	2	24.439,9	48 880	-	-	-	48 880	I	IFAD grant
2. Equipamentos e materiais														
Computador notebook	número	5	-	-	-	5	712,8	3 564	-	-	-	3 564	I	IFAD grant
Smartphone	número	5	-	-	-	5	468,4	2 342	-	-	-	2 342	I	IFAD grant
Uniforme para agentes comunitarios	número	300	-	-	-	300	10,2	3 055	-	-	-	3 055	I	IFAD grant
Subtotal								8 961	-	-	-	8 961		
3. Estudos														
Desenvolvimento de formulários de diagnóstico para o projeto /a	estudo	1	-	-	-	1	16.293,3	16 293	-	-	-	16 293	II	IFAD grant
Desenvolvimento da tábua de valoração digital /b	estudo	1	-	-	-	1	4.073,3	4 073	-	-	-	4 073	II	IFAD grant
Estudos de linha de base e avaliação de impacto /c	número	1	-	-	1	2	9.674,1	9 674	-	-	9 674	19 348	II	IFAD grant
Auditoría anual do Projeto	número	1	1	1	1	4	4.073,3	4 073	4 073	4 073	4 073	16 293	II	IFAD grant
Subtotal								34 114	4 073	4 073	13 747	56 008		
4. Oficinas														
Oficina de arranque do projeto /d	número	1	-	-	-	1	8.146,6	8 147	-	-	-	8 147	II	IFAD grant
Oficina de conclusão do projeto /e	número	-	-	-	1	1	8.146,6	-	-	-	8 147	8 147	II	IFAD grant
Subtotal Oficinas								8 147	-	-	8 147	16 293		
Subtotal 3.1 Gestão do Projeto								100 102	4 073	4 073	21 894	130 143		
B. 3.2 Gestão do conhecimento e cooperação sul-sul														
1. Estudos														
Estudos socioeconomicos e ambientais /f	número	1	1	2	2	6	2.036,7	2 037	2 037	4 073	4 073	12 220	II	IFAD grant
Material gráfico impresso sobre estratégias e lições aprendidas do projeto	montante							1 018	2 037	2 037	3 055	8 147	II	IFAD grant
Material gráfico sobre o Plano Regional de PSA para a RCSB	montante							2 037	-	-	-	2 037	II	IFAD grant
Tradução do material para inglês e espanhol	montante							-	204	204	305	713	II	IFAD grant
Subtotal								5 092	4 277	6 314	7 434	23 116		
2. Material de comunicação														
Criação da logo e identidade visual	contrato	1	-	-	-	1	2.036,7	2 037	-	-	-	2 037	II	IFAD grant
Hotsite do projeto dentro do OCT.org.br	montante							2 037	611	611	611	3 870	II	IFAD grant
Material gráfico sobre o projeto para divulgação /g	montante							1 527	1 018	1 018	1 527	5 092	II	IFAD grant
Material gráfico sobre o Plano Regional de PSA para a RCSB	montante							4 073	-	-	-	4 073	II	IFAD grant
Produção de video documentário sobre o projeto	número	-	1	-	-	1	12.220,0	-	12 220	-	-	12 220	II	IFAD grant
Subtotal								9 674	13 849	1 629	2 138	27 291		
3. Cooperação Sul-Sul														
a. Recepção de um intercâmbio técnico /h														
Translado Ilhéus/Núcleo Papuã e região do projeto	número	-	-	-	1	1	3.055,0	-	-	-	3 055	3 055	II	IFAD grant
Pensão completa e interprete /i	número	-	-	-	1	1	1.425,7	-	-	-	1 426	1 426	II	OCT
Subtotal								-	-	-	4 481	4 481		
Subtotal 3.2 Gestão do conhecimento e cooperação sul-sul								14 766	18 126	7 943	14 053	54 888		
Total Investment Costs								114 868	22 200	12 016	35 947	185 031		

		Quantities						Base Cost					Other Accounts	
	Unit	2024	2025	2026	2027	Total	Unit Cost	2024	2025	2026	2027	Total	Disb. Acct.	Fin. Rule
II. Recurrent Costs														
A. 3.1 Gestão do Projeto														
1. Equipe de Gerenciamento do Projeto														
a. Equipe existente /j														
Coordenador Geral (70%)	pessoa-ano	1	1	1	1	4	24.538,5	24 538	24 538	24 538	24 538	98 154	V	OCT
Gerente de comunicação (40%)	pessoa-ano	1	1	1	1	4	3.147,0	3 147	3 147	3 147	3 147	12 588	V	OCT
Gerente financeiro (30%)	pessoa-ano	1	1	1	1	4	4.063,5	4 064	4 064	4 064	4 064	16 254	V	OCT
Gerente de geoprocessamento (40%)	pessoa-ano	1	1	1	1	4	7.504,7	7 505	7 505	7 505	7 505	30 019	V	OCT
Técnico financeiro (30%)	pessoa-ano	1	1	1	1	4	2.817,1	2 817	2 817	2 817	2 817	11 268	V	OCT
Coordenador técnica ATER (60%)	pessoa-ano	1	1	1	1	4	21.101,8	21 102	21 102	21 102	21 102	84 407	V	OCT
Coordenador técnica governança (60%)	pessoa-ano	1	1	1	1	4	23.789,0	23 789	23 789	23 789	23 789	95 156	V	OCT
Técnico extensionista - Supervisor (40%) /k	pessoa-ano	1	1	1	1	4	6.298,0	6 298	6 298	6 298	6 298	25 192	V	OCT
Técnico extensionista (Biodiversidade) (40%)	pessoa-ano	1	1	1	1	4	4.043,4	4 043	4 043	4 043	4 043	16 174	V	OCT
Técnico extensionista (Geotecnologia) (40%)	pessoa-ano	1	1	1	1	4	2.647,0	2 647	2 647	2 647	2 647	10 588	V	OCT
Técnico extensionista (Agroecologia) (40%)	pessoa-ano	1	1	1	1	4	3.268,6	3 269	3 269	3 269	3 269	13 075	V	OCT
Técnico extensionista (Genero - Ético Racial) (40%)	pessoa-ano	1	1	1	1	4	3.699,4	3 699	3 699	3 699	3 699	14 798	V	OCT
Diarias para técnicos	pessoa-dia	43	43	43	43	172	61,1	2 627	2 627	2 627	2 627	10 509	V	IFAD grant
Subtotal								109 545	109 545	109 545	109 545	438 182		
b. Equipe nova														
Analista especialista em PSA (100%)	pessoa-ano	1	1	1	1	4	25.271,5	25 271	25 271	25 271	25 271	101 086	V	IFAD grant
Analista especialista em geoprocessamento (100%)	pessoa-ano	1	1	1	1	4	18.940,9	18 941	18 941	18 941	18 941	75 764	V	IFAD grant
Especialista júnior monitoramento (100%)	pessoa-ano	1	1	1	1	4	7.332,0	7 332	7 332	7 332	7 332	29 328	V	IFAD grant
Especialista júnior comunicação (100%)	pessoa-ano	1	1	1	1	4	7.332,0	7 332	7 332	7 332	7 332	29 328	V	IFAD grant
Especialista em contratos e licitações (consultor)	hora	1 000	1 000	500	500	3 000	9,3	9 267	9 267	4 633	4 633	27 800	V	IFAD grant
Especialista em gestão financeira (consultor)	hora	500	500	500	-	1 500	9,3	4 633	4 633	4 633	-	13 900	V	IFAD grant
Subtotal								72 777	72 777	68 143	63 510	277 206		
Subtotal Equipe de Gerenciamento do Projeto								182 322	182 322	177 689	173 055	715 388		
2. Funcionamento e manutenção														
Vehiculos	ítem-ano	2	2	2	2	8	4.888,0	9 776	9 776	9 776	9 776	39 104	V	IFAD grant
Locação veículos utilitários 4WD	ítem-mês	12	24	-	-	36	712,8	8 554	17 108	-	-	25 662	V	IFAD grant
Locação galpão para armazenamento de insumos	ano	1	2	-	-	3	2.444,0	2 444	4 888	-	-	7 332	V	IFAD grant
Disponibilização Escritório Administrativo /l	mês	12	12	12	12	48	1.018,3	12 220	12 220	12 220	12 220	48 880	V	OCT
Commissão para uso de programa M&A, e apoio /m	ano	0.5	1	1	1	3.5	19.551,9	9 776	19 552	19 552	19 552	68 432	V	IFAD grant
Passagens aéreas	número	7	7	7	7	28	203,7	1 426	1 426	1 426	1 426	5 703	V	IFAD grant
Transporte urbano durante viagens	viagens	30	30	30	30	120	20,4	611	611	611	611	2 444	V	IFAD grant
Material de escritório	ano	1	1	1	1	4	2.444,0	2 444	2 444	2 444	2 444	9 776	V	IFAD grant
Taxa administrativa OTC /n	montante							26 820	-	-	-	26 820	V	IFAD grant
Subtotal								74 071	68 024	46 029	46 029	234 152		
Total Recurrent Costs								256 393	250 346	223 717	219 084	949 540		
Total								371 260	272 546	235 733	255 031	1 134 570		

/a Para adatar formulários do sistema M&A.
/b Parte do sistema M&A.
/c Para analisis dos dados no sistema de M&A.
/d Para 200 pessoas durante 1 dia. Inclui alquiler de sala, alimentação (Lanche + Café) e materiais de comunicação.
/e Para 200 pessoas durante 1 dia. Inclui alquiler de sala, alimentação (Lanche + Café) e materiais de comunicação.
/f Produção de conhecimento para REDE de PSA na RCSB. Cada estudo financiado com uma bolsa de 3 meses.
/g Por exemplo: folder, flyer, paper.
/h Para aprox. 5 pessoas durante 5 dias.
/i financiado por OCT.
/j Salarios financiados por OCT, diarias financiadas pela doação FIDA.
/k Supervisor da equipe de tecnicos contratada (ver subcomp.1.2).
/l Escritorio existente disponibilizado por OCT.
/m Incluye o sistema de verificação para o PSA.
/n 3% dos custos de apoio (tudo excepto os custos PSA), a ser cuobrados no ano 1.

IFAD
Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 4: Economic and Financial Analysis

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
Project No.	2000004380
Report No.	6613-BR

Latin America and the Caribbean
Programme Management Department

Annex 4. Economic and Financial Analysis - Compensation

Financial analysis

1. The viability and financial and economic sustainability of the project proposal, for the direct beneficiaries and for society, was confirmed through the economic and financial analysis of the project. For this analysis, scenarios of increased production and valuation of ecosystem services were developed for the different PES models, based on three basic production models.
2. The first model serves as the basis for the Cabruca PES programme, and is a cabruca system with 500 cocoa trees per hectare and a yield of 17@/ha of beans (1@ = 15 kg). It also produces additional crops such as bananas, tangerines, lemons and coconuts. The average size of this property is 7 hectares. In the PES programme, this system will be enriched with 400 cocoa trees and 50 seedlings of forest, fruit and leguminous species.
3. The second model is the basis for the SAF PES programme and is similar to the first, but in full sun. Initially it has 500 cocoa trees per hectare and yields 17@/ha of beans. It will be enriched with 400 cocoa trees and transformed into a SAF system with 100 larger trees (forest, fruit and leguminous) per hectare, such as rubber and cupuaçu.
4. The third model serves as the basis for the Social PES programme (quintal). This is a property of just 1 hectare with banana production as the main crop, and cocoa, manioc and corn as additional crops. On this property, 300 seedlings of forest, fruit and leguminous species will be planted, as well as 240 cocoa trees.
5. The financial analysis incorporates the total cost and revenue flow of each PES model, taking into account all the benefits foreseen in each one.
6. To carry out the financial analysis of the project, a Cost-Benefit analysis was used, calculated on the basis of the incremental net benefit flows over a 20-year period, considered adequate to reflect the maturity of the activities supported and/or promoted by the project. The analysis was carried out at market prices in Reais and the discount rate used was 10%, which is the rate used in similar analyses in Brazil.
7. The analysis was carried out considering the expected incremental benefits and costs, with interventions on the part of the family farmer's activities, keeping the rest of his activity stable (therefore not included in the model). The prices used are market prices and are all at the family farmer's sales level.
8. The indicators used to analyse the financial viability of the proposed alternatives were: the incremental net benefits at market prices compared to the "without project" situation; the financial net present value, the internal rate of return and the Benefit/Cost (B/C) ratio. These indicators were calculated on the cash flow for a period of 20 years.
9. Initially, a productivity gain of 15@ per hectare is expected in the second year, as a result of changes in management practices such as pruning and the application of lime. After planting the cocoa trees and other fruit trees, it is estimated that production will begin in the fifth year of the project, with an average yield of 1kg of almonds per tree in the seventh year.
10. The net present value (NPV) and internal rate of return (IRR) obtained by type of PES and level of productivity are shown in the table below. These figures only take into account the costs invested in the farm and the benefits of increased production. Other project costs (management, etc.) and the external benefits

generated (carbon, etc.) are not taken into account. The NPV was calculated using a 20-year horizon.

Table 1: Net Present Value (NPV) and Internal Rate of Return (IRR) by PES type and productivity level.

PSA model	Number of families	Family income without project (Year 8)	Family income from projects (Year 8)	Incremental Family Income (Year 8)	Net income per day worked without project (Year 8)	Net income per day worked on project (Year 8)	NPV / hectare	IRR
SAF PES	750	R$ 23.760,00	R$ 41.626,58	**R$ 17.866,58**	R$ 291,35	R$ 331,24	R$ 41.808,35	**48%**
PSA Cabruca	750	R$ 32.020,00	R$ 45.626,58	**R$ 13.606,58**	R$ 335,11	R$ 348,60	R$ 27.666,86	**44%**
Social PSA	100	R$ 4.025,00	R$ 10.042,91	**R$ 6.017,91**	R$ 200,00	R$ 221,84	R$ 22.898,28	**28%**

11. To verify the financial viability of the project, the Annual Incremental Net Benefit Flow was calculated over a 20-year period for the total number of beneficiaries of each model according to their phase of incorporation into the project.

12. For the purposes of calculating the project's financial indicators, the incorporation of families into the projects was affected by an adoption rate of 80 per cent, assuming that 20 per cent of the projects financed (despite having 3 years of technical assistance) may not be socially, productively or economically successful. This adoption rate was considered in the long term and is conservative in terms of the actual impact of the economic and productive benefits that each investment will generate. The experience of other projects shows that the impact on the family economy tends to be achieved over the long term. In this particular case, the initial level of vulnerability of the families justifies it.

13. This analysis was carried out in Reais (R$) and the discount rate used to calculate the Net Present Value (NPV) was 10%, the value usually used for this type of analysis.

14. With this information, the project's financial viability indicators were calculated, resulting in a financial Internal Rate of Return (IRR) of 34.5 per cent and a discounted financial NPV at 10 per cent of UR$15.8 million.

15. The results show that the three models are highly financially viable for cocoa producers, and that enriching degraded cabruca and full sun systems is financially attractive.

Economic analysis

16. The economic analysis of the project is based on the financial models multiplied by the number of families participating in each model. We added the environmental services generated, the farmers' opportunity cost (per diem) and removed the taxes paid and the monetary PES payments. Monetary PES payments were not included as a cost in the economic analysis because they are a transfer between economic actors and not a cost to the economic system.
17. We also considered the opportunity costs of Cacau Pleno Sol, assuming that in the absence of the project 1,200 families would have enriched their cocoa plantations in a sunny system.
18. The NEXT tool was used to analyse carbon sequestration. The carbon dioxide balance resulting from the implementation of the project was calculated in relation to the current situation. The result of this analysis showed a net reduction of

342,463 tCO2e over a 20-year period from the start of project activities. This produces an average sequestration of 17,123 tonnes CO2eq per year. Quantifying the value of tonnes of CO2 in the range of US$ 5 to 100, the estimated minimum annual value in a situation under the scheme is US$ 85,615 per year. Considering a social cost of carbon[1] of US$ 42 per tonne, the estimated annual value is US$ 719,166 per year.

19. In turn, the ecosystem benefits of agroforestry systems are added, such as carbon, climate regulation, water and biodiversity (pollination and biological pest control) with different levels of valuation obtained from the ESVD database[2] .

20. When we obtained the values for ecosystem services from the database, we considered the value of half a hectare of agroforestry system, because we are recovering degraded systems, with an increase in the number of trees from 500 to 1000. In this way, each hectare of the project represents a gain of 0.5 hectares of agroforestry, which provides climate regulation (estimated at US$ 19.55) and water (estimated at US$ 33.90).

21. In the scenario initially evaluated, we didn't include valuing biodiversity in the form of pollination or pest control, only climate regulation and water. Other scenarios were evaluated in the sensitivity analysis.

22. With this information, the project's economic indicators were calculated, resulting in an economic Internal Rate of Return (IRR) of 18.8 per cent, a discounted NPV at 10 per cent of US$7.9 million and a benefit/cost ratio (B/C) of 1.35. The NPV of environmental services represents 35% of the Total NPV.

Sensitivity analysis

23. Three different production levels were considered in the sensitivity analysis, depending on the management adopted by the farmer: 0.5, 1 and 1.5 kg of kernels per tree. To value ecosystem services, we considered 3 scenarios: Low, Medium and High, described below. The carbon values used in the Medium and High scenarios reflect the Social Cost of Carbon, not its market value.

24. In the "High" scenario, the values considered for pollination and biological control could be much higher, but we decided to use conservative values, since we don't have specific analyses for the project region. Another reason for choosing conservative values is that many of the amounts found in the literature consider the total benefits of these services, including for the farmer (internal benefits). In our case, these internal benefits are already accounted for when the farmer stops spending on chemical pest control or manual pollination.

[1] The Social Cost of Carbon (SCC) is generally estimated as the net present value of the impacts of climate change over the next 100 years (or more) of an additional tonne of carbon emitted into the atmosphere today. It is the marginal global damage cost of carbon emissions (Source: OECD, https://www.oecd.org/env/cc/37321411.pdf). The Obama administration estimated that the social cost of carbon would be 42 dollars in 2020. In 2021, the US government set the social cost of carbon at 51 dollars per tonne. In this analysis, we continue to use the figure of $42 as a conservative estimate, with variations in the sensitivity analysis. Many studies show that the SCC is much higher than this, reaching 185 or 300 $/tonne (https://iopscience.iop.org/article/10.1088/1748-9326/ac1d0b).

[2] This database compiles the results of the valuation of ecosystem services from various studies. It gathers information on economic well-being values related to ecosystem services measured in monetary units. It currently contains 9,500 value records from more than 1100 studies distributed across all biomes, ecosystem services and geographical regions.(https://www.esvd.net/)

Table 2: Definition of **Ecosystem** Service values

	Value of Ecosystem Services		
	Bass	**Medium**	**High**
Climate regulation (US$/hectare)	$ 0,00	$ 19,55	$ 88,33
Water (US$/hectare)	$ 0,00	$ 33,90	$ 41,35
Pollination (US$/hectare)	$ 0,00	$ 0,00	$ 38,25
Biological pest control (US$/hectare)	$ 0,00	$ 0,00	$ 59,00
Total / hectare	**$ 0,00**	**$ 53,45**	**$ 226,93**
Carbon (US$/tonne)	$ 5,00	$ 42,00	$ 100,00

Source: ESVD database.

25. Combining the 3 levels of productivity with the 3 levels of valuation, we have a total of 9 scenarios evaluated. The results of the financial indicators are shown below.

Net Present Value (NPV)

Table 3: Net Present Value by **scenario**

		Value of Ecosystem Services		
		Bass	**Medium**	**High**
Cocoa productivity (kg kernel/tree)	**0,5**	$ 3.315.636,39	$ 5.860.953,97	$ 11.115.457,26
	1	$ 5.439.860,49	$ 7.985.178,06	$ 13.239.681,35
	1,5	$ 7.564.084,59	$ 10.109.402,16	$ 15.363.905,45

Internal Rate of Return (IRR)

Table 4: Net Internal Rate of Return by scenario

		Value of Ecosystem Services		
		Bass	**Medium**	**High**
Cocoa productivity (kg kernel/tree)	**0,5**	16,4%	16,9%	18,0%
	1	19,6%	18,8%	19,2%

	1,5	22,3%	20,6%	20,2%

26. In the high productivity scenarios we see a reduction in the IRR as the value of environmental services increases, which is explained by carbon emissions at the start of the project.

Benefit/Cost Ratio (B/C)

Table 5: Benefit/cost ratio by scenario

		Value of Ecosystem Services		
		Bass	**Medium**	**High**
Cocoa productivity (kg kernel/tree)	**0,5**	1,17	1,30	1,58
	1	1,24	1,35	1,57
	1,5	1,28	1,38	1,57

Contribution of Ecosystem Services to NPV (%)

Table 6: Contribution of Environmental Services to NPV, by scenario

		Value of Ecosystem Services		
		Bass	**Medium**	**High**
Cocoa productivity (kg kernel/tree)	**0,5**	7%	48%	72%
	1	4%	35%	61%
	1,5	3%	28%	52%

27. In conclusion, the project is robust to changes in certain variables and its indicators show realistic values for the socio-economic reality of the beneficiary families.
28. The environmental benefits taken into account have been valued at minimum prices and the projected models envisage long timeframes for achieving a sustainable and stable production regime. It should also be borne in mind that 3 years of technical assistance is planned for each farmer and that local institutional strengthening will in future improve the technical capacity to work with the project's target population. However, we believe that the level of productivity will

be maintained over the project horizon even without future additional technical assistance.

Production Models and Opportunity Costs

29. In payment for environmental services (PES) projects, it is common to pay an amount based on the opportunity cost of the project area, i.e. how much the farmer is not earning from selling his or her products in order to produce the ecosystem service. This logic predicts that in the absence of payment, the farmer would convert the area where the ecosystem service is produced to a more profitable area. This is because the external benefits produced by the farmer are not accounted for by the farmer.
30. Opportunity costs can be obtained through field research or from studies that have already been carried out in the area. In our case, we conducted interviews with several farmers and also collected data from previous studies.
31. Analysing the different returns, we found that cocoa production systems in SAF or cabruca can be just as profitable as full sun production systems, considering the same management conditions and the planting of varieties that are more resistant to witches' broom. For this reason, payment for environmental services in this project will not be aimed at compensating the farmer for what he or she will no longer earn, but at helping him or her transition to a system that is as profitable as alternative systems but also produces a high level of ecosystem services.
32. The profitability figures for the different systems analysed are shown in the tables below:

Table 7: Production models and profitability of the systems found in the field.

Farmer	Net Revenue R$ / ha / year	% Other Income	Cocoa Productivity (@/ha)
Cabruca System			
Ana Paula (cabruca)	3756	27%	17
Ana Paula (cabruca) with pre-drought production	8281	13%	43
Ana Aparecida (banana)	3969	95%	1
Ana Aparecida considering future cocoa production	4369	86%	3
Nagila Amorim (cabruca with quality certification)	7856	38%	21
Nagila Amorim (cabruca with quality certification) considering the additional cost of harvesting other products	6617	38%	21
Luciano (cabruca with quality certification)	10022	47%	19
Luciano (cabruca with quality certification) considering harvesting costs as 30 per cent of production	6808	47%	19
Luciano (cabruca with quality certification) selling cupuaçu as pulp and considering harvesting costs as 30 per cent of production	8558	56%	19
Luciano (cabruca with quality certification) selling cupuaçu as fruit and considering harvesting costs as 30 per cent of production	7413	51%	19
White (SAF) considering 2 ha of cabruca	4311	3%	40
Jonatas (Pleno Sol) - Cabruca	10015	0%	67
Full Sun System			
Arnaldo (full sun with quality certification)	23050	0%	100
Arnaldo (full sun) considering only conventional cocoa	11200	0%	100

Arnaldo (full sun) considering costs with 50% of production, only with conventional cocoa	10000	0%	100
Ebson (Full Sun)	12402	0%	111
Jonatas (Pleno Sol)	12510	0%	100
SAF			
White (SAF)	8952	15%	55
White (SAF) considering future rubber tree production	9410	20%	55
White (SAF) considering 1 ha of SAF WITHOUT rubber trees	21386	4%	140
White (SAF) considering 1 ha of SAF WITH rubber tree	23216	13%	140
Elivaldo (SAF)	4470	3%	67
Elivaldo (SAF) considering income from rubber trees	7825	31%	67
Glória Maria (SAF)	7171	14%	75
Glória Maria (SAF) considering income from rubber trees	9558	36%	75
Others			
Jair (pasture)	1002	68%	15

Table 8: Production and profitability models found in the literature.

Study	Net Revenue R$ / ha / year	% Other Income	Cocoa Productivity (@/ha)
Cabruca			
Cabruca Cocoa Agroecosystem Management Guide Vol 2	16357	57%	80
Cabruca - Sanches_GrazielleCardosoDaSilva_M	4944	0%	100
Cabruca - Economic viability of cocoa production systems (CocoaAction Brasil (WCF), Instituto Arapyaú and WRI Brasil)	5414	0%	85
Full sun			
Pleno Sol - Economic viability of cocoa production systems (CocoaAction Brasil (WCF), Instituto Arapyaú and WRI Brasil)	10524	0%	148
SAF			
COCOA AND RUBBER AGROFORESTRY SYSTEM IN THE STATE OF BAHIA: A FINANCIAL FEASIBILITY STUDY	8793	36%	60
SAF Cacau Seringueira - Sanches_GrazielleCardosoDaSilva_M	9234	25%	100
SAF - Economic viability of cocoa production systems (CocoaAction Brasil (WCF), Instituto Arapyaú and WRI Brasil)	5133	2%	67
SAF Açai - Economic viability of cocoa production systems (CocoaAction Brasil (WCF), Instituto Arapyaú and WRI Brasil)	8623	71%	44
SAF Brazil nuts - Economic viability of cocoa production systems (CocoaAction Brasil (WCF), Instituto Arapyaú and WRI Brasil)	6465	26%	65

IFAD
Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 5: Social Environment and Climate Assessment (SECAP) Review Note

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
Project No.	2000004380
Report No.	6613-BR

Latin America and the Caribbean
Programme Management Department

The SECAP Review note should build on the preliminary note mentioned above, draw on the results of the screening exercise and be informed by the issues raised during the design mission, the stakeholders interviews, publicly available tools and dataset, and environmental, social or climate-related studies that inform on the characteristics of the project location. The SECAP review note includes the revised ESMP and should be attached to the Project Design Report, integrated in Draft Project Implementation Manual (PIM) and COSTAB and shall be submitted to Design Review Meeting (DRM) or IRC (for NSOs).

1. Introduction

1. The objective of the SECAP review note is to identify the main social, environmental and climatic risks present in the project area that could have an impact on project implementation and to make recommendations on anticipating, minimising, mitigating and compensating for any residual impacts following the mitigation hierarchy. Sources of information for this study include field visits in the project area, discussions with potential project beneficiaries, interviews with the PMU of the NGO OCT that will implement the project, and a desk review of academic literature and official government data.

2. Situational analysis and potential project impacts

2. .

2.1 Socio-economic assessment

a. Overall poverty situation

3. Despite having the highest GDP among the Northeast states, accounting for 4% of national GDP and occupying the 7th position among the Federation units in 2020, Bahia ranked 20th when considering GDP per capita[i]. In 2010, Bahia's HDI was 0.660, considered average and the state ranked 22nd among the 27 federative units. However, in the same year, the state's Rural HDI was only 0.538, considered low[ii]. 46.5% of the Bahian population was in poverty in 2021 and 15.8% in extreme poverty, the worst rates of the previous 9 years[iii]. Between 2020 and 2021, the population in poverty increased by 24% and that in extreme poverty by 59%[iv]. In the PSI Project area, 57 of the 77 municipalities served have a low MHDI, 19 medium and in 1 the index is high[v].

b. Gender

4. Gender disparity is a widespread issue in Bahia. In the state, the Gender Disparity Index is 0.68%, indicating that women are 32% less likely to have the same opportunities as men, with the largest gaps in the dimensions of political empowerment and economic opportunity[vi]. The rural environment is a place of most significant resistance to advances in women's autonomy and rights. Gender disparities are expressed in restrictions on control and access to natural, social and monetary resources. One of the fundamental obstacles is the concentration of land ownership in the hands of men, leaving women in a situation of economic dependence. In the Project area, the analysis of the 2017 Agricultural Census indicates that only 27% of family farmers with land titles are women. Among the multiple legal, cultural and structural barriers that exclude women from land rights are patriarchal ideologies about the gender division of labour in the public and private spheres and the practice of ceding land rights only to one representative of the family - the man.

5. The strategy of rural women to expand their space and independence in this conservative context has been education. Despite the higher level of education compared to men, the average income of women is lower. As a result, women migrate to urban areas, a process that is reflected in the demographic data of a higher proportion of men in rural areas, as opposed to large cities. The so-called selective rural exodus of young women is a contemporary phenomenon that is intensifying throughout the country in the context of the modernisation of agriculture. The invisibility and devaluation of their labour force, in childcare and household chores, and family farming, also stimulate the desire of younger women to leave the rural environment.

6. Despite the relevant contribution of rural women to the family economy, their work is often neglected because they are not part of the formal labour market and do not generate monetary income from activities such as self-consumption production. Women also suffer from double working hours and greater difficulty accessing public policies. They are also more vulnerable than men to environmental challenges, being the main collectors of water,
food, and firewood in a context where increasing pressure on natural resources and environmental degradation are negatively affecting water and food supplies. Women from traditional communities face triple discrimination by gender, race and socio-economic conditions.

7. Rural women from traditional peoples and communities (PCTs) in the project area are impacted by the combined effects of regional, gender, and ethnic-racial inequalities. Those who are part of the PCTs face even greater obstacles to participating in decisions that affect their territories and for the full realisation of their rights, with the groups of women experiencing the highest rates of food insecurity, poverty, poor access to health, education, credit and participation in political life[vii].

8. Bahia is one of the Brazilian states with the highest number of cases of violence against women, behind only São Paulo and Rio de Janeiro, with rural women and women of African descent disproportionately
affected[viii] . Violence in rural areas is increasing yearly, as shown by the growing number of murders of rural women workers. Domestic violence is also dramatic in rural areas and the number of femicides has been increasing. The lack of facilities in the Network for Combating Violence against Women makes rural women more vulnerable to violence and restricts their access to protection. In 2022, the number of Bahian women who were victims of violence increased by 58% compared to the previous year.[ix] Violence indices show that black women suffer much more physical and psychological violence and are the biggest victims of murder of women (feminicídio)[x].

9. According to the most recent Demographic Census data, men accounted for 53.5% and women for 46.5% of the rural population in the Project area[xi]. According to the Agricultural Census for the Project area, among family farmers who are managers of agricultural establishments, 53.7% are men and 46.3% are women[xii].

c. Youth

10. Brazil's Youth Statute (2013)[xiii] defines young people as those between the ages of 15 and 29. 25% of young people in Bahia are considered vulnerable to poverty because they neither study nor work[xiv], the majority being black men and women. Young women of African descent have a higher percentage out of school and the labour market. According to the last Demographic Census, the illiteracy rate among young people in Bahia is 18.8%, almost double the national rate and just below the average for the Northeast, which is 21.9%. In 2019, the situation worsened, and Bahia became the state with the highest illiteracy rate in the country[xv]. Household chores and caring for family members are among the main barriers young people face in continuing their studies or getting paid work, with young women being the majority in this situation. Another important causal factor is the high rate of teenage pregnancy. In 2021 alone, more than 1.5 thousand children under the age of 14 became mothers in Bahia[xvi] .

11. The rural environment of Bahia does not offer attractive employment opportunities for young people, as it combines low income generation capacity, precarious working conditions, and lack of basic services. As a consequence of the lack of sustainable formal study and work opportunities for rural youth, there is a process of migration to urban centres, particularly of more educated young women, which causes the ageing of the rural population (the largest group of migrants is between 16 and 35 years old) and a decrease in the number of women in the rural population. Comparing the Agricultural Census of 2006 and 2017, the number of managers of rural establishments aged up to 35 decreased by 8,677 people[xvii]. In the Project area, only 10.5% of the PA establishments are run by young people under 35 years old, and 6.1% of young family farmers in the Project region have access to Technical Assistance.

12. In the Project area, there are about 282,551 rural youth[xviii].

d. Indigenous peoples

13. In the Project area, there are 3 Indigenous Lands (ILs) and 27 communities of three ethnic groups: Tupinambá, Pataxó and Pataxó Hã Hã Hã and the indigenous peoples are concentrated on the South Coast. In 2019, the indigenous population of these TIs was estimated by IBGE at 7,516 individuals. In the Unified Registry, there are 3,307 indigenous families registered, 77% of which are in extreme poverty and 5% in poverty.

14. Traditional communities are particularly vulnerable due to historical structures of exclusion, high dependence on natural resources and ecosystem services affected by climate change, marginalisation and neglect, labour exploitation and poor access to public services including health, education, sanitation, infrastructure, and extension services.

15. Quilombolas are descendants of enslaved Africans who resisted the slave regime, possessing an identity and with their own cultural values, religious beliefs and livelihoods[xix]. In the case of quilombola communities in the Project area, of the 72 recognised communities, only four have land titles[xx]. This insecurity of land tenure can lead to agrarian conflicts. 5,427 quilombola families are registered in the Unified Registry, 74% in extreme poverty and 5% in poverty.

16. Based on the Unified Registry, it is possible to identify the following number of families from other traditional communities in the Project area: 7,752 artisanal fishermen families, 307 extractivist families, 480 riverine families and 140 families from terreiro communities.

e. Marginalised groups

17. **Agrarian Reform settlers** are among the most marginalised groups in the intervention area. In the Project area, 1,648 agrarian reform settler families are registered in the Unified Registry, 64% of which are in extreme poverty and 5.8% in poverty[xxi]. According to INCRA data, there are 130 settlements in the core area of the Project, with about 40 families each, totalling approximately 5,200 families. This group has socio-economic vulnerabilities in several dimensions, among which the following stand out: i) insecurity in access to land, since not all of them have completed land titling; ii) lack of access to technical assistance; and iii) precarious access to public policies on credit, education, security, health and housing, among others.

18. In the Project area, there are 82,298 **persons with disabilities,** according to the Unified Registry. Disability and poverty are closely linked in Brazil, with persons with disabilities facing significant stigma and discrimination. For example, they have lower success rates at school and more limited access to economic activities, major contributors to family poverty. People with disabilities face a range of challenges throughout the life cycle. The abandonment of children with disabilities is a serious problem in Brazil. There is a relatively high number of female-headed households receiving the main tax-funded disability benefit in Brazil, the Continuous Social Assistance Benefit, and this may be related to the high rate of parental abandonment by families that have a child with a disability as a member. Data highlights that people with disabilities do not achieve parity with their non-disabled peers at any level of education. This puts them at a significant disadvantage in a competitive labour market.

19. Some additional gender dimensions have an impact on the challenges people with disabilities face. For example, women and girls with some form of disability are at a high risk of abuse, and this is especially the case for those with cognitive impairment. Moreover, until the Brazilian Inclusion Law (2015) was enacted, it was still routine for women with cognitive disabilities to be sterilised without consent. Caring for persons with disabilities also has a significant gender dimension. In general, women face the double burden of needing to both earn money and provide care, but this burden is only exacerbated when family members are also disabled. It should also be noted that women with disabilities may also have a disproportionate burden of care placed on them, as they may still be expected to care for other members of their family.

f. Nutrition

20. Brazil faces a double burden of malnutrition with the simultaneous presence of undernutrition and overweight. 8.4% of newborns have low birth weight, the presence of stunting in children under 5 years is 7%, the prevalence of dwarfism among children under 5 is 1.8% and 6.4% of children under 5 are overweight. In addition, 28.2% of adult women and 21.1% of adult men live with obesity.

21. In Bahia, according to the Ministry of Health's Food and Nutrition Surveillance System (SISVAN), in 2022, obesity reached more than 480,000 Bahians or 27% of the population and 35% of the adult state population monitored by SUS was overweight. In the same year, in the Project area, 4% of children aged 0 to 5 years were malnourished - underweight or very underweight for their age. For the same age group, 7.2% were short for their age, which is indicative of chronic malnutrition[xxii] . The situation worsens among the most vulnerable groups, such as quilombola communities, which continue to present socioeconomic disadvantages that are reflected in higher morbidity profiles, especially in relation to nutritional disorders.[xxiii]

22. 45.3 per cent of the Bahian population had some degree of food insecurity (INSAN) in 2018 and 6.3 per cent were hungry (severe food insecurity), above the national average of 37 per cent[xxiv]. More recent research by the PENSSAN Network (2022) indicates the current worsening of food insecurity, which affects 6 out of 10 people in Bahia, with family farmers and small producers being among the most impacted[xxv] . Despite the nutritional transition, the state follows the national trend and the rest of the Northeast region, facing a double burden of malnutrition, being marked by both malnutrition and the increased prevalence of overweight.

23. Women of reproductive age have greater nutritional needs compared to men and, for this reason, tend to have worse nutritional indicators than men of the same age. Research points out that, in the Northeast, the prevalence of low weight among pregnant women reaches 18% compared to 6.7% for the rest of Brazil[xxvi].

24. The main root causes of food and nutrition insecurity in rural areas of Bahia are the diminished quality of and difficult access to water for human consumption and food production; limited food production capacity and diversity; low quality of food consumed;

25. lack of productive infrastructure; and low levels of food and nutrition education. It is worth highlighting the direct correlation between food and nutrition insecurity and poverty rates (73.2% of family farmers registered in the Single Registry in the Project area live in extreme poverty)[xxvii] and environmental constraints (such as lack of basic sanitation, interruptions in water flows and poor quality of water sources). Only 60% of households in the Project area have access to the public sewage network and 70% are connected to the public water supply network[xxviii].

2.2 Environment and climate context, trends and implications

26. .

a. Environmental assessment

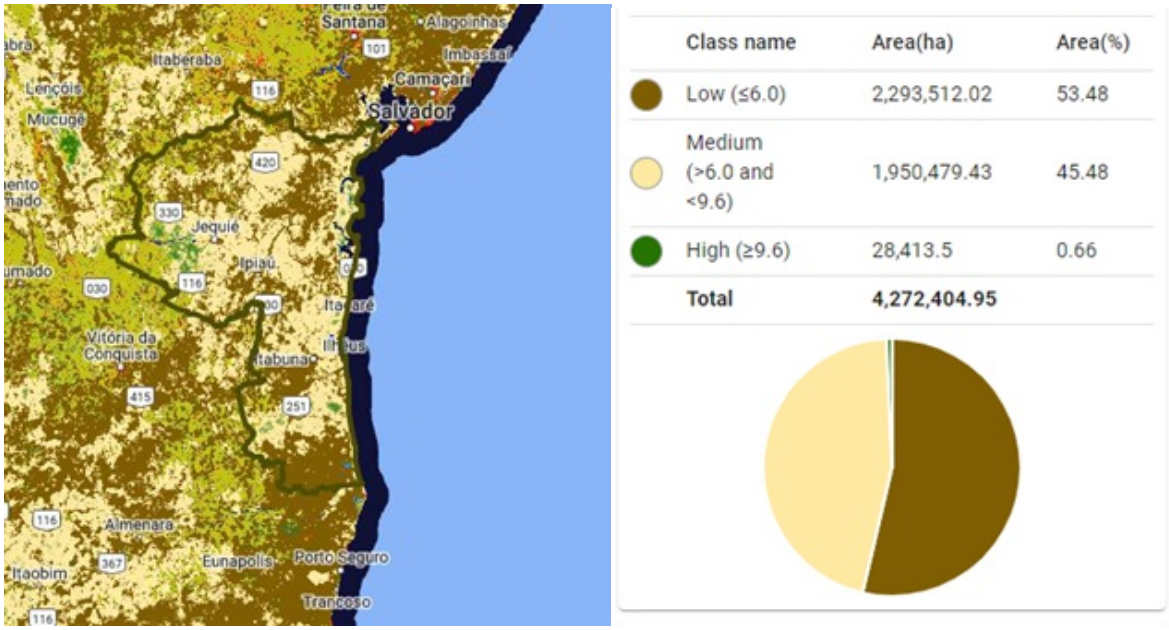
27. Brazil is the most biologically diverse country in the world and has the second-largest forest area. Brazil's forests represent a global public good in terms of providing a wide array of ecosystems services including water, biodiversity and carbon sequestration and storage. The Atlantic forest, one of Brazil's six biomes, is, however, under severe threat, with destruction dating back to the arrival of the Europeans in Latin America and resulting in the loss of over 80% of its original tree cover. [xxix] Bahia is the Brazilian State with the second highest rates of deforestation of the Atlantic Forest, amounting to 5,719 hectares in the period 2021-2022, which represents an increase in deforestation rate of 15% compared to the previous period. Whilst 76% of the deforestation took place in private properties, only 0.9% and 2.1% occurred in conservation units and "rural settlements" respectively. [xxx]

28. 

Biodiversity - RESOLVE Biomes 2017

Class name	Area(ha)	Area(%)
Tropical & Subtropical Moist Broadleaf Forests	3,474,144.31	81.32
Tropical & Subtropical Dry Broadleaf Forests	702,140.95	16.43
Mangroves	78,317.79	1.83
Total	**4,254,603.05**	

29. *Figure 1 Distribution of biomes according to RESOLVE*[xxxi]

30. 

31. *Figure 2 Forest Landscape Integrity Index*[xxxii]

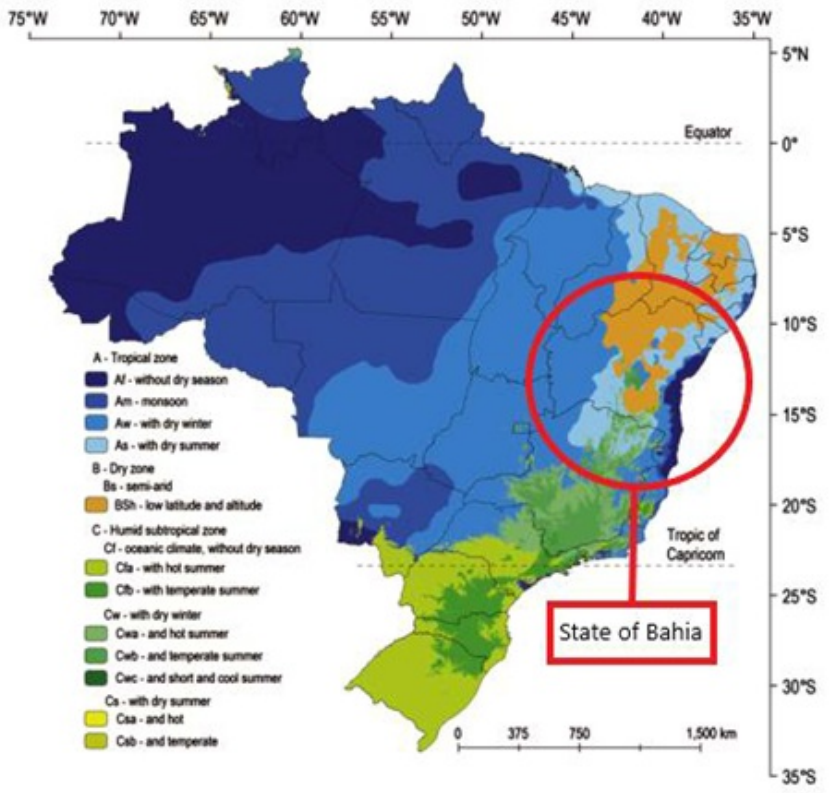
32. As can be seen in Figure 1, 81.3% of the project area is composed of tropical and subtropical moist broadleaf forests, 16.4% tropical and subtropical dry broadleaf forests and 1.8% mangroves. However, according to Figure 2, 53.5% and 45.5% of the forests have a low and medium level of integrity respectively. The project area comprises 23 protected areas and, of those, the project nucleus includes 5 integral protection conservation units and 5 sustainable use conservation units.[xxxiii]

33. In Bahia, which until recently was the principle cacao-producing state in Brazil, deforestation was and still is closely linked to the so-called "cacao crisis" in the late 1980s. This is because the dominant model of cocoa production occurred under thinned native forest, the so-called traditional *cabruca* agroforestry system. However, due to a global drop in cacao prices and the devastation caused by "witches broom" (*moniliopthoraperniciosa*) that resulted in a drastic decrease in cacao production, the cacao crises pushed farmers to adopt other production models. [xxxiv] This led to large-scale conversion of cabrucas to extensive cattle-raising pastures, full sun monoculture coffee and cacao plantations and logging of native forest species of high commercial value.[xxxv] It is important to note that already before this the green revolution had led to the partial transition from highly diversified cabrucas to functionally and structurally poorer systems. [xxxvi][xxxvii] Deforestation associated with unsustainable agricultural practices such as

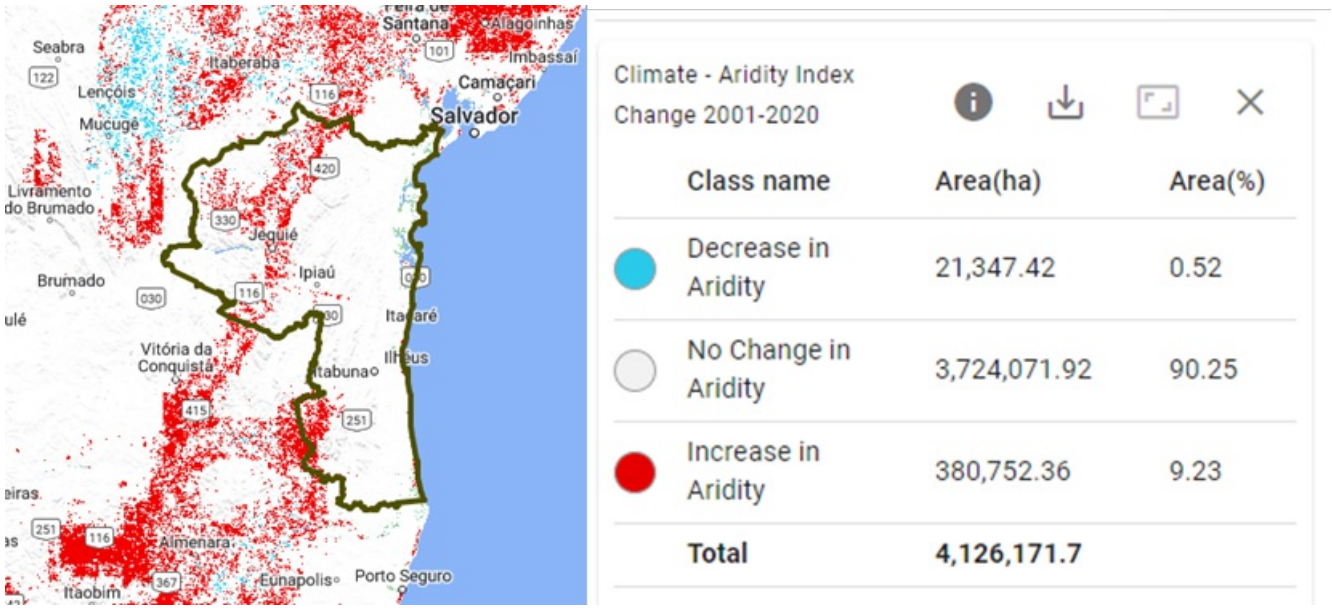
34. intensive use of synthetic herbicides, pesticides, fungicides and fertilizers - also practiced by a number of small-scale farmers in *cabruca* systems - is contributing to additional environmental risks of landslides, soil erosion, biodiversity loss, and water pollution in the project area. [xxxviii]

35. Regarding water quality, a recent study involving 990 analyses across the Atlantic Forest shows that only 6.9% of the tests showed a good water quality score and 20% of the analysed river points do not meet conditions for multiple water uses, such as agriculture, industry, human supply, animal watering, leisure, and sports. An important factor contributing to water pollution in the Atlantic Forest is lacking solid waste management and basic sanitation services and infrastructure, particularly in rural areas. [xxxix]

b. Climate trends and impacts



36. *Figure 3 Köppen Climate Classification Brazil*[xl]



37. *Figure 4 Climate aridity index change*[xli]

38. The climate of the project area according to Köppen's classification is principally tropical zone without dry season (Af) and to a lesser degree tropical zone with dry winter (Aw) and low latitude and altitude semi-arid (BSh). The Northeast region is considered one of the most vulnerable to climate change in the country. Future climate models, regardless of the scenario and time interval analysed, predict increased temperatures and reduced rainfall for the entire state, with rainfall reduction being even more pronounced in coastal regions and reaching up to 70%.[xlii] [xliii] There is also a likelihood of an increase in the number of dry months. At the same time, a higher probability of extreme weather events is predicted, such as the drought recorded in the northeast of the project area in the period 2012-2015 or floods of great magnitude, such as those verified at the end of 2021, mainly in the Southern Coastal Identity Territory. Figure 4 shows an increase in aridity of 9.23% of the project area between 2001-2020, with changes occurring particularly in the western parts. The 6th IPCC report found climate change will negatively impact the Atlantic Forest principally due to the contraction of the distribution of endemic species.[xliv] This impact is aggravated by land use change and invasive species, increasing the biome's

vulnerability.

39. The project area is exposed to a number of natural hazards that could impact the project activities. These notably include river and coastal floods, landslides, extreme heat and wildfires. The last few years have seen flooding in the Atlantic Forest of Bahia, which has cut off communities, blocked roads, and destroyed infrastructure, crops, reforested areas and animals. Particularly the fragmentation and loss of habitat of the Atlantic Forest hinders the ability of ecosystems to adapt to new climatic conditions and, as a consequence, also increases the vulnerability of the population to climate change and associated extreme weather events.[xlv]

40. Cacao is highly vulnerable to climate shifts[xlvi] as it is very sensitive to water deficiency and extreme temperatures.[xlvii] Projected climatic conditions are expected to reduce the suitability, particularly of the western part of the cocoa belt of southern Bahia, due to reduction in annual precipitation and dry season length. A recent study found that *cabruca* agroforestry systems are more resilient in the face of climate change as compared with intermediate shading and unshaded plantations. Understory temperatures in *cabrucas* were found to be up to 6°C lower than in unshaded plantations, showing that this system is vital particularly in areas where temperature extremes will exceed crop tolerance limits because it keeps temperatures within the physiological tolerance of cocoa. Furthermore, it also reduces water loss from plant transpiration and soil evaporation. As long as competition for water with the surrounding trees is not too high, this can reduce the vulnerability of cocoa trees to drought stress.[xlviii] Importantly, from a social point of view, shaded systems provide a safer and more comfortable working environment for the small- scale farmers and traditional communities.

41. However, in the case of extreme ENSO, even cabruca systems can suffer important tree mortality and yield losses. A study found that the ENSO-related drought between 2015- 2016 in Bahia led to a 15% increase in cocoa tree mortality and a decrease in cocoa yields of 89%. Furthermore, the drought resulted in increases in the infection rate of chronic fungal disease witches' broom (*Moniliophthora perniciosa*).[xlix]
Some climate projections suggest that the El Niño Southern Oscillation (ENSO) may increase the frequency of droughts and flooding in the tropics, representing a risk for cocoa production in the region. As such, it is important to promote the diversification of the agroforestry systems to ensure the nutrition security and incomes of the participating smallholder farmers and traditional communities.

42. As *cabruca* systems cannot be quickly restored, their conservation is vital to enable smallholder farmers to adapt to the effects of climate change in the region and avoid production losses in the long term, even if this means lower short-term yields as compared with non-shaded cocoa. Furthermore, their conservation contributes to the maintenance and improvement of a wide array of ecosystem services, including provisioning, regulating and cultural services. [li]

c. Climate change mitigation

43. The design team carried out an analysis of the greenhouse gas emissions sequestration and avoided emissions potential of the project using the NEXT tool. It was concluded that the project will contribute to avoid and sequester 342,463 tCO2e of greenhouse gases after 20 years compared to a without project scenario. The activity that provides the highest GHG sequestration and avoided emissions potential is the planting of cocoa trees and larger trees in the cabruca and SAF systems. Activities that will contribute to GHG emissions include application of organic fertiliser from other regions, application of limestone, gypsum and rock dust, and fuel used for technical visits. One of the most important pillars of the project will be the transition from the use of chemical fertilisers to organic fertilisers, and the encouragement of the production of organic fertilisers on farms, such as compost and biofertilisers. The project will also encourage the planting of leguminous trees in agroforestry systems, with the aim of reducing the input of organic fertilisers from other regions.

2.3 Target group profiles

Target groups	Features	Needs	Project Responses

Poor and extremely poor smallholder farmers	- They have properties of up to 20 ha (average of 6 to 7 hectares) - Low productivity farming systems, diversity and economic viability - Limited access to personalised technical assistance - Poverty status and extreme poverty - High incidence of food and nutrition insecurity - Limited or no schooling; illiteracy - High social, economic and environmental vulnerability	- Ensuring regular and sustainable income streams for families - Access to and ability to dispose of inputs, technologies, finance, natural and productive resources - Technical capacity building, including in life skills - Increased productivity and productive diversification - Technical Capacity Building - Social and economic empowerment	- Enrichment of cabruca systems, SAFs and agroecological backyards so that they can become more sustainable, resilient and profitable to produce and, consequently, increase families' income. - Involvement in the sustainable management of the resources of the Atlantic Forest biome - Provision of inputs, financial and productive resources and improved access to natural resources - Increased productivity and productive diversity - Provision of Technical Assistance and life skills - Improving Food and Nutrition Security
Traditional communities	- Higher incidence of poverty and extreme poverty - Higher incidence of food and nutrition insecurity - Traditional natural resource management knowledge and practices - Land insecurity and vulnerability to land conflicts -Restrictions on access to inputs, credit, technology, natural and productive resources - Lack of access to basic services such as health and education	- Valuing and respecting their traditional practices and ways of life - Creating sustainable employment and income opportunities - Recognising and valuing traditional natural resource management practices - Access to and ability to dispose of inputs, technologies, finance, natural and productive resources - Technical Capacity Building - Access to indigenous and quilombola education and nutrition - Better access to public policies and basic public services	- Ensuring free, prior and informed consent - Mapping the particularities of traditional and indigenous communities - Provision of Technical Assistance that is adapted to the practices of traditional communities - Capacity building for TA teams to respect the cultural identity and ways of life of these communities - Voice and effective participation in environmental planning and natural resource management
Rural Women	- Restrictions on access to inputs, credit, technology, natural and productive resources - Limited decision-making power - Double workload - Lack of access to basic public services such as health and education - Higher incidence of food and nutrition insecurity - Violence against women	- Creating sustainable employment and income opportunities - Productive diversification and market access - Women's empowerment in household level dynamics of power - Reducing the arduous double workload - Productive diversification and nutrition education - Capacity building opportunities - Increasing gender equity and women’s empowerment	- Participation and voice in socio-economic and environmental planning and natural resource management - Training and sensitisation of TA teams to work on gender issues - Provision of inputs, financial and productive resources and improved access to natural resources - Promoting women's economic and social empowerment

Rural Youth	- Higher incidence of poverty and food insecurity - Lack of employment opportunities and income generation - Migration to cities - Restrictions on access to inputs, credit, technology, natural and productive resources - Lack of access to education - Limited decision-making power	- Employment and income generation - Development and diversification of attractive and income-generating agricultural and non-agricultural activities - Access to and ability to dispose of assets such as inputs, technologies, finance - Capacity building opportunities - Greater voice, participation and influence in rural organisations	- Create new income opportunities for young people emerging from the conservation of ecosystem resources and the increased productivity, diversification and profitability of their cabruca systems, SAFs and agroecological productive backyards. - Participation and voice in socio-economic and environmental planning and natural resource management - Promoting the economic and social empowerment of young people - Provision of inputs, financial and productive resources and improved access to natural resources

3. Institutional analysis

44. **Institutions relevant to the project:**

45. The **Ministry of the Environment and Climate Change (MMA)** was created to carry out the planning, coordination, supervision and control of actions related to the environment, it has the attribution to execute public policies linked to the environment and climate change in Brazil.

46. The **Secretariat for the Environment (SEMA)** aims to ensure the promotion of sustainable development in the State of Bahia, formulating and implementing public policies aimed at harmonising the preservation, conservation and sustainable use of the environment, with respect for ethnic-racial-cultural diversity and socio-environmental justice in the State of Bahia. The Directorate of Environmental Policy and Planning implements the State Programme for Payment for Environmental Services (PEPSA) and has been promoting training for the development of municipal PES policies, in partnership with the Bahia PES NETWORK, of which IOCT is a member.

47. The **Institute of Environment and Water Resources (INEMA)** is an organ of the indirect administration of SEMA that promotes the integration of the environment and water resources system of the State of Bahia. Any management of native species in cabrucas must be authorised by INEMA and must not compromise the environmental services it provides.

48. The **Ministry of Agrarian Development and Family Farming (MDA)** is responsible in the federal government for proposing and implementing public policies aimed at agrarian reform and promoting sustainable development and strengthening the rural segment constituted by family farmers. Its actions are guided by the fight against rural poverty, food security and sovereignty, the sustainability of production systems and the generation and addition of value.

49. The mission of **the Family Farming Secretariat of the Ministry of AgrarianDevelopment is to** consolidate family farming as a whole to promote sustainable local development through human valorisation and political negotiation with representatives of society, respecting the wishes and desires of social organisations and practising the principles of decentralisation, democracy, transparency and partnership, with responsibility. SAF's guiding principles are to act in a participatory, decentralised and articulated manner with the States, Municipalities and organised civil society.
The **Companhia de Desenvolvimento e Ação Regional (CAR)** has been strongly committed to fighting poverty in rural communities, prioritising the strengthening of familyfarming, solidarity economy, commercialisation, territorialisation, water security, coexistence with drought, and sustainable management of the environment. CAR has already implemented three projects with IFAD in the last 25 years and will implement a fourth project called Parceiros da Mata together with IDB and IFAD in the same area as Compensation. As the project also has a PES sub-component, collaboration between the two PMUs will be key to explore synergies and exchange experiences.

50. **Intermunicipal Public Consortia** are platforms for the State Government to support the strengthening of decentralised environmental management. They represent essential spaces for the exchange of experiences in the implementation of PES policies and programmes.

51. The **Food and Agriculture Organisation of the United Nations (FAO)** with funds from the **Global Environment Facility (GEF)** and in partnership with **CEPLAC** will implement a project called the Cabruca Cocoa Project whose objective is to reduce and reverse the degradation of the Atlantic Forest biome in productive landscapes in the southern region of Bahia, through effective management of natural resources to create an environment conducive to the conservation and sustainable use of biodiversity, with an emphasis on cocoa cultivation as a support for the livelihoods of local populations and global environmental benefits.

52. **Municipalities** have an important role in establishing municipal PES laws to provide a favourable environment for PES projects and to ensure the long-term sustainability of these initiatives.

53. The **National Water Agency (ANA)** was one of the first institutions to launch a Programme called Water PES Water Producer in Brazil. The municipality of Ibirapitanga was the first in the State of Bahia to receive funds from ANA to implement the Pratigi Water Producer which became a municipal public policy called the Ibirapitanga Water Producer Programme.

54. **CEPLAC (Comissão Executiva do Plano de Lavoura Cacaueira)** is a body linked to the Secretariat for Innovation, Sustainable Development and Irrigation of the Ministry of Agriculture, Livestock and Supply (MAPA) whose mission is to promote research, innovation and technology transfer for the sustainable development of cocoa farming in Brazil, covering its various biomes and conserving the environment and biodiversity.

55. **SENAR (National Rural Apprenticeship Service)** is a private, parastatal organisation maintained by rural employers. Its mission is to develop actions of professional education and social promotion of rural people, contributing to the improvement of the quality of life and to the sustainable development of the country.

56. The **Bahia PES Network** is a group of public, private and third sector institutions engaged in the promotion of PES in the State. The main stakeholders are: municipal representatives, inter-municipal consortia, universities, family houses, SEMA and CAR, CBH, associations, cooperatives, rural unions, technology park, private research centres, NGOs, among others.

57. The **National Institute for Colonisation and Agrarian Reform (INCRA)** is responsible for agrarian reform, the management of

the land network and the regularisation of quilombola territories.

58. **Universities and teaching and research institutes** can contribute to the monitoring and evaluation of the project. The possibility of collaborating with the State University of Santa Cruz, which has a Postgraduate Programme in Development and Environment (PRODEMA), was identified.

59. **Civil society organisations and social movements:** should actively participate in the constitution of the PES Network, in particular those representing the project's target groups, such as traditional communities, such as the People's Web, women's and youth movements.

60. The **Atlantic Forest Biosphere Reserve**, recognised by UNESCO, is the largest Biosphere Reserve on the planet and a strategic partner to support PES initiatives bringing national and international visibility.

61. **Key national policies, strategies and regulatory frameworks relevant to theproject:**

- The **National Environmental Policy** (PNMA - Law No. 6.938 of 31 August 1981) establishes as one of its instruments the Environmental Impact Assessment (EIA), through which it seeks to identify, mitigate and evaluate the potential socio-environmental impacts of an activity or project.
- In Brazil's **National Biodiversity and Action Plan (NBSAP)**, the targets for ecosystem restoration are: 4) promote sustainable production and consumption to reduce pressure on natural resources; 5) minimise loss of native habitat; 11) increase protected areas; 14) restore and safeguard ecosystems that provide essential services to Traditional Communities; and 15) restore at least 15% of degraded ecosystems to mitigate and adapt to climate change and combat desertification.
- **UN Decade on Ecosystem Restoration**: during COP15 the Atlantic Forest biome was identified as one of the 10 "UN Restoration Flagship Landscapes" for being a biodiversity hotspot with a high degree of endemism and threat.
- The **National Policy for Payment for Environmental Services** (Law No. 14,119/2021) regulates payments for environmental services at the federal level. This law provides for monetary and non-monetary payments aimed at maintaining, recovering or improving ecosystem services throughout the national territory.[lii]
- The **Atlantic Forest Law** (Law No. 11.428/2006) regulates the protection and use of the forest's biodiversity and resources. It creates financial incentives to restore the Atlantic Forest, encourages donations for conservation projects, delimits the forest's domain, prohibits deforestation and develops rules for economic exploitation. [liii]
- The **Law on the Protection of Native Vegetation (Forest Code)** establishes the general rules on where and how native vegetation can be exploited and which areas must be preserved. It includes mechanisms to conserve and restore native vegetation on private land and establishes two types of preservation areas - the Legal Reserve (LR) and the Permanent Preservation Area (PPA). [liv]
- The **National Policy for the Recovery of Native Vegetation (PROVEG)** was created in 2017 to coordinate and strengthen public policies, financial incentives, markets and good agricultural practices to promote the recovery of native vegetation in fallow and degraded areas with low productivity. CONAVEG is responsible for putting the plan into practice. [lv]
- The **National Native Vegetation Recovery Plan (PLANAVEG)** is a key mechanism of PROVEG, whose objective is to expand and strengthen public policies, financial incentives, markets, recovery technologies, sustainable agricultural practices and other measures necessary for the recovery of native vegetation, mainly in APP and RL areas, but also in degraded areas with low agricultural productivity. [lvi]
- The **National Plan for the Control of Illegal Deforestation and Recovery of Native Vegetation (2020-2023)** seeks to coordinate efforts to reduce deforestation in all biomes. [lvii]
- The main objective of **the National Policy for the Sustainable Development of Traditional Peoples and Communities** is to promote the sustainable development of Traditional Peoples and Communities[lviii], with emphasis on the recognition, strengthening and guarantee of their territorial, social, environmental, economic and cultural rights, with respect and appreciation for their identity, their forms of organisation and their institutions.
- The **National Policy for Territorial and Environmental Management of Indigenous Lands (PNGATI)**[lix] has as its general objective to guarantee and promote the protection, recovery, conservation and sustainable use of the natural resources of indigenous lands and territories, ensuring the integrity of indigenousheritage, the improvement of the quality of life and the full conditions of physical and cultural reproduction of current and future generations of indigenous peoples, respecting their socio-cultural autonomy.

- The **National Policy for the Sustainable Development of Traditional Peoples and Communities**[lx] (PNPCT) has as its main objective to promote the sustainable development of Traditional Peoples and Communities, with emphasis on the recognition, strengthening and guarantee of their territorial, social, environmental, economic and cultural rights, with respect and appreciation for their identity, their forms of organisation and their institutions.
- The **International Labour Organization (ILO) Convention 169 on Indigenous and Tribal Peoples** establishes free, prior and informed consultation as a right of peoples and as a principle of their political relationship with national states. Article 6 defines the principles of the consultation process[lxi] .
- The **Maria da Penha Law** (Law No. 11.340/2006) creates mechanisms to prevent and curb domestic and family violence against women in its 46 articles. According to its article 5, "domestic and family violence against women is any action or omission based on gender that causes death, injury, physical, sexual or psychological suffering and moral or property damage". This norm conforms with the Federal Constitution (art. 226, § 8) and the international treaties ratified by the Brazilian State (Convention of Belém do Pará, Pact of San José da Costa Rica, American Declaration of the Rights and Duties of Man and Convention on the Elimination of All Forms of Discrimination against Women[lxii] .
- **Law No. 13,718/2018 of the Penal Code**, which typifies the crimes of sexual harassment and disclosure of a rape scene,

makes the nature of the criminal action of crimes against sexual freedom and sexual crimes against vulnerable persons unconditional, establishes causes of increased penalty for these crimes and defines collective rape and corrective rape as causes of increased penalty.

62. **Sub-national policies relevant to the project:**

- The **Bahia State Policy for Payment for Environmental Services (PSA)** and

63. the **State Programme for Payment for Environmental Services (PEPSA)** were established by Law No. 13,223 of 12 January 2015, but are not yet regulated.

- The **State Decree** (No. 15.180/2014) defines and regulates cabruca as an agroforestry system with a tree density greater than or equal to 20 individuals of native species per hectare, however, it determines that for the purpose of receiving incentives related to PSA, 40 or more individuals of native species per hectare are required (Art. 15 of State Decree No. 15.180/2014).
- The **Ibirapitanga Water Producer Programme** (Law No. 864 of 8 October 2014), which was initially part of the National Water Agency's (ANA) Water Producer Programme[lxiii] , before becoming public policy in the municipality of Ibirapitanga, was the first PES initiative in the State of Bahia. The public policy became a reference for other municipalities in southern Bahia and other regions of the state.

4. Environmental and social category

64. The environment and social category of the project was evaluated as **moderate**. Overall this is justified by the small size of the project in terms of financial resources involved and the limited scope (PES scheme), low level of risk and environmentally and socially positive nature of the foreseen project activities.

65. Regarding environmental aspects, the category is justified due to the following: i) whilst the project will only implement activities in protected areas that allow agricultural activities and sustainable use of natural resources, they will be limited to the restoration and improved management through agroecological practices of the agroforestry systems, as well as investments in solid waste management; ii) the project will only allow the procurement of non-synthetic, agroeocological inputs (e.g. limestone, organic manure/compost, rock powder) and provide technical assistance to project participants in order to transition from the use of synthetic agrochemicals to agroecological production methods; iii) the introduction of invasive alien tree species (based on the State of Bahia's list of invasive species and scientific sources) is strictly prohibited; iii) procurement of natural resource materials will be limited to certified and sustainable primary suppliers.

66. Regarding social risks, there are moderate risks related to the presence of indigenous peoples and traditional communities with their own knowledge and ways of life. Because there is a diverse range of risks, such as poor understanding of the PES mechanism, lack of adherence and the impossibility of applying FPIC, the project will not include indigenous peoples in the actions of Component 1, which are those involving the implementation of the PES project.. The Project will also develop a Gender and Social Inclusion Strategy, which will contribute to mitigate any risks related to inclusion, benefiting and empowerment of target groups and to assure quality participation and empowerment of targeted groups.

5. Climate risk category

67. The climate risk classification for this project is **moderate**. This is justified by the fact that the project area faces a number of hazards including flooding, landslides, extreme heat and wildfires (more frequent in drier transition zones). Projections suggest an increase in temperatures and days of extreme heat. Regarding precipitation, an overall reduction is foreseen with an increase in dry periods and droughts, as well as higher concentration of rain in short spells increasing the risk of flooding. There is a potential exposure of the cacao value chain linked to extreme climate events such as drought and flooding. In acknowledgement of this, an adaptation assessment will be undertaken for Parceiros da Mata, a Type C project with IDB that will be implemented in the same area as CompensACTION. The study will include an analysis of the cacao value chain with a particular focus on cabruca and agroforestry systems.

68. Additionally, the project will promote diversified agroforestry models that are more resilient in the face of climate-related risks conserving ecosystems services. An analysis of the climate hazards and mitigation measures faced by project participants will be integrated in the social, environmental diagnosis and PES contracts.

6. Recommendations for project design and implementation

69. **Environmental and climate resilience recommendations:**

70. - Ensure that beyond cacao the agroforestry and *cabruca* systems are enriched and

71. diversified with native and exotic species that can withstand projected changes in climate variables (higher temperatures, more frequent droughts, reduction in precipitation particularly due to lengthening of dry season) whilst improving the nutrition and income of the participants of the project. Avoid introduction of invasive alien species by following the list of invasive alien species developed by the environmental agency of the State of Bahia and promote priority endangered tree species by planting those in the list developed by the PAN Hileia Baiana.[lxiv]

72. - Promote drought-resistant cacao varieties and agroforestry management practices that reduce the vulnerability to drought. These include increasing the water retention capacities of soils through mulching using the vegetation from pruning and thinning to conserve soil humidity, as well as the planting of leguminous species.

73. - Adopt a landscape approach that promotes ecological corridors through the restoration of riparian forests, headwaters, slopes and hilltops to ensure the largest positive impact for biodiversity and ecosystem restoration.

74. - Promote transition from input-intensive to agroecological and organic production

75. systems that reduce or eliminate the use of agrochemicals.

76. - Whilst deforestation for fuelwood to dry cacao does not contribute substantially to

77. overall deforestation, it is a factor for deforestation on the properties of the project participants. The project will, therefore, provide technical assistance on the solar- drying of cocoa.

78. - The project should adhere to national and sub-national laws and regulations such as those pertaining to the conservation and management of the Atlantic Forest, areas of permanent protection and legal reserves. It should also ensure alignment with the stipulations of the national and state PES laws.

79. **Social recommendations:**

80. - To ensure that social safeguards are met, Project staff, TA teams and organisations

81. to be hired as project implementing partners should be sensitised and trained on gender, youth, traditional peoples and communities and nutrition.

82. - Project information, including regarding the grievance and redress mechanism, should be presented in an accessible and culturally appropriate manner, giving due attention to the specific needs of community groups that may be affected by Project implementation (such as literacy, gender, language differences, or accessibility of technical information or connectivity).

83. - The TA team should orientate families on nutrition basics, enriched and diversified diets, good food safety practices, sanitation and hygiene to improve the quality of families' diets.

84. - Develop robust M&E system with data disaggregated by gender, age and traditional peoples and communities to monitor socio-economic empowerment of target groups.

85. - The project should ensure that interventions address the gaps that make it difficult
for women, youth and traditional peoples and communities (PCTs) to access inputs, technologies and tools to increase production and productivity in the cocoa value chain.

86. - The Project should apply a participatory methodology to tackle social norms that

87. contribute to reducing social risks such as gender violence.

88. - In traditional peoples communities located in the target territories, the Free, Prior

89. and Informed Consent (FPIC) procedure will be applied to obtain their acceptance and willingness to participate in the project.

90. - The project will follow international labour standards.

91. - Robust complaints and redress mechanisms should be established.

7. Further studies needed

92. Based on the moderate environmental and social category and the moderate climate risk category, the following studies/plans are required by DRM: (i) Final SECAP Review Note and ESCMP matrix, (ii) Stakeholder Engagement Plan (SEP), (iii) Grievance Redress Mechanism and (iv) FPIC Implementation Plan.

8. Monitoring and evaluation

93. Indicators of gender, youth and traditional communities:
94. Outreach indicator: number of people receiving the services promoted or supported by the project disaggregated by gender, youth and traditional communities.
95. Families receiving technical assistance disaggregated by gender.
96. Farmers receiving a financial pay-out (payment for environmental services - PES) disaggregated by gender.
97. Nutrition indicator:
98. CI outcome indicator 1.1.8: Households provided with targeted support to improve nutrition (disaggregated by gender, age and traditional peoples and communities). Environment and climate indicators:
99. CI 3.2.4: Biodiversity improvements at ecosystem-level
100. CI 3.2.1: Tons of greenhouse gas emissions (tCO2e) avoided and/or sequestered Farmer households have adopted environmentally sustainable and climate-resilient technologies (SDG2/13)
101. Land brought under climate-resilient practices (SDG12/13)

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ESCMP Matrix

ESCMP Matrix						
Environmental/Social and climate Impacts	**Recommended Mitigation/Enhancement measures**	**Public Consultation Activities**	**Responsible Institution In Implementation Phase**	**Means of Verification** **(Monitoring and reporting)**	**Frequency of Verification**	**Cost Estimate**

Cacao production could be affected by prolonged droughts, extreme temperatures or diseases such as "witches broom"	- Project participants will receive technical assistance on increasing soil water retention capacity and preventing the infection and spreading of witches broom using agroecological and organic methods. - Promotion of drought-resistant cocoa varieties - Multiple cocoa and native and exotic trees (incl. fruit, for wood, etc.) will be promoted to diversify the production systems and reduce susceptibility to diseases and climate impacts. - Identify climate and environment-related risks during the evaluation of the entire property and agree on mitigation measures and include in contract between OCT and project participant.	- Include in capacity-building activities	OCT	- Acquisition of plant material - Verification with project participants and OCT in the field during supervision missions - Matrix of risks and mitigation prepared as part of contract between OCT and project participants	Every acquisition Half-yearly ha	-
Introduction of invasive alien tree species	- Technicians and procurement staff sensibilised about rules regarding avoiding introduction of alien tree species - Adhere to the Secretary of the Environment of Bahia's list of invasive species for the Atlantic Rainforest (pdf attached) - Promote the integration of tree species identified as priority by the PAN Hileia Bahiana (excel attached)	- Sensibilisation of technicians and procurement staff during training on social and environmental mainstreaming themes - Dissemination of list of invasive species amongst all project partners - Inclusion of questions in integrated property plan and identification of appropriate mitigation measures - Prioritisation of endangered native tree species	OCT	- Acquisition of plant material	Every acquisition	

Risk of cabrucas being affected by flooding, particularly in areas close to riverbanks	- Promote the restoration of springs and riverbanks to reduce sedimentation linked to soil erosion. - Identify climate and environment-related risks during the evaluation of the entire property and agree on mitigation measures and include in contract between OCT and project participant.	- Focus group discussions during identification of priority areas for conservation and restoration - One-on-one discussions with project participants during evaluation of the property land uses	OCT	- Map of priority areas where restoration activities will take place, updated as activities are undertaken - Matrix of risks and mitigation prepared as part of contract between OCT and project participants	Half-yearly	-
Risk of negatively impacting protected areas	- The project will only implement activities in protected areas that allow sustainable use. - Restrictions identified in the protected area management plans will be respected.	- Technicians are trained on the restrictions related to activities in protected areas. - Question on whether property is situated in protected area included in integrated property plan.	OCT	- Integrated property plans - Training agenda	Half-yearly	
In the procurement process, indirectly the project could promote the use of natural resources that are not authorised or have not been produced using sustainable practices	- Include as a requirement in procurement processes that suppliers provide proof of the legal provenance of materials from natural resources.		OCT	- Authorisation in force for the use of the material to be acquired by the project.	Every acquisition Half-yearly	-
Risk of localised pollution of water and soils due to use of agrochemicals in cacao production	- The project aims to gradually transition the project participants away from the use of agrochemicals and the adoption of agroecological practices such as organic compost/manure, mulching, and other biosolutions.	- Part of capacity-building activities	OCT	- Training records - Training materials - Acquisition of inputs	Every acquisition Half-yearly	-
Deforestation of natural habitats for fuelwood to dry cocoa or open up new spaces for cacao production	- Project participants have to commit to not deforesting a part of their property as a counterpart for the PES - Technical capacity-building will promote solar-drying methods that avoid use of fuelwood. - Ensure participants are aware of their obligations according to national and state regulations.	- Part of capacity-building activities	OCT	- Training records - Training materials	Half-yearly	-

Moderate risk of inadequate labour and working conditions	- All beneficiaries, as well as service providers, sign an agreement which include a commitment to comply with labour conditions that prohibit the direct or indirect employment of minors, in accordance with national legislation, and to prohibit the worst forms of child labour. The PMU shall establish a mechanism to supervise and follow up on the actions established in the signed commitment-agreement. - Through IFAD's Supervision and Implementation Support Missions, documents, interviews and field visits will be randomly reviewed to identify whether or not child labour is directly or indirectly present among programme beneficiaries or their service providers. - Through the grievance and mechanism of the project, stakeholders or society at large may submit anonymous complaints regarding child labour or the worst forms of child labour, and shall be addressed and resolved as indicated in the mechanism.	- Include the theme of adequate labour and working conditions in project capacity building activities - Sensibilisation of technicians, UGP members and partner institutions regarding labour and working conditions - Frequent informative section on the project's Grievance and Redress Mechanism (GRM)	OCT	- Agreements signed and supervision mechanism created - Training records and materials regarding GRM and labour and working conditions	Half-yearly	
Gaps in healthy eating	- Promote agroecological practices and raise awareness about the value of production and consumption of agroecological products among families. - Build the capacity of nutrition TA teams to promote basic nutrition, hygiene and sanitation.	- Dissemination of messages linked to healthy eating by valorising local production	OCT Partner institutions working on agroecology and healthy food issues	- Training records - Training materials	Half-yearly	-

Inclusion gaps for traditional peoples and communities (PCTs)	- Promote Free, Prior and Informed Consent processes; - Respect the heritage, cultural identity and ways of life of traditional peoples and communities. - M&E of inclusive participation of at least 20 per cent of people from PCTs. - Implementation of sensitisation trainings for TA professionals on issues of race and ethnicity, focusing on methodological approaches and	- Promotion and dissemination of the project among traditional peoples and communities in the project area - Ensure that the language of Project materials and media is accessible and favourable. - Liaison with organisations and movements representing PCTs	OCT	- Report on the Implementation of FPIC - Photographic and video records of activities, events and meetings with PCTs	Half-yearly	-
Rural youth inclusion gaps	- Prioritise young people when hiring TA staff - Promote youth participation and voice in socio-economic and environmental planning and natural resource management. - Providing inputs, financial and productive resources and improved access to natural resources for young people - Promote training on topics such as the environment and sustainable management of natural resources for young people. - Promote collective PES in Agricultural Family Houses (rural education institutions based on the pedagogy of alternation) when they have SAFs or cabruca systems. - M&E of inclusive participation of at least 15% of rural youth.	- Articulation with institutional actors linked to rural youth - Promotion and dissemination of the project through a variety of media with inclusive messages for young people.	- OCT - Agricultural Family Houses - Articulation with institutional actors linked to the youth theme	- Photographic and video records of activities, events and meetings with rural youth - Minutes of meetings and agreements with rural young people	Half-yearly	-

Rural women's inclusion gaps	- Train TA teams on gender issues to meet their specific demands. - Promote women's participation and voice in socio-economic and environmental planning and natural resource management. - Select techniques and technologies that are suitable for use by women. - Provide inputs, financial and productive resources and improved access to natural resources for women. - M&E of inclusive participation of at least 50% women	- Articulation with institutional actors linked to rural women - Promotion and dissemination of the project through a variety of media with gender inclusive messages.	- OCT - Articulation with institutional actors linked to gender issues, such as women's movements.	- Photographic and video records of activities, events and meetings with rural women - Minutes of meetings and agreements with rural women	Half-yearly	-
Inclusion gaps for family farmers in poverty and extreme poverty	- Provide technical assistance for the agroecological transition of production systems. - Providing inputs, financial and productive resources and improving access to natural resources. - M&E of inclusive participation of at least 30% of land reform settlers.	- Promotion and dissemination of the project through a variety of media with inclusive messages.		- Photographic and video records of activities, events - Minutes of meetings and agreements		-

123. **Questions to be included in the integrated property plans**

124. **Climate and environment:**

- What environmental and climate hazards do you face on your property?
- Water scarcity (agricultural dry spells and droughts)
- Extreme heat (over 35°C)
- Flooding
- Landslides
- Extreme rain
- Wildfires
- Pests
- Diseases
- Other

- Which areas of the property do they affect? (land uses as defined in PIPs[i])

- With what frequency do the hazards occur?
- To what extent have they impacted the different areas of the property? (Reduced quality and yield of agricultural production, affected native forest, etc.)

Footnotes

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vii Security Observatory Network, 2023. They live. March 2023 edition. Available at: http://observatorioseguranca.com.br/wordpress/wp-content/uploads/2023/03/RELATORIO_REDE-DE-OBS-elas-vivem_final-2.pdf.

126. Risk:
ix According to research by the Observatory of Security Network, the most recorded type of violence in Bahia in 2022 was homicide with 93 cases, followed by femicide (91), attempted femicide/physical assault (74) and sexual violence (25).

x Available at: https://g1.globo.com/bom-dia-brasil/noticia/2023/03/28/mulheres-negras-representam-62percent-das-vitimas-de-feminicidio-no-brasil-aponta-anistia-internacional.ghtml.

127. Social characterization:
xi IBGE. Demographic Census, 2010.

xii IBGE, 2017. Agricultural Census. Available at: https://censoagro2017.ibge.gov.br/.

128. - Do you have formal legal ownership occupation, management and/or use
xiii Available at: https://www.gov.br/mdh/pt-br/navegue-por-temas/juventude/publicacoes/estatuto_da_juventude_2022-defeso.pdf.
129. recognition?
xiv IBGE, 2022. Synthesis of Social Indicators, 2022. Available at: https://biblioteca.ibge.gov.br/visualizacao/livros/liv101979.pdf.

xv IBGE. PNADC, 2020.

xvi Available at: https://www.ibahia.com/brasil/gravidez-na-adolescencia-mais-de-15-mil-menores-de-14-anos-se-tornaram-mae-em-2021-na-ba.

xvii 2006 Agricultural Census - table 1111; 2017 Agricultural Census - table 6776.

xviii IBGE, 2010. Demographic Census.

130. [i] Based on Portuguese abbreviation
xix The existence of contemporary quilombos is a Latin American reality. Their right to ownership of the land they occupy is not only guaranteed by national legislation, but by ILO Convention 169 on Indigenous and Tribal Peoples.

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xxv PENSSAN. II National Survey on Food Insecurity in the Context of the COVID-19 Pandemic in Brazil, 2022. Available at: https://olheparaafome.com.br/.

xxvi MELO, Maria Inês Bezerra de et al (2011). "Estado nutricional de gestantes avaliado por três diferentes métodos de classificação antropométrica." Revista de Nutrição 24 (2011): 585-592.

xxvii Single Registry, 2023. Available at: https://aplicacoes.cidadania.gov.br/vis/data3/data-explorer.php.

xxviii Idem.

xxix https://www.wri.org/insights/other-brazilian-rainforest-why-restoring-atlantic-forest-can-help-tackle-climate-change

xxx SOS Mata Atlântica Foundation, & National Research Institute (2023). Technical report: Atlas of Atlantic Forest remnants 2021-2022.

xxxi Map and data downloaded from earthmap.org on 12.07.2023

xxxii Map and data downloaded from earthmap.org on 12.07.2023

xxxiii The 5 integral protection conservation units are: Ecological Station Wenceslau Guimarães; State Park Serra do Conduru; State Park Ponta da Tulha; Municipal Park Marinho dos Ilhéus; Municipal Park da Boa Esperança. The 5 sustainable use conservation units are: Environmental Protection Area Pratigi; Environmental Protection Area Caminhos Ecológicos Boa Esperança; Environmental Protection Area Costa de Itacaré/Serra Grande; Environmental Protection Area Lagoa Encantada e Rio Almada; Environmental Protection Area Lagoa Encantada e Serra do Conduru. xxxiv

xxxiv Johns, N. D. (1998). Conservation in Brazil's chocolate forest: The unlikely persistence of the traditional cocoa agroecosystem. *Environmental Management*, 23(1), 31-47. https://doi.org/10.1007/s002679900166

xxxv Fernandes Nogueira, R., Roitman, I., Alvim Carvalho, F., Taboada Soldati, G., & Baiocchi Jacobson, T. K. (2019). Challenges for agroecological and organic management of Cabruca cocoa agroecosystems in three rural settlements in southern Bahia, Brazil: perceptions from local actors. *Agroforestry Systems*, 93(5), 1961-1972. https://doi.org/10.1007/s10457-018-0303-x

xxxvi This includes the replacement of native shade trees with banana trees, Erythrina sp., and rubber, as well as cabruca with fewer native trees (25 to 30 shade trees) per hectare.

xxxvii Piasentin, F. B., & Saito, C. H. (2014). The different methods of cocoa cultivation in southeastern Bahia, Brazil: Historical aspects and perceptions. *Boletim Do Museu Paraense EmilioGoeldi:Ciencias Humanas*, 9(1), 61-78. https://doi.org/10.1590/S1981-81222014000100005

xxxviii An important additional factor for water pollution

xxxix SOS Mata Atlântica Foundation (2023). Observing the Rivers 2023: Water Quality Portrait in Atlantic Forest Watersheds. March.

xl Figure adapted from: Alvares, C. A., Stape, J. L., Sentelhas, P. C., De Moraes Gonçalves, J. L., & Sparovek, G. (2013). Köppen's climate classification map for Brazil. *Meteorologische Zeitschrift*, 22(6), 711-728. https://doi.org/10.1127/0941-2948/2013/0507

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xlii Augusto, C., Tanajura, S., Genz, F., & Araújo, H. A. D. E. (2010). MUDANÇAS CLIMÁTICAS E RECURSOS HÍDRICOS NA BAHIA : VALIDAÇÃO DA SIMULAÇÃO DO CLIMA PRESENTE DO HADRM3P
E COMPARAÇÃO COM OS CENÁRIOS A2 E B2 PARA 2070-2100 Universidade Federal da Bahia , Salvador , Ba , 2 Instituto de Gestão das Águas e Clima (INGA), Salvador , Ba. 345–358.

xliii This information diverges from the WB CPKK as sources focusing specifically on the litoral coast of Bahia as opposed to the whole state was used.

xliv IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA, 3056 pp., doi:10.1017/9781009325844

xlv Neves, F. M., Alvarez, G., Corrêa, F. F., & Silva, J. B. L. (2021). Drivers of vulnerability to climate change in the southernmost region of Bahia (Brazil). *Society & Nature*, 34(1). https://doi.org/10.14393/sn-v34-2022-62222

xlvi Required conditions are: average annual precipitation > 1200 mm, dry season (< 100 mm precipitation/month) shorter than 3 months, minimum temperatures > 15 °C, and maximum temperatures during dry months below 36 °C.

xlvii FAO (2020a) Crop Ecological Requirements Database (ECOCROP) Food and Agriculture Organisation of the United Nations, Rome. http://www.fao.org/land-water/land/land-governance/land-resources-planning-toolbox/category/details/en/c/1027491/.

xlviii Heming, N. M., Schroth, G., Talora, D. C., & Faria, D. (2022). Cabruca agroforestry systems reduce vulnerability of cacao plantations to climate change in southern Bahia. *Agronomy forSustainable Development*, *42*(3). https://doi.org/10.1007/s13593-022-00780-w

xlix Gateau-Rey, L., Tanner, E. V. J., Rapidel, B., Marelli, J. P., & Royaert, S. (2018). Climate change could threaten cocoa production: Effects of 2015-16 El Niño-related drought on cocoa agroforests
in Bahia, Brazil. *PLoS ONE*, 13(7), 1-17. https://doi.org/10.1371/journal.pone.0200454

l A PhD thesis found that cabruca systems support at least 32 different ecosystem services.

li Coelho, N. R. (2023). Payment Policy for Environmental Services: potentialities, challenges and contributions to the promotion in Bahia. PhD Thesis in Development and Environment Full Network Association (PRODEMA), State University of Santa Cruz.

Environmental and Social Safeguards Classification: Moderate

Environmental and Social Safeguards				
Biodiversity conservation	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
1.1 Could the project potentially involve or lead to conversion or degradation of biodiversity, habitats (including modified habitat, natural habitat and critical natural habitat) and/or ecosystems and ecosystem services?	No			Low
1.2 Could the project involve or potentially lead to activities involving habitats that are legally protected, officially proposed for protection, or recognized as protected by traditional local communities and/or authoritative sources (e.g. National Park, Nature Conservancy, Indigenous Community Conserved Area, ICCA, etc.)?	Yes	Possible	Minor Project is close to a protected area, and associated facilities may have an indirect impact unless the project is modified	Moderate
1.3 Could the project potentially involve or lead to an increase in the chance of human-wildlife encounters/conflict?	No			Low
1.4 Could the project potentially involve or lead to risks to endangered species (e.g. reduction, encroachment on habitat)?	No			Low
1.5 Could the project potentially involve or lead to impacts/risks to migratory wildlife?	No			Low
1.6 Could the project potentially involve or lead to introduction or utilization of any invasive alien species of flora and fauna, whether accidental or intentional?	Yes	Possible	Moderate High potential for invasive alien species of flora and fauna to be introduced, but strict controls likely to be adequate.	Moderate
1.7 Could the project involve or lead to the handling or utilization of genetically modified organisms?	No			Low

Environmental and Social Safeguards				
1.8 Could the project involve or lead to procurement through primary suppliers of natural resource materials?	Yes	Likely	Minor Poject may possibly require procurement of natural resources through primary suppliers, and resource extraction is tightly regulated. Alternatives to procurement of natural resources through primary suppliers exists.	Moderate
Resource Efficiency and Pollution Prevention	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
2.1 Could the project involve or lead to the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No			Low
2.2 Could the project involve or lead to primary not environmentally sustainable production of living natural resources? (Note: this includes the cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc)	No			Low
2.3 Could the project involve or lead to engagement in areas of forestry, including the harvesting of natural forests, plantation development, and/or reforestation?	Yes	Almost certain	Minor Only a small component of the project is focused on forestry, and this aspect is well regulated.	Moderate
2.4 Could the project involve or lead to significant consumption of raw materials, energy, and/or water?	No			Low
2.5 Could the project involve or lead to significant extraction, diversion or containment of surface or ground water (e.g. construction of dams, reservoirs, river basin developments, groundwater extraction)?	No			Low
2.6 Could the project involve inputs of fertilizers and other modifying agents?	Yes	Likely	Minor The project only requires minimal amounts of fertilizer	Moderate
2.7 Could the project involve or lead to procurement, supply and/or result in the use of pesticides on crops, livestock, aquaculture or forestry?	Yes	Likely	Minor The project only requires minimal amounts of pesticide.	Moderate

Environmental and Social Safeguards				
2.8 Could the project be located in an area which is being, or has been, polluted by an external source (e.g. a mine, smelter, industry)?	No			Low
2.9 Could the project involve livestock – extensive and intensive systems and animal products (dairy, skins, meat, etc.)?	No			Low
Cultural Heritage	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
3.1 Could the project be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	No			Low
3.2 Could the project directly or indirectly affect indigenous peoples' rights, lands, natural resources, territories, livelihoods, knowledge, social fabric, traditions, governance systems, and culture or heritage (tangible and intangible)?	No			Low
3.3 Could the project involve or lead to significant excavations, demolitions, movement of earth, flooding or other environmental changes?	No			Low
3.4 Could the project involve or lead to adverse impacts to sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No			Low
3.5 Could the project involve or lead to alterations to landscapes and natural features with cultural significance?	No			Low
3.6 Could the project involve or lead to utilization of tangible and/or intangible forms (e.g. practices, traditional knowledge) of Cultural Heritage for commercial or other purposes?	No			Low
indigenous peoples	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
4.1 Could the project be sited in areas where indigenous peoples are present (including the project area of influence)?	Yes	Likely	Minor The project is not sited in an area where indigenous people are present, but associated facilities may impact on indigenous people.	Moderate
4.2 Could the project result in activities located on lands and territories claimed by indigenous peoples?	No			Low
4.3 Could the project result in impacts on the rights of indigenous peoples or to the lands, territories and resources claimed by them?	No			Low
4.4 Could the project result in the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No			Low
4.5 Could the project lead to impacts on the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No			Low
Labour and Working Conditions	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**

Environmental and Social Safeguards				
5.1 Could the project operate in sectors or value chains that are characterized by working conditions that do not meet national labour laws or international commitments? (Note: this may include discriminatory practices, high gender inequality and the lack of equal opportunities, denial of freedom of association and collective bargaining, labour migrants)	Yes	Possible	Moderate The project operates in sectors or value chains that have, in the past, not met national labour laws, or international commitments, but is now adequately nationally regulated. However, international value chains are not regularly audited for environmental or social performance.	Moderate
5.2 Could the project use or operate in a value chain where there have been reports of forced labour? (Note: Risks of forced labour may be increased for projects located in remote places or where the status of migrant workers is uncertain)	No			Low
5.3 Could the project involve children (a) below the nationally-defined minimum employment age (usually 15 years old) or (b) above the nationally-defined minimum employment age but below the age of 18 in supported activities or in value chains?	No			Low
5.4 Could the project: (a) operate in a sector, area or value chain where producers and other agricultural workers are typically exposed to significant occupational and safety risks, and/or (b) promote or use technologies or practices that pose occupational safety and health (OSH) risks for farmers, other rural workers or rural populations in general? (Note: OSH risks in agriculture might include: dangerous machinery and tools; hazardous chemicals; toxic or allergenic agents; carcinogenic substances or agents; parasitic diseases; transmissible animal diseases; confined spaces; ergonomic hazards; extreme temperatures; and contact with dangerous and poisonous animals, reptiles and insects. Psychosocial hazards might include violence and harassment.)	Yes	Likely	Minor The project operates in a sector, area, or value chain where workers are occasionally exposed to significant OSH risks, and where regulation is known to be effective.	Moderate
Community Health, Safety and Security	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
6.1 Could the project be at risk from water-borne or other vector-borne diseases (e.g. temporary breeding habitats), and/or communicable and non-communicable diseases?	No			Low
6.2 Could the project lead to unintended negative impacts on nutrition?	No			Low
6.3 Is there a possibility of harm or losses due to failure of structural elements of the project (e.g. collapse of buildings or infrastructure)?	No			Low
6.4 Could the project involve or lead to the construction or rehabilitation of dams?	No			Low
6.5 Could the project involve or lead to transport, storage, and use and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	No			Low

Environmental and Social Safeguards				
6.6 Could the project lead to adverse impacts on ecosystems and ecosystem services relevant to communities' health (e.g. food, surface water purification, natural buffers from flooding)?	No			Low
6.7 Could the project lead to the potential for gender-based violence, including sexual harassment, exploitation and abuse, as a result of labour influx, land redistribution, or other actions that alter community dynamics?	No			Low
6.8 Could the project lead to increases in traffic or alteration in traffic flow?	No			Low
6.9 Could the project lead to an influx of project workers?	No			Low
6.10 Could the project involve or lead to the engagement of security personnel to protect facilities and property or to support project activities?	No			Low
Physical and economic resettlement	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
7.1 Could the project result in temporary or permanent and full or partial physical displacement (including people without legally recognizable claims to land)?	No			Low
7.2 Could the project result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No			Low
7.3 Could the project present a risk of forced evictions?	No			Low
7.4 Could the project result in impacts on or changes to land tenure arrangements and/or community-based property rights/customary rights to land, territories and/or resources?	No			Low
Financial intermediaries and direct investments	**Yes/No**	**Likelihood**	**Consequence**	**Risk Rating**
8.1 Could the investment be granted to an institution that does not have an environmental and social policies and an associated environmental and social management system (ESMS) in place (transparent, publicly available)?	No			Low
8.2 Could the investment be granted to an institution with insufficient capacities (i.e. unqualified personnel e.g. ES Officer) to implement the ESMS?	No			Low
8.3 Could the investment be granted to an institution that does not have an Exclusion List?	No			Low
8.4 According to the institution's portfolio classification: Could the institution have potential high-risk projects in their portfolio?	No			Low
8.5 Is there evidence that the institution does not comply with the local legal framework?	No			Low
8.6 Does the institution provide a stable communication channel with stakeholders and local communities (e.g. a Grievance Redress Mechanism)?	No			Low
8.7 Does the organization provide auxiliary or capacity building support services.	No			Low

Climate Risk Classification: Moderate

Step 1: Hazard identification	
What are the expected hazards in the project intervention area?	**No, Yes, TBD**
River flood	Yes
Costal Flood	No
Urban Flood	No
Landslide	Yes
Cyclone	No
Water Scarcity (agricultural droughts and/or dry spells)	No
Extreme Heat	Yes
Wildfires	Yes
Future climate scenarios foreseen (period 2040-2059) - Change in frequency and intensity	**No, Yes, TBD**
Change in temperature (increase or decrease)	Yes
Change in rainfall (increase or decrease)	Yes
Climate variability (larger or smaller)	Yes
Intensity and frequency of extreme events (larger or smaller)	Yes
Is the project expected to have an impact on climate?	**No, Yes, TBD**
Is the project expected to be a significant emitter of greenhouse gases?	No
Step 2: Exposure Assessment	
Is the project located in exposed areas to weather-related natural hazards?	**No, Yes, TBD**
Low-lying areas (valleys, coastal zones, and small islands)	Yes
Very warm areas (subtropical)	No
Tropical areas (rainforests)	Yes
Arid and semi-arid areas (deserts)	No
Mountains zones and permafrost areas (tundra)	No
River banks	Yes
Does the project target agricultural systems, ecosystems or livelihoods exposed to weather-related hazards?	**No, Yes, TBD**
Is crop production frequently affected by rainfall variability, prolonged droughts, changes in temperature or pests and diseases?	Yes
Is livestock productivity frequently affected by rainfall variability, prolonged droughts, changes in temperature or diseases?	No
Are fisheries frequently affected by ocean acidification, water salinity and changes in sea surface temperature due to ocean-atmospheric oscillations or climate change?	No
Is forest productivity frequently affected by wildfires, diseases, rainfall variability, prolonged droughts, or changes in temperature?	Yes
Is the biodiversity in the project area likely to be affected by changes in climate variables?	Yes
Is any stage of the agricultural value chain (production, storage, processing and marketing) exposed to climate related hazards?	Yes
Is any rural infrastructure likely to be affected by flooding, landslides, changes in temperatures, and extreme winds.	Yes
Step 3: Sensitivity Assessment	
What are key sensitivities for the populations in the project's areas of intervention?	**No, Yes, TBD**
Is conflict exacerbating the population's sensitivity to weather related hazards?	Yes
Is population displacement being exacerbated by climate change impacts?	No

Are diseases (e.g. COVID-19, malaria, cholera) increasing the population´s vulnerability and affecting their capacity to address potential weather-related hazards?	No
Is the income of the target population predominately coming from agriculture?	Yes
Are social inequalities (e.g. based on gender, youth, indigenous persons and other marginalized groups) being exacerbated by climate change?	Yes
Is the Human Development Index (HDI) equal to or below 0.6?	No
Is the Multidimensional Poverty Index (MPI) equal to or above 0.1?	No
Step 4: Adaptive capacity and climate resilience	
What are key adaptive capacities in the areas of project intervention?	**No, Yes, TBD**
Is the country well ranked in the Disaster risk reduction progress score?	Yes
Are climate and weather information services (real-time weather data, seasonal forecasts etc.) effectively being delivered (through radio, TV, SMS, extension services etc.) to farmers, rural dwellers, and end users?	No
Does the project country have an early action plan (preparedness and emergency response) to mitigate the impacts of weather-related hazards once the shock occurs?	No
Does the government or other institutions support the target population/communities with the necessary social and economic resources to prepare for or respond to climate-related events?	No
Is the target community carrying out (using their own means) agricultural adaptation?	Yes
Does the target population have the economic means or support to adjust or adapt their activities in response to weather related shocks?	No
Do policies/mechanisms exist that make financial credit, loans, and agricultural insurance available?	Yes
Are rural infrastructures effectively delivering services to farmers and rural dwellers?	No

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Project Design Report

Annex 6: First Annual Work Plan and Budget (AWPB)

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
Project No.	2000004380
Report No.	6613-BR

Latin America and the Caribbean
Programme Management Department

Annex 6: First Annual Work Plan and Budget (AWPB)

A. Activities that will be carried out during the first year of implementation, by component.

1. This Annual Operating Plan (POA) presents the methodological strategies and the main actions defined for the first 12 months of the CompensAÇÃO programme, so that the project can begin its activities.

2. The planning in this POA reflects the steps needed to ensure that the project has the technical conditions to begin field activities. For example, it is planned to hire the professionals who will make up the Project Management Unit (PMU). In addition, the purchase of office equipment, vehicles, etc. is also planned, with the aim of equipping the team's professionals.

3. Specifically, the activities planned for the 1st year are presented in the components below:

4. **Component 1: Implementation of PES in the Core Area (12 Municipalities)** This component aims to create conditions to promote the transition from monoculture areas with low cocoa productivity and stagnant cocoa-cabruca areas to more biodiverse, less dependent on external inputs and more profitable agroforestry arrangements. To this end, actions will be taken to strengthen the technical capacities of teams to better implement municipal PES programmes. In addition, this component will be responsible for implementing PES (monetary and non-monetary). m onetary), which will seek to reward the environmental services provided by rural producers, as well as the ecosystem services derived from agroforestry production (and avoided degradation/deforestation in adjacent areas). The provision of the PES will be supported by TA technicians, and its implementation will involve the development of instruments and a multi-sectoral institutional arrangement, which at the same time allows for greater capillarity and transparency in the process, and strengthens and expands the PES agenda that already exists in the region.

5. **The following activities are planned for the first year**: i) Launch event and meeting of the Management Committee and Technical Chamber, ii) Training on the municipal PES policy (members of the committee and technical chambers) by means of a consultancy and training events, iii) Technical training (technical team) by means of two consultancies and training events, iv) Preparation of the integrated plan for the property (acquisition of equipment and hiring of specialists in field surveys and data analysis, v) Support for the Municipal PES Programme in execution, vi) Implementation of the PES programmes, with the purchase of inputs (seedlings, seeds and fertiliser) and hiring of services (soil analysis and pruning) in the PES modality, vii) Purchase of equipment to support the PES (uniforms, PPE, notebook, smartphone), viii) Purchase of motorbikes for technicians, including maintenance and operation, ix) Hiring of the team of technicians to implement the PES programme..

6. **Component 2: Support for Municipal and Regional PES Policies (77 Municipalities)**. The aim is to strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the Southern Bahia Cocoa Region (RCSB). These aspects will be fundamental to guaranteeing the transparency of the process and strengthening the legitimacy of the PES mechanisms.

7. **For the 1st year, the following activities are planned**: i) Promotion of Municipal PES Programmes with a regional PES event, including accommodation and meals for participants and publicising the event, ii) Preparation of the Regional PES Plan, with starting the socio-environmental and productive territorial study and the Economic Valuation Table study and holding a meeting on the studies.

8. **Component 3 - Project Management, Knowledge Management and South-South Co-operation: This component** aims to co-ordinate, supervise, manage resources, procure and approve services, guaranteeing the execution of project activities. It will also carry out monitoring and evaluation as well as knowledge management of the experiences arising from the project and the exchange of knowledge via south-south cooperation. A Project Management Unit (PMU) will be set up, which will be physically based at the OCT and will be made up of a mix of professionals with partial and exclusive dedication to the project.

9. **For the 1st year, the following activities are planned**: i) Acquisition of 2 vehicles and office equipment, ii) Carrying out 2 studies (Development of diagnostic forms for the project, Development of the digital valuation table), carrying out the baseline and impact assessment and

the annual audit of the project, iii) Carrying out the project start-up workshop, iv) Carrying out a study on socio-economic aspects of the aspects and environmental aspects, v) Creating the logo and visual identity, vi) Hiring and remunerating the OCT team and new professionals, including per diems, vi) Renting, operating and maintaining vehicles, renting a shed for storing inputs, vii) Operating the office, using the M&E programme and air tickets.

B. Investments from the first Annual Operating Plan

10.The POA is designed to execute the total amount of USD 1,723,749, of which USD 124,230 is the OCT's counterpart resource, USD 1,599,519 from IFAD.

The table below shows the amounts to be spent per component and source of funds:

Table 1 - Resources invested by component, according to source of funds

	OCT		FIDA		Total	
	USD	**%**	**USD**	**%**	**USD**	**%**
Comp. 1: Implementation of PES in the Core Area (12 Municipalities)	5.092	0,4%	1.333.354	99,6%	1.338.446	**78%**
Comp. 2: Support for Municipal and Regional PES Policies (77 Municipalities)	-	0%	15.193	100%	15.193	**1%**
Comp. 3: Project Management, Knowledge Management and South-South Cooperation	119.138	32%	250.971	68%	370.109	**21%**
Total	**124.230**	**7%**	**1.599.519**	**93%**	**1.723.749**	**100%**

11.The resources for the 1st year are distributed among the components, with a preponderance in components 1 and 3, i.e. productive investments and project management, respectively, with the aim of structuring the project team and preparing for the start of the project. start activities with the beneficiaries.

C. Physical and financial targets for the first POA

12.In the following chapters, the resources that will be invested will be presented in detail, broken down by component, sub-component and activities, and according to the source of the resources.

D. Investment by Component

a. Component 1

Table 2 - Resources invested in component 1, and by sub-component and activities, according to the origin of the resources.

		Unit	Quantity	Unit Value	Total USD	FIDA	OCT
1.1 Creation of Municipal PES Programmes							
1.1.1	Starting event /b	person	50	48,9	2.444	2.444	
1.1.1	Annual meetings /c	person	30	48,9	1.466	1.466	
1.1.2	Training consultancy	number	2	1.018,3	2.037	2.037	
1.1.2	Training events / and	person	96	85,5	8.212	8.212	
1.1.3	Training consultancy	number	2	1.018,3	2.037	2.037	
1.1.3	Training events /g	person	40	85,5	3.422	3.422	
1.1.3	Full board for courses /m	person-day	100	50,9	5.092		5.092
1.1.5	Field survey expert	person-year	3	10.183,3	30.550	30.550	
1.1.5	Data processing analyst	person-year	2	10.183,3	20.367	20.367	
1.1.5	Drones	number	3	6.110,0	18.330	18.330	
1.1.5	GPS	number	3	611,0	1.833	1.833	
1.1.5	Notebooks	number	2	1.222,0	2.444	2.444	
1.1.5	Printer	number	2	916,5	1.833	1.833	
1.1.6	Documentary on the Municipal PES Programme	number	1	12.220,0	12.220	12.220	
1.2 Implementation of PES programmes							
1.2.4	Cocoa seedlings	number	489.600	0,6	299.145	299.145	
1.2.4	Fruit and native tree seedlings	number	102.000	1,0	103.870	103.870	
1.2.4	Limestone	t	3.100	77,4	239.919	239.919	

1.2.4	Organic fertiliser	t	1.550	122,2	189.409	189.409	
1.2.4	Plaster	t	1.240	47,9	59.348	59.348	
1.2.4	Rock dust	t	1.550	112,0	173.625	173.625	
1.2.4	Soil analysis	family	320	22,4	7.169	7.169	
1.2.4	Labour for pruning	ha	450	98,8	44.450	44.450	
1.2.4	Uniforms for technicians	number	50	10,2	509	509	
1.2.4	Notebooks	number	10	712,8	7.128	7.128	
1.2.4	Smartphone	number	10	468,4	4.684	4.684	
1.2.4	PPE for technicians /j	number	10	203,7	2.037	2.037	
1.2.4	Motorbikes for technicians	number	10	3.055,0	30.550	30.550	
1.2.4	ATER technicians (CLT) and OCT technicians	person-year	2,5	10.183,3	25.458	25.458	
1.2.4	Per diems for technicians	person-day	200	61,1	12.220	12.220	
1.2.4	New telephone contracts /l	month	120	18,3	2.200	2.200	
1.2.4	Motorbikes	Year	10	2.444,0	24.440	24.440	
Total					**1.338.446**	**1.333.354**	**5.092**

13. Component 2

Table 3 - Resources invested in component 2, and by sub-component and activities, according to the origin of the resources.

		Unit	Quantity	Unit Value	Total USD	FIDA	OCT
2.1 Promotion of Municipal PES Programmes							
2.1.1	Accommodation and meals for municipal staff	number	20	61,1	1.222	1.222	
2.1.1	Regional event on PES /b	number	1	3.258,7	3.259	3.259	
2.1.1	Publicising the event	number	1	611,0	611	611	
B. 2.2 Development of the Regional PES Plan and Network /e							
2.2.1	Socio-environmental and productive territorial study /f	number	0,5	6.110,0	3.055	3.055	
2.2.1	Economic Valuation Table Study /g	number	0,5	10.183,3	5.092	5.092	
2.2.1	Meeting on territorial study actions and the valuation table /h	number	1	1.955,2	1.955	1.955	
Total					**15.193**	**15.193**	**0**

b. Component 3

Table 4 - Resources invested in component 3, and by sub-component and activities, according to the source of the funds.

	Description Item	Unit	Quantity	Unit Value (USD)	Total (USD)	FIDA	OCT
3.1 Project Management							
3.1.1	Analyst specialising in PSA (100%)	person-year	1	25.272	25271	25271	
3.1.1	Specialist geoprocessing analyst (100%)	person-year	1	18.941	18941	18941	
3.1.1	Junior monitoring specialist (100%)	person-year	1	7.332	7332	7332	
3.1.1	Junior communications specialist (100%)	person-year	1	7.332	7332	7332	
3.1.1	Contracts and tenders specialist (consultant)	time	1.000	9	9267	9267	
3.1.1	Financial management specialist (consultant)	time	500	9	4633	4633	
3.1.1	General Coordinator (70%)	person-year	1	24.539	24538		24538
3.1.1	Communication manager (40%)	person-year	1	3.147	3147		3147
3.1.1	Financial manager (30%)	person-year	1	4.064	4064		4064
3.1.1	Geoprocessing manager (40%)	person-year	1	7.505	7505		7505
3.1.1	Financial technician (30%)	person-year	1	2.817	2.817		2.817
3.1.1	ATER technical coordinator (60%)	person-year	1	21.102	21.102		21.102
3.1.1	Technical governance coordinator (60%)	person-year	1	23.789	23.789		23.789
3.1.1	Extension technician - Supervisor (40%) /k	person-year	1	6.298	6.298		6.298

3.1.1	Extension technician (Biodiversity) (40%)	person-year	1	4.043	4.043		4.043
3.1.1	Extension technician (Geotechnology) (40%)	person-year	1	2.647	2.647		2.647
3.1.1	Extension technician (Agroecology) (40%)	person-year	1	3.269	3.269		3.269
3.1.1	Extension Technician (Gender - Racial Ethnic) (40%)	person-year	1	3.699	3.699		3.699
3.1.1	Diaries for technicians	person-day	43	61	2.627	2.627	
3.1.2	Notebook computer	number	5	713	3.564	3.564	
3.1.2	Smartphone	number	5	468	2.342	2.342	
3.1.2	Uniforms for community workers	number	300	10	3.055	3.055	
3.1.2	Office supplies	year	1	2.444	2.444	2.444	
3.1.3	Administrative fee OTC /n	amount			26.820	26.820	
3.1.4	Vehicles	item-year	2	4.888	9.776	9.776	
3.1.4	2WD vehicles	number	2	24.440	48.880	48.880	
3.1.5	4WD utility vehicle hire	item-month	12	713	8.554	8.554	
3.1.5	Renting a shed for storing supplies	year	1	2.444	2.444	2.444	

3.1.5	Administrative Office /l	month	12	1.018	12.220		12.220
3.1.6	Flight tickets	number	7	204	1.426	1.426	
3.1.6	Urban transport during journeys	travelling	30	20	611	611	
3.1.7	Annual project audit	number	1	4.073	4.073	4.073	
3.1.8	Development of diagnostic forms for the project /a	study	1	16.293	16.293	16.293	
3.1.8	Development of the digital valuation table /b	study	1	4.073	4.073	4.073	
3.1.9	Commission for use of M&E programme, and support /m	year	0,5	19.552	9.776	9.776	
3.1.10	Baseline studies and impact assessment /c	number	1	9.674	9.674	9.674	
3.2 Knowledge management and south-south co-operation							
3.2.1	Socio-economic and environmental studies /f	number	1	2.037	2.037	2.037	
3.2.2	Printed graphic material on project strategies and lessons learnt	amount			1.018	1.018	
3.2.2	Graphic material on the Regional PES Plan for the RCSB	amount			2.037	2.037	
3.2.3	Graphic material about the project for dissemination /g	amount			1.527	1.527	
3.2.3	Graphic material on the Regional PES Plan for the RCSB	amount			4.073	4.073	

3.2.4	Creation of logo and visual identity	contract	1	2.037	2.037	2.037	
3.2.4	Project website on OCT.org.br	amount			2.037	2.037	
3.2.6	Project kick-off workshop /d	number	1	8.147	8.147	8.147	
Total					**371.260**	**252.122**	**119.138**

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Project Design Report

Annex 7: Procurement Plan for first 18 months

Mission Dates:	27/6-5/7/23
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Latin America and the Caribbean
Programme Management Department

Resumo do Plano de Aquisição e Contratação

País	Brasil
Nome do Projeto	CompensAÇÃO
ID Projeto	
Versão	1.0
Data da Versão	15-Aug-23
Preparado por:	
Aprovado por:	

Categoria de Aquisições	**Valor Previsto**		**Valor Efetivo**	
Moeda	**USD**	**R$**	**USD**	**R$**
Bens	-	-	-	-
Obras	-	-	-	-
Serviços de Consultoria	-	-	-	-
Serviços Comuns (de não Consultoria)	2,293,986.66	-	-	-
Doações	-	-	-	-
TOTAL	**2,293,986.66**	**-**	**-**	**-**

As tabelas de limites abaixo são baseadas no novo modelo de Carta ao Mutuário de 2020.
Por favor, preencha os campos que são aplicáveis com base nas disposições da Carta ao Mutuário para o projeto.

Limites de Revisão Prévia					
Categoría	Bens e Serviços Comuns (não relacionados à consultoria)	Obras (exceto serviços de consultoria relacionados com obras)	Servicios de consultoría e/ou Acordos de Cooperação e/ou Memorandos de Entendimento.	Consultorias individuais	Decisões relativas a ofertas (lances) anormalmente baixos exigirão a análise de conformidade do FIDA:
Limites	>= US$ 0.00	>= US$ 0.00	>= US$ 0.00	>= US$ 0.00	Apenas para atividades de aquisição e contratação sujeitas à análise prévia OU Para todas as atividades de aquisição e contratação

Todas as contratações diretas e aquisições de fonte única são objeto de revisão prévia (de acordo com o Manual de Aquisições do FIDA), ou se baseiam nos limites estipulados na Carta ao Mutuário.

A taxa de câmbio da data de apresentação de propostas será usada para as avaliações.

Limites dos métodos de licitações e contratações						
	SQC	**SBQ/SMC/SOF**	**SBQC**	**Pré-seleção**	**SSS - Firmas**	**SSS - Individual**
Serviços de consultoria	<= US$ 0.00	< US$ 0.00	>= US$ 0.00	>= US$ 0.00	<= US$ 0.00 *(sujeito a revisão prévia. Necessário justificativa se exceder o limite)*	<= US$ 0.00 *(ou com uma duração de contrato de 3 meses ou menos; sujeito a revisão prévia)*
	Contratação Direta (DC)	**Comparação de preços (Shopping)**	**NCB (LPN)**	**ICB (LPI)**	Outros métodos de aquisição e contratação ou acordos	
Bens e Serviços (de não consultoria)	>= US$ 0.00 *(sujeito a revisão prévia. Necessário justificativa se exceder o limite)*	<= US$ 0.00	< US$ 0.00	>= US$ 0.00	**Contratação direta de mão de obra**	*Até um valor agregado máximo de:* US$ 0.00 *(sujeto a revisão prévia)*
Obras	>= US$ 0.00 *(sujeito a revisão prévia. Necessário justificativa se exceder o limite)*	<= US$ 0.00	< US$ 0.00	>= US$ 0.00	**Aquisições e contratações com participação comunitária**	Permitido OU Não Permitido

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Project Design Report

Annex 8: Project Implementation Manual (PIM)

Mission Dates:	27/6-5/7/23
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Latin America and the Caribbean
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ANNEX 8. PROJECT IMPLEMENTATION MANUAL (PIM)

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ABBREVIATIONS AND ACRONYMS

AF - Family Farming
ANA - National Water Agency
APP - Permanent Preservation Area
ASAP+ - Adaptation Programme for Family Farming
ATER - Technical Assistance and Rural Extension
CAR - Companhia de Desenvolvimento e Ação Regional
CD - Designated Account
CEPLAC - Executive Commission of the Cocoa Farming Plan
FPIC - Free, Prior and Informed Consent
SSTC - South-South and Triangular Co-operation
PPE - Personal Protective Equipment
IFAD - International Fund for Agricultural Development
FM - [*Financial Management*] Financial Management
FMFCL - *Financial Management Financial Control Arrangements* Letter
FPSA - Environmental Service Payment Fund
GCC - Knowledge and Communication Management
GHG - Greenhouse Gases
IFR - *Interim* Financial Report
ISM - *Implementation* Support Mission
M&E - Monitoring and Evaluation
MGAS - Environmental and Social Management Framework
ML - Logical Framework
OCT - Land Conservation Organisation of the Southern Bahia Lowlands
PAC - Procurement and Contracting Plan
PCT - Traditional Peoples and Communities
PEPSA - Bahia's Payment for Environmental Services Programme
PIP - Integrated Property Plan
PIM - *Project* Implementation *Manual*
PNPSA - National Policy on Payment for Environmental Services
POA - Annual Operating Plan
PES - Payment for Environmental Services
RCP - Project Completion Report
RCSB - Cocoa Region of Southern Bahia
RSP - Biannual Progress Report
RL - Legal Reserve
SAF - Agroforestry System
SDR - Bahia Rural Development Secretariat
SEBRAE - Brazilian Micro and Small Business Support Service
SDC - Request for Quotation
SEMA - Department of the Environment
SENAR - National Rural Apprenticeship Service
SMI - Request for Expression of Interest
SOE - *Statement of* expenditure
TOR - Term of Reference
TI - Indigenous Land
TNC - The Nature Conservancy
PMU - Project Management Unit
WRI - World Resources Institute

1. INTRODUCTION

The project is financed by IFAD with a grant from the Federal Republic of Germany, which contributed 15 million euros to the Adaptation Programme for Family Farming (ASAP+) fund for the "*CompensACTION for food security and a healthy planet*" project. This project is being implemented through three separate pilots in Lesotho, Ethiopia and Brazil with the aim of testing a "smart income mix" that compensates small farmers and traditional communities for the role they play not only in producing food for a large percentage of the world's population, but also in conserving multifunctional ecosystem services.

The project "Promoting PES for deforestation-free value chains in Brazil - Compensação" will be carried out by the Baixo Sul da Bahia Land Conservation Organisation (OCT), which will also provide counterpart funding. The project's *development objective is to* promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favouring increased production and income, and mitigating forest degradation and deforestation processes in the Southern Bahia Cocoa Region.
The OCT will directly execute and coordinate this project and is generally responsible for implementation decisions.

This Project Implementation Manual (PIM) for Compensation provides a practical reference tool to guide the implementation of the Project and comply with the contractual clauses between IFAD and the OCT on organisational, technical and procedural aspects (eligibility, selection, design, planning and implementation of interventions, monitoring and evaluation, supervision), as well as tendering and applicable contract rules, financial and accounting administration and audit procedures. This document should be revised throughout the implementation of the Project, whenever necessary, and subsequently submitted for non-objection by IFAD.

2. PROJECT OVERVIEW

The goal of the Compensation Project is to reduce rural poverty while recovering degraded environments and ecosystem services. The development objective is to promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favouring an increase in production and income, and mitigating forest degradation and deforestation processes in the Cocoa Region of Southern Bahia.

This objective will be achieved by: i) Providing qualified ATER services to strengthen the capacities of beneficiary families and their community organisations to introduce productive innovations; ii) Fostering environmental and ecosystem services through financial and non-financial incentive mechanisms (provision of ATER and inputs); iii) Strengthening families' capacities to access public credit and marketing policies, iv) Ensuring the agroecological transition of productive systems ; v) Strengthening the capacities of municipalities to implement PES mechanisms; vi) Supporting the structuring of a regional governance network for PES mechanisms; vii) Preparing the conditions for the establishment of a PES fund; viii) Preparing knowledge management products for this pilot project and developing communication actions to disseminate the experience and results; ix) Organising exchanges and South-South cooperation events, in particular with other IFAD-supported projects.

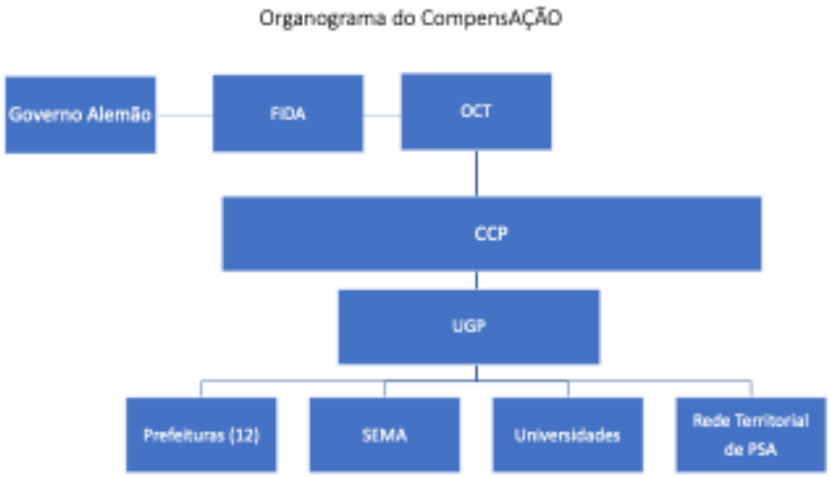
The project area covers the 77 municipalities of 4 Identity Territories in Bahia - Baixo Sul, Litoral Sul, Vale do Jiquiriçá and Médio Rio de Contas, with an area of 42,528 km². The total population is 1,799,981 and the rural population is estimated at 515,007 people. There are around 102,477 agricultural establishments in the project area, 78 per cent of which are family farms. Of the 31,471 family farmers on the Unified Registry, 72% are in extreme poverty and 7% in poverty. Three Indigenous Lands, 130 agrarian reform settlements and 72 quilombola communities have been identified in the intervention area.

The project is made up of 3 components: Component 1: Implementation of PES in the core area (12 municipalities); component 2: Support for municipal and regional PES policies (77 municipalities); and component 3: Project Management, Knowledge Management and South-South Cooperation.

The implementation of component 1 will prioritise the core area of 12 municipalities that have approved PES legislation, high potential for agro-ecological transition and a concentration of Environmental Protection Areas (APAs), Conservation Units and Integral Protection with endemic species, favouring connectivity between protected areas. Component 2 will cover the entire project area (77 municipalities), seeking to expand the drafting of PES laws in new municipalities as well as supporting the creation of a regional PES network.

3. INSTITUTIONAL ARRANGEMENTS, ROLES AND RESPONSIBILITIES

3.1 Organisational chart



3.2 Description of institutional functions

To ensure the sustainability and scalability of the project, a Project Consultative Committee (CCP) will be set up, made up of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose role will be to provide strategic guidance and maintain the coherence of the actions carried out with the regional development objectives of the PES in Bahia. The CCP will also identify possible synergies and opportunities for scaling up and

complementing the project's activities with Parceiros da Mata, an investment project financed by IFAD and the IDB, which will include a PES component, as well as with other related projects working with Bahia's Payment for Environmental Services Programme (PEPSA). An addition, the OCT may invite other representatives of institutions who can contribute their technical expertise in various aspects of the implementation and sustainability of the PES fund.

3.3 Main institutional partners

The following strategic partners will be mobilised during implementation:

- SEMA: Support in liaising with and training municipalities, setting up the PES Network and monitoring the project's actions. A Technical Co-operation Agreement will be signed.
- Municipalities: Support for mobilisation in the communities, formation of a technical chamber in each municipality in the core area to strengthen the Project's actions and participation in the PES Network. A Technical Co-operation Agreement will be signed.
- Territories of identity: the Municipal Consortia will be spaces for consultation and coordination with public policies, projects and programmes.
- Universities and Research Institutes: Development of studies and research that will make the project's strategic actions viable. Technical co-operation agreements will be signed.
- Other projects: search for synergies and complementarity with other projects working in the same area as CompensAÇÃO, which aim to strengthen the cocoa production chain and conserve the remaining forests of the Atlantic Forest biome, considering Payment for Environmental Services mechanisms in their scope (GEF Cabruca, Parceiros da Mata, Cacau Mais Programme)..
- Other NGOs or implementation partners: Support in mobilising and engaging other strategic partners, searching for new investors, technological innovation and territorial intelligence: Instituto Arapyaú, Taboa, Rede Povos da Mata, Agência de Desenvolvimento Regional (ADR), Centro de Inovação do Cacau (CIC), Cima, Fundação Mundial do Cacau (Cocoa Action), Parque Científico e Tecnológico do Sul da Bahia.
- Other organisations that will be sought to make up the PES Network: The Nature Conservancy (TNC), Conservation International, World Resource Institute (WRI), Imaflora, SEBRAE and SENAR.

4. SECAP

IFAD Safeguard Policy. IFAD is committed to rural transformation through equitable, sustainable and inclusive development. To enhance its contribution to the 2030 Agenda, to eradicate poverty in all its forms without leaving anyone behind, the Fund aims to direct its resources towards improving the livelihoods of the most poor and vulnerable people in rural areas, through its country strategies and investment and grant projects.

All projects undergo an environmental, social and climate assessment to help IFAD determine how to deal with potential risks and impacts (both those affecting the project and those caused by the project). The degree of socio-environmental and climate risk is determined in the assessment, with mitigation measures appropriate to the nature and scale of the project. Should unforeseen environmental and social risks or impacts arise during project implementation, the project team, in collaboration with the national authorities and implementing organisations, must adjust the project plan or introduce appropriate mitigation measures. For all IFAD-supported projects, the relevant standards - and how they will be applied throughout the project life cycle - are identified during the project preparation and appraisal process.

Climate change. Recognising the importance of addressing the causes and consequences of climate change in the countries where it operates, IFAD assesses vulnerability to climate risks and supports its partners in developing climate adaptation and mitigation measures in line with their national climate plans and commitments. IFAD also identifies opportunities to avoid, minimise or reduce greenhouse gas (GHG) emissions in the projects it supports.

Minimise adverse social and environmental impacts. IFAD will avoid or mitigate potential adverse impacts on the environment (including biodiversity and ecosystems), health and safety, working conditions (including the prevention of all forms of harmful or exploitative forced labour and child labour) and the well-being and livelihoods of project workers and local communities. IFAD will avoid any potential unintended consequences imposed by an IFAD-supported operation in areas beyond the project boundaries.

Gender. Addressing gender-based violence and discrimination and promoting gender equality is within the fund's mandate. IFAD-supported projects will identify any potential gender-specific and disproportionately adverse impacts and develop mitigation measures to reduce them. IFAD will require its partners to adopt measures to prevent and address any form of gender-based violence, including sexual harassment, exploitation and abuse, discrimination, bullying and intimidation.

Improve the livelihoods of indigenous peoples and other marginalised groups. IFAD-supported projects will be designed to: (i) secure ownership of and access to indigenous peoples' ancestral lands and territories; (ii) strengthen their institutions; (iii) ensure free, prior and informed consent (FPIC); (iv) value indigenous knowledge systems; and (v) document and report the results of consultations with indigenous peoples and other marginalised groups. FPIC will also apply to communities of non-indigenous peoples when project activities impact their access and land use rights.

Promoting appropriate agricultural and manufacturing processes. Agricultural processes will be guided by agroecological principles, the basis of sustainable agriculture, including traditional, indigenous and climate-resilient technologies, as well as social technologies already developed for food production, integrated pest management and the use of alternative and biological controls. Where the use of agrochemicals is necessary, the projects will ensure (for example, through greater environmental awareness, farmer training and better field extension services) that their selection, application, storage and disposal are in line with international standards. IFAD will require clients to apply international standards, including those on safe and healthy working conditions, and to establish and maintain sound environment and social management systems.

IFAD's Environmental and Social Standards comprise key requirements for the environmental and social sustainability of projects. The Standards are aimed at project design and implementation and at partners, who are ultimately responsible for project implementation. The Standards are based on the good practices of the United Nations, international financial institutions and multilateral development banks. They should be consulted in full and cross-referenced as necessary. The list of standards triggered by the project is as follows[1] :

[1] https://www.ifad.org/documents/38711624/43547646/secap2021_01.pdf/31edfeff-f70c-67b0-994a-d0ec4630dd81?t=1635770346986.

Table 1: IFAD socio-environmental standards triggered by the project and their objectives.

Standard	Objectives
Standard 1: Biodiversity conservation	- Maintaining and conserving biodiversity; - Ensure the fair and equitable sharing of benefits from the utilisation of genetic resources; - Respect, preserve, maintain and encourage the knowledge, innovations and practices of indigenous peoples and local communities relevant to the conservation and sustainable use of biodiversity, and their customary use of biological resources; and - Adopt a preventive approach to the conservation and management of natural resources to guarantee opportunities for environmentally sustainable development.
Standard 2: Resource efficiency and pollution prevention	- Avoiding, minimising and managing the risks and impacts associated with substances and materials, including pesticides; - Avoid or minimise project-related emissions of short- and long-lived climate pollutants; - Promoting more sustainable use of resources, including energy, land and water; and - Identify opportunities to improve resource efficiency.
Standard 4: Indigenous peoples	- Support indigenous peoples in defining priorities and strategies for exercising their right to development; - Ensure that each project is drawn up in partnership with indigenous peoples and with their full, effective and meaningful consultation, leading to FPIC; - Ensure that indigenous peoples obtain fair and equitable benefits and opportunities from project-supported activities in a culturally appropriate and inclusive manner; and - Recognise and respect indigenous peoples' rights to the lands, territories, waters and other resources they have traditionally owned, used or relied on.
Standard 5: Labour and working conditions	- Promote direct actions to foster decent rural employment; - Promoting, respecting and realising fundamental principles and rights: preventing discrimination and promoting equal opportunities for workers; supporting freedom of association and the right to collective bargaining; and preventing the use of child labour and forced labour; - Protecting and promoting workers' health and safety; - Ensuring that projects comply with national labour and employment laws and international commitments;

	- Leave no-one behind by protecting and supporting workers in situations of disadvantage and vulnerability, including women (e.g. maternity protection), young workers, migrant workers, workers in the informal economy and workers with disabilities.
Standard 9: Climate Change	- Ensure the alignment of IFAD-supported projects with countries' nationally determined contributions and the objectives of the Paris Agreement and other international frameworks; - Ensure that proposed activities are screened and assessed for climate change and disaster risks and impacts, including the impacts of and on projects; - Apply the mitigation hierarchy in project design; - Strengthen the resilience of communities to deal with the risk of climate change impacts and climate-related disasters; - Increase the capacity of communities to adapt to the adverse impacts of climate change and promote climate resilience and low GHG emission projects that do not threaten food production.

In general, vulnerable groups face barriers to participating in public consultation meetings. They may not understand the impacts of this project due to language barriers (or feel inhibited due to their status in the community) and therefore may not always be able to understand and freely express their concerns and interests about CompensAÇÃO. Some people, especially those with a low level of literacy, as well as members of indigenous communities who are not fluent in Portuguese, face communication challenges and may find it impossible to participate. To avoid this potential exclusion, in the FPIC process, indigenous peoples will need to be consulted in their own language whenever possible. The project must take into account the limitations identified and ensure that all mapped interest groups, especially Project Affected People (PAP), are included and supported to overcome the limitations they face and participate in the consultation processes.

POTENTIAL ADVERSE SOCIAL AND ENVIRONMENTAL IMPACTS AND MITIGATION MEASURES

The environmental and social category of the project was assessed as moderate. In general, this is justified by the small size of the project in terms of the financial resources involved and the limited scope (PES scheme), the low level of risk and the environmentally and socially positive nature of the activities envisaged in the project.

With regard to environmental aspects, the category is justified by the following: i) although the project will only implement activities in protected areas that allow agricultural activities and the sustainable use of natural resources, these will be limited to restoration and improved management through agroecological practices of agroforestry systems, as well as investments in solid waste management;

ii) the project will only allow the purchase of non-synthetic agroecological inputs (e.g. limestone, organic fertiliser/compost, rock dust) and will provide technical assistance to project participants to make the transition from the use of synthetic agrochemicals to agroecological production methods; iii) the introduction of invasive products and agrochemicals into protected areas will not be permitted; iv) the project will only allow the purchase of non-synthetic and agroecological inputs (e.g. limestone, organic fertiliser/compost, rock dust) and will provide technical assistance to project participants to make the transition from the use of synthetic agrochemicals to agroecological production methods; v) the introduction of invasive exotic tree species (based on the Bahia State invasive species list and scientific sources) is strictly prohibited; vi) the procurement of natural resource materials will be limited to certified and sustainable primary suppliers.

With regard to social risks, there are moderate risks related to the presence of indigenous peoples and traditional communities with their own knowledge and ways of life. The project will develop an Indigenous Peoples Plan (IPP) and Free, Prior and Informed Consent Plan (FPIC Plan) to implement and strengthen FPIC processes, as well as processes for the effective participation of this target group in the planning and execution of project activities. CompensAÇAO will also develop a Gender, Youth, Nutrition and Social Inclusion Strategy to mitigate any risks related to the inclusion, care and empowerment of the target groups and to ensure the effective participation of these groups.

MGAS IMPLEMENTATION PLAN

The project's Environmental and Social Management Framework (ESMF) (the matrix in Annex 5 of the RDP) will be implemented by the PMU, with the support of any other project partner, and will be responsible for ensuring that the project adheres to IFAD's safeguard policies and the applicable regulatory framework. The PMU will be responsible for training the technical staff working on the project with regard to the implementation of the MGAS and the mitigation measures required.

The assessment of social, environmental and climate risks on the properties of all project participants and the identification of appropriate mitigation measures will take place through the implementation of the Integrated Property Plan questionnaire. The implementation of these plans will be monitored by the PMU and the results of this monitoring will be included in the project's progress reports.

MGAS MONITORING PLAN

Monitoring the implementation of safeguards will run concurrently with the supervision and monitoring of project execution, and therefore with the same frequency and periodicity and carried out by the same teams. The PMU team should therefore have focal points for environmental and social safeguards. This monitoring should be carried out by the PMU and followed up by the project's governance bodies. The results of this monitoring will form part of the periodic reports to be submitted to IFAD.

Those responsible for monitoring safeguards in the Project PMU must ensure that all activities adhere to the project safeguards.

Table 2: Monitoring to be observed by the PMU in following up the implementation of the MGAS.

Item to be monitored/observed by the PMU when following up on the implementation of the MGAS	Means of verification/ Sources of information
1. Has the integrated property plan been drawn up?	OCT

2. Have the social and environmental impacts been adequately analysed?	OCT
3. Are the proposed mitigation measures appropriate to the impacts identified?	OCT; FIDA in supervisions
4. Were there any gaps in the impact analysis?	OCT; FIDA in supervisions
5. Has there been safeguards training for the teams (from the municipality, state, association or cooperative) responsible for preparing and implementing the MGAS?	OCT
6. Are the mitigation measures proposed in the property's integrated plans being implemented properly?	OCT; FIDA in supervisions
7. What are the main problems encountered in implementing the PIPs?	OCT
8. What measures are proposed to resolve systemic problems in the implementation of the PIPs?	OCT
For activities with indigenous peoples and quilombolas	
9. Has FPIC been carried out?	OCT
10. FPIC agreements are being implemented	OCT
11. Have there been any complaints about CLIP and/or project activities?	Complaints mechanism/field visits
12. How were the complaints dealt with?	Complaints Mechanism
13. Are there any complaints of discrimination (race, age, gender, etc.)?	Complaints Mechanism / field visits
14. How these complaints/reports were dealt with	Complaints Mechanism
Complaints mechanism	
15. Is the complaints mechanism structured?	OCT
16. Is the complaints mechanism fully functioning (does it have adequate staff and access channels)?	Complaints Mechanism
17. Are there any complaints of violence arising from project activities (in particular violence against beneficiaries, violence against women and against indigenous people)?	Complaints Mechanism
18. How were they resolved?	Complaints Mechanism
19. Are there any complaints of discrimination arising from project activities (in particular violence against women and indigenous people)?	Complaints Mechanism / field visits
20. Were there any other complaints?	Complaints Mechanism
21. What were the complaints?	Complaints Mechanism
22. How were they resolved?	Complaints Mechanism

OBJECTIVES TO BE OBSERVED WHEN ANALYSING SOCIAL AND ENVIRONMENTAL IMPACTS DURING THE PREPARATION OF PROJECTS AND ACTIVITIES

BIODIVERSITY CONSERVATION

- Maintaining and conserving biodiversity;
- Ensure the fair and equitable sharing of benefits from the utilisation of genetic resources;

- Respect, preserve, maintain and encourage the knowledge, innovations and practices of indigenous peoples and local communities relevant to the conservation and sustainable use of biodiversity, and their customary use of biological resources; and
- Adopt a preventive approach to the conservation and management of natural resources to guarantee opportunities for environmentally sustainable development.

ITEMS TO BE OBSERVED WHEN ANALYSING IMPACTS

- Vegetation suppression
- Collecting forest products
- Restoration of Legal Reserves (RL) and/or Permanent Preservation Areas (APP)
- Risk of degradation of arable land
- Soil erosion.

RESOURCE EFFICIENCY AND POLLUTION PREVENTION

- Avoid, minimise and manage the risks and impacts associated with hazardous substances and materials, including pesticides;
- Avoiding or minimising project-related emissions of pollutants related to short- and long-term climate change;
- Promoting the sustainable use of resources, including energy, land and water; and
- Identify, where feasible, project-related opportunities for resource efficiency.

ITEMS TO BE OBSERVED WHEN ANALYSING IMPACTS

- Selection of sites and species of trees planted
- Integrated soil fertility management
- Integrated disease and pest management
- Use of pesticides
- Production and treatment of waste and effluents
- Integration of trees and shrubs that maintain or improve biodiversity and ecosystem functionality.

INDIGENOUS PEOPLES

- Support indigenous peoples in defining priorities and strategies for exercising their right to development;
- Ensure that each project is drawn up in partnership with indigenous peoples and with their full, effective and meaningful consultation, leading to FPIC;
- Ensure that indigenous peoples obtain fair and equitable benefits and opportunities from project-supported activities in a culturally appropriate and inclusive manner; and
- Recognise and respect indigenous peoples' rights to the lands, territories, waters and other resources they have traditionally owned, used or relied on.

ITEMS TO BE OBSERVED WHEN ANALYSING IMPACTS

- Free, Prior and Informed Consultation - Community consent.
- Adaptation of activities to the culture and organisation of the community

LABOUR AND WORKING CONDITIONS

- Promote direct actions to foster decent rural employment;
- Promoting, respecting and realising fundamental principles and rights: - Preventing discrimination and promoting equal opportunities for workers; - Supporting freedom of association and the right to collective bargaining; and - Preventing the use of child labour and forced labour;
- Protecting and promoting workers' health and safety;
- Ensuring that projects comply with national labour and employment laws and international commitments;
- Leave no one behind by protecting and supporting workers in situations of disadvantage and vulnerability, including women (e.g. maternity protection), young workers, migrant workers, workers in the informal economy and workers with disabilities.

ITEMS TO BE OBSERVED WHEN ANALYSING IMPACTS

- Hiring labour from outside the community (existence of protocols to prevent sexual exploitation, transmission of STDs, sanitary conditions of construction sites)
- Use of Personal Protective Equipment (PPE)
- Obtaining building permits
- Observation of labour legislation
- No child labour

CLIMATE CHANGE

- Ensure the alignment of IFAD-supported projects with countries' nationally determined contributions and the objectives of the Paris Agreement and other international frameworks;
- Ensure that proposed activities are screened and assessed for climate change and disaster risks and impacts, including the impacts of and on projects;
- Apply the mitigation hierarchy in project design;
- Strengthen the resilience of communities to deal with the risk of climate change impacts and climate-related disasters;
- Increase the capacity of communities to adapt to the adverse impacts of climate change and promote climate resilience and low GHG emission projects that do not threaten food production.

ITEMS TO BE OBSERVED WHEN ANALYSING IMPACTS

- Reports of water shortages at the project site
- Reports of irregularity or lack of rain at the project site
- Reports of periods of drought (regular or irregular) at the project site
- Reports of an increase in diseases such as dengue or malaria at the project site
- Location of project investments in flood-prone areas
- Location of project investments in areas subject to forest fires/burn-offs
- Location of project investments in areas subject to landslides (slopes, ravines).

5. TARGETING

Area of intervention

Bahia is a state that faces a series of challenges in terms of vulnerability to climate change, environmental degradation poverty, food and nutritional insecurity (detailed in SECAP - Annex 5). 60%

of the Bahian population faces some degree of food insecurity[2] ; 46.5% of the population is in poverty and 15.8% in extreme poverty[3] .

The **project area encompasses** 77 municipalities that fully cover the Litoral Sul, Baixo Sul, Vale do Jiquiriçá and Médio Rio das Contas Identity Territories, within the Atlantic Forest biome. It has an estimated total population of 1,799,981 and a total rural population of 515,007, 46.5 per cent of whom are women and 27.8 per cent of whom are young people aged between 15 and 29[4] . According to the 2017 Agricultural Census, the intervention area had a total of 102,477 agricultural establishments, 78% of which were Family Farming (AF) or 79,727. 51% of these establishments have less than 5 hectares and 87% have property titles. Among the managers of family farming establishments, 26% were women (20,687) and 10.6% were young people aged up to 35[5] (8,065). Among the 31,471 family farmers on the Unified Registry, 72% are in extreme poverty and 7% in poverty. In the project area, the presence of 3 Indigenous Lands, 130 agrarian reform settlements and 72 quilombola communities was identified. The project has a **core area** of 12 municipalities[6] that will be prioritised by component 1 actions.

Profile of target groups

The Project's interventions focus on vulnerable rural populations in the state of Bahia, directly benefiting 1. 600 families, of which at least 20 per cent will be from traditional communities, 30 per cent settlers, 50 per cent women and 15 per cent young people.

The project's main target group is small farmers living in poverty or extreme poverty and residing in the 77 municipalities in the project area. The most vulnerable communities will be prioritised, including land reform settlements and quilombola communities. The families share similar livelihood strategies, based on a combination of family farming for self-consumption and commercialisation.

The project's target audience is very diverse in terms of socio-cultural characteristics, forms of productive organisation, relationship with the territory, level of articulation / association and market access. Therefore, the project will have a flexible approach, adapted to the needs, capacities and demands of the beneficiary families, respecting and valuing cultural differences and the diversity of their ways of life, social and productive organisation.

Quilombola communities will receive specific and differentiated attention because they are more exposed to socio-environmental challenges due to their high dependence on natural resources for their livelihoods and subsistence. Particular attention will be paid to quilombola women and youth because they are among the most vulnerable segments of the rural population and, at the same time, among the main actors in environmental protection and local sustainable development.

Based on the above considerations, the following target groups were identified:

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[2] PENSSAM. II National Survey on Food Insecurity in the Context of the COVID-19 Pandemic in Brazil, 2022. Available at: https://olheparaafome.com.br/.

[3] IBGE, 2021. National Household Sample Survey (PNADC). Available at: https://ibge.gov.br/estatisticas/sociais/trabalho/17270-pnad-continua.html.

[4] IBGE, 2010. Demographic Census.

[5] Although the Youth Statute defines young people as those aged between 15 and 29, the Agricultural Census does not have this range of analysis. In this context, we opted to consider young people to be those aged up to 35.

[6] Guandú, Ibirapitanga, Igrapiúna, Ilhéus, Ituberá, Nilo Peçanha, Nova Ibiá, Piraí do Norte, Presidente Tancredo Neves, Teolândia, Uruçuca and Wenceslau Guimarães.

(i) Poor and extremely poor small family farmers, who have limited access to land (properties of 6 to 7 hectares)[7] and other productive resources, as well as to public policies. The livelihoods of this target group depend mainly on their own agricultural production, unskilled daily labour or external support. Many of these farmers do not have secure land titles. Land insecurity not only contributes to the occurrence of agrarian conflicts, but also makes access to various public policies and medium- and long-term production planning impossible. In this context, the project will prioritise families of Agrarian Reform settlers and households headed by women and young people, as these are the most vulnerable sub-groups. Target: To benefit at least 800 families of small farmers living in poverty and extreme poverty.

Agrarian Reform settlers. In the Project area, 1,648 Agrarian Reform settler families are registered in the Single Registry, 64 per cent of whom are in extreme poverty and 5.8 per cent in poverty. There are 130 settlements in the project area, with around 40 families each, totalling approximately 5,200 families. This group has socio-economic vulnerabilities in various dimensions, including: i) insecure access to land, since not all of them have completed land titling; ii) lack of access to technical assistance; and iii) precarious access to public policies on credit, education, security, health and housing, among others. Target: at least 30 per cent of the project's beneficiaries will be land reform settlers.

(ii) Rural women are more exposed to vulnerability, having less access than men to rights, resources and opportunities, and their gender roles as primary carers for children and families translate into an overload of unpaid work[8] . In the Project area, only 26% of rural family farming establishments are run by women[9] . Women are also more vulnerable than men to environmental challenges, being the main collectors of water, food and firewood in a context where increasing pressure on natural resources and environmental degradation are negatively affecting water supply and access to food. The project will guarantee gender equity among its beneficiaries, 50 per cent of whom will be women. Special attention will be paid to women from traditional communities, such as quilombolas, and young women. Target: at least 50 per cent of the project's beneficiaries will be women.

Women from traditional peoples and communities (PCTs): Women from PCTs are more marginalised and socially excluded, facing higher rates of violence, poverty and food insecurity, as well as having even more limited access than other women in the Project area to public health and education policies, among others. In addition to being the target of triple discrimination: gender, race and socio-economic status, they are also the target group most vulnerable to climate change. Despite this, the women of these groups play a fundamental role in environmental preservation, as guardians of traditional productive and food knowledge and practices

Rural young women: Rural girls are often left behind because of a triple burden of overlapping challenges: age, location and gender.

(iii) Rural youth. Brazil's Youth Statute (2013) defines young people as those between the ages of 15 and 29. In the Project area, there are 143,083 young people. The state's rural areas do not offer attractive job and income opportunities for young people, as the region is characterised by low income generation capacity, precarious working conditions and a lack of basic services, which leads to youth

[7] Information gathered during the field mission that took place between 26 June and 5 July 2023.

[8] In Brazil in 2019, women spent almost twice as much time looking after people or doing household chores as men: 21.4 hours compared to 11 hours a week. Source. IBGE. Gender statistics: social indicators for women in Brazil, 2021.

[9] Agricultural Census, 2017.

exodus. Target: at least 15 percent of the project's beneficiaries should be young people, half of whom should be young women.

Young men and women from traditional communities and young men and women from Agricultural Family Houses will be prioritised as beneficiaries of the project's activities and when hiring the team that will provide TA to the project's beneficiary communities.

(iv) Traditional Peoples and Communities (PCTs) are among the poorest and most vulnerable in the state, facing the highest levels of poverty and food insecurity, as well as being the first victims of socio-environmental conflicts. They face material and symbolic violence resulting from environmental degradation and other risks to their protection and physical and cultural existence. At the same time, they are among the main actors in the protection and conservation process. There are 72 quilombola communities and 3 indigenous lands in the project area. Target: at least 20 per cent of the beneficiaries will be PCTs.

○ 4.1 Geographical targeting

The **project area** was selected on the basis of the following criteria:

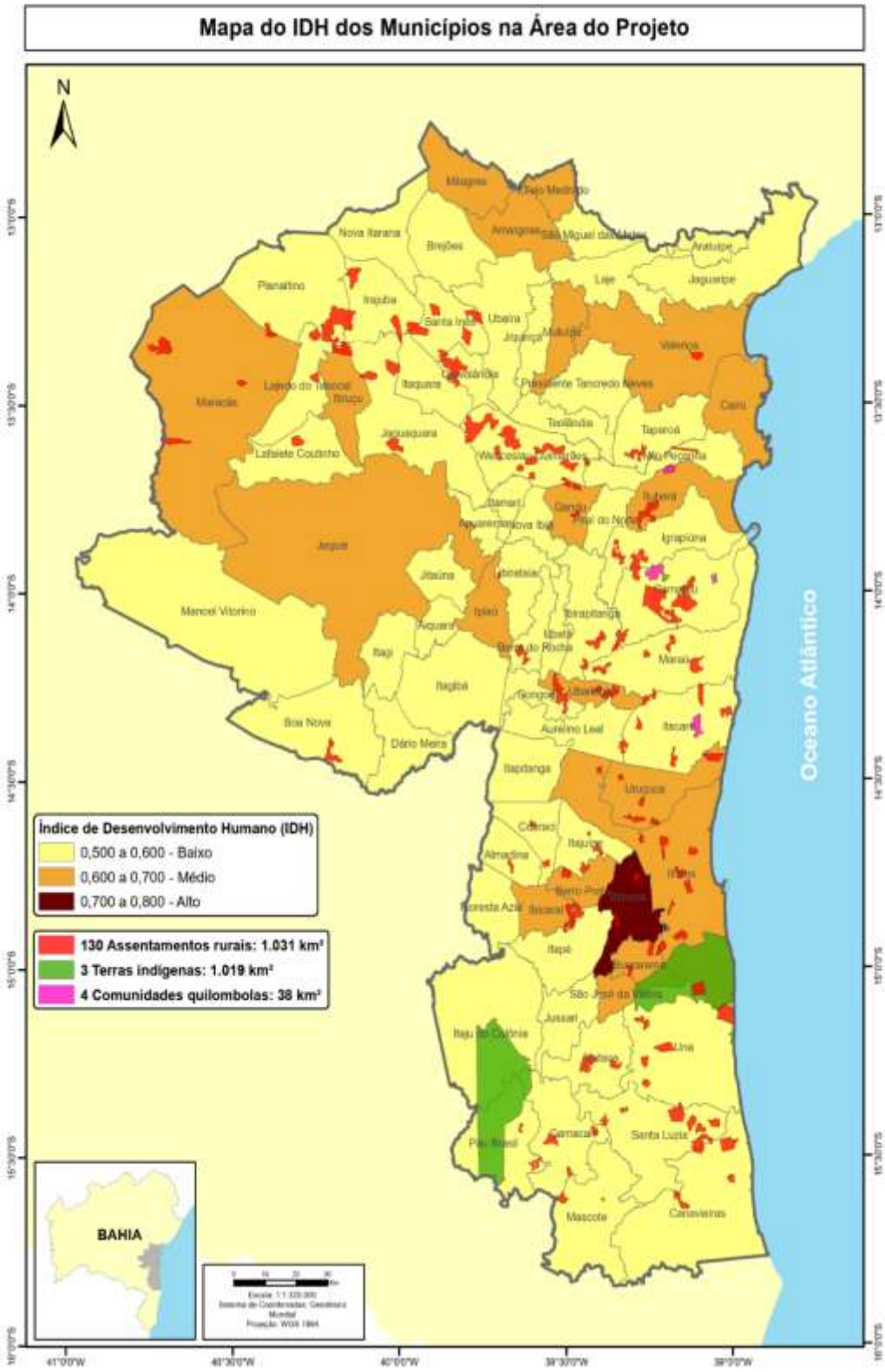
i) relevance and strong expression of the cocoa production chain;

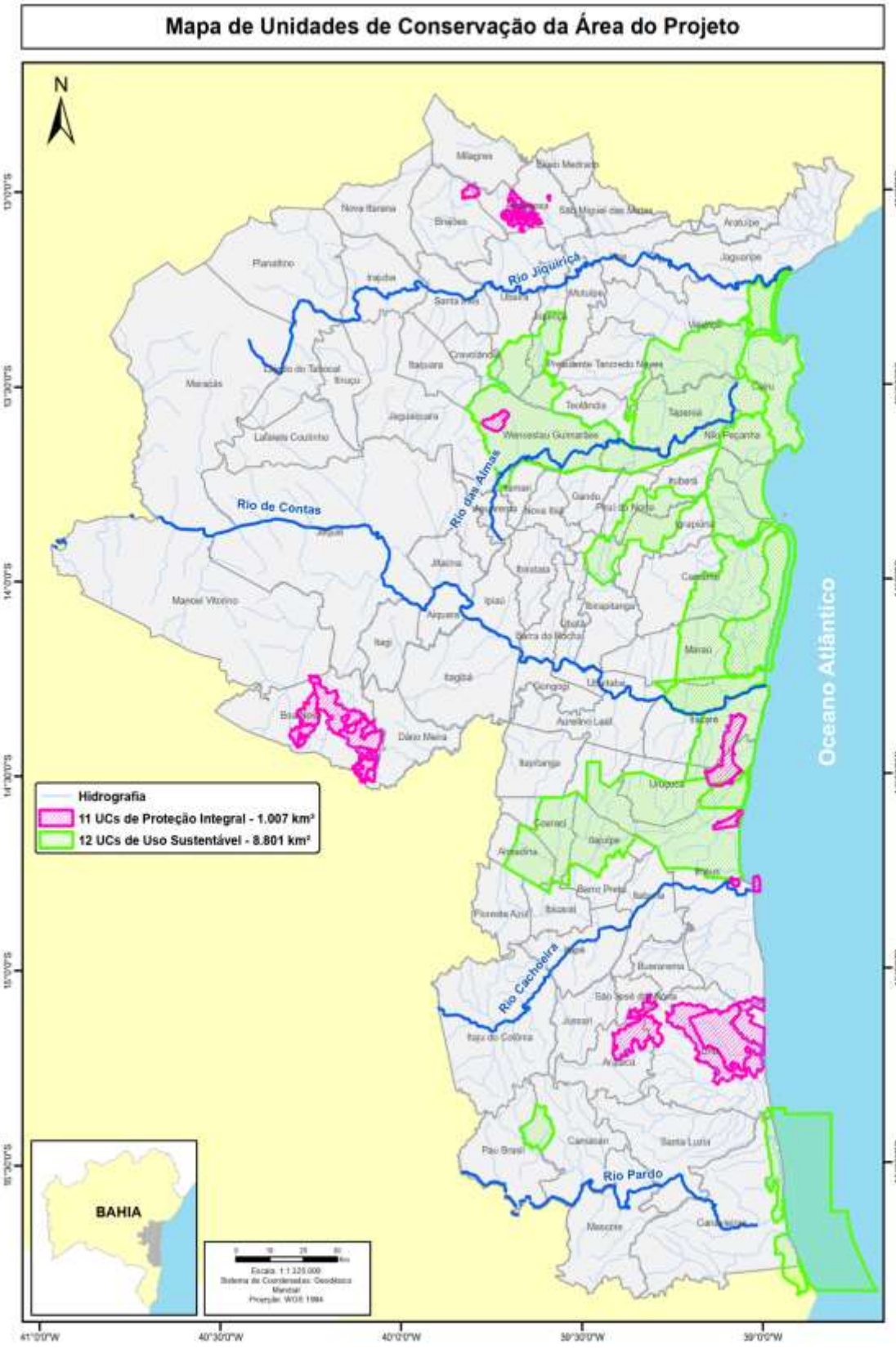
ii) the presence of other projects or programmes that could help strengthen and scale up CompensAÇÃO's activities, such as the Forest Partners Project;

iii) high levels of poverty (concentration of low municipal HDI);

iv) a high concentration of establishments owned by family farmers, traditional communities and land reform settlers;

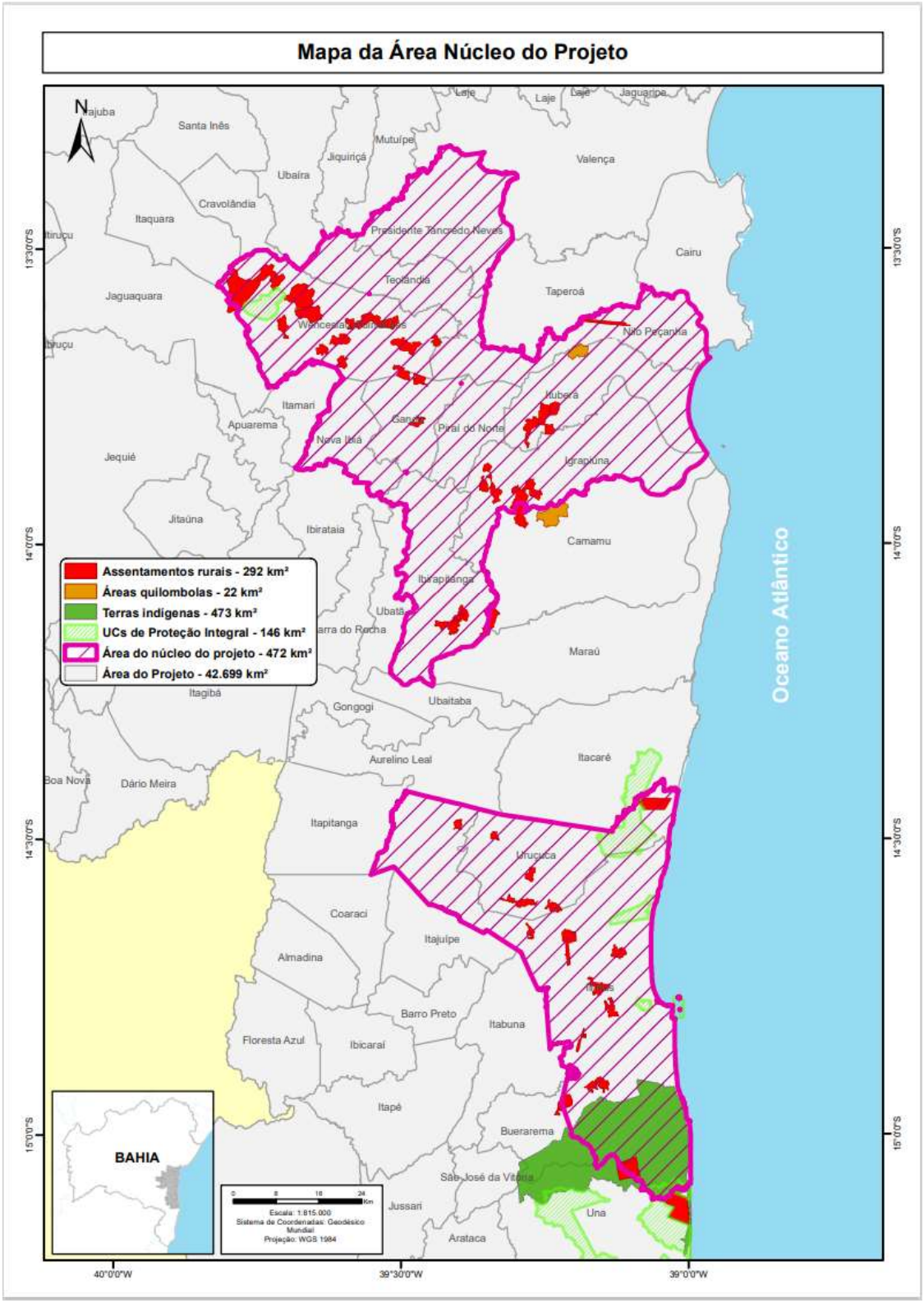
v) a high concentration of APAs, Conservation Units and Full Protection Units with endemic species, favouring connectivity between protected areas.


Mapa do IDH dos Municípios na Área do Projeto
N
Oceano Atlântico
Índice de Desenvolvimento Humano (IDH)
0,500 a 0,600 - Baixo
0,600 a 0,700 - Médio
0,700 a 0,800 - Alto
130 Assentamentos rurais: 1.031 km²
3 Terras indígenas: 1.019 km²
4 Comunidades quilombolas: 38 km²
BAHIA
Miguel Calmon
Nova Itarana
Brejões
Amargosa
São Miguel das Matas
Aratuípe
Laje
Jaguaripe
Planaltino
Itaguaçu da Bahia
Santa Inês
Ubaíra
Jiquiriçá
Mutuípe
Valença
Manoel Vitorino
Laje do Tabocal
Ibirataia
Itaquara
Presidente Tancredo Neves
Camamu
Maraú
Lafaiete Coutinho
Jaguaquara
Teolândia
Taperoá
Wenceslau Guimarães
Piraí do Norte
Cairu
Jequié
Jitaúna
Ipiaú
Igrapiúna
Aiquara
Ubaitaba
Barra do Rocha
Ibirapitanga
Itagi
Itagiba
Gongogi
Aurelino Leal
Ituberá
Boa Nova
Dário Meira
Itapitanga
Uruçuca
Coaraci
Itajuípe
Almadina
Ilhéus
Floresta Azul
Itabuna
Itapé
Una
Itaju do Colônia
Jussari
Camacan
Santa Luzia
Pau Brasil
Mascote
Canavieiras
41°0'0"W
40°30'0"W
40°0'0"W
39°30'0"W
39°0'0"W
13°0'0"S
13°30'0"S
14°0'0"S
14°30'0"S
15°0'0"S
15°30'0"S
16°0'0"S


Mapa de Unidades de Conservação da Área do Projeto
N
Rio Jiquiriçá
Rio de Contas
Rio das Almas
Rio Cachoeira
Rio Pardo
Oceano Atlântico
Hidrografia
11 UCs de Proteção Integral - 1.007 km²
12 UCs de Uso Sustentável - 8.801 km²
BAHIA
Escala: 1:1.325.000
Sistema de Coordenadas Geodésicas
Mundial
Projeção: WGS 1984
41°0'0"W
40°30'0"W
40°0'0"W
39°30'0"W
39°0'0"W
13°0'0"S
13°30'0"S
14°0'0"S
14°30'0"S
15°0'0"S
15°30'0"S

The implementation of component 1 will prioritise **the core area of** 12 municipalities[10] (map below) which, in addition to the above criteria, have approved PES legislation and high potential for agro-ecological transition.

[10] Guandú, Ibirapitanga, Igrapiúna, Ilhéus, Ituberá, Nilo Peçanha, Nova Ibiá, Piraí do Norte, Presidente Tancredo Neves, Teolândia, Uruçuca and Wenceslau Guimarães.



In order of priority, the following criteria will be used to **select the communities** to benefit from the project:

i) High incidence of rural poverty (at least 70 per cent of families in CadÚnico per community);

ii) Existence of conserved areas suitable for receiving PES, such as cocoa production, cabrucas and/or SAFs;
iii) Communities in prioritised micro-basins;
iv) Contiguity (or at least proximity to each other) between communities for effective and efficient implementation;
v) Minimum of 4 families per community;
vi) Existence of Rural Organisations (associations or cooperatives);

The criteria for **targeting the families** benefiting from component 1 PES activities are available in section 5 of this manual.

○ 4.2 Social targeting

Direct Targeting: The main eligibility criterion for families will be registration in the Single Registry (Cadúnico) - at least 80 per cent of beneficiaries must be registered. However, for those who are in a situation of poverty or extreme poverty and are not yet on the Cadúnico, the project, through TA, will support them in registering with the relevant bodies. *Other possible direct targeting measures:* introducing technical training aimed specifically at women, young people and members of traditional communities; selecting women, young people and people from traditional communities to demonstrate their capabilities by hosting demonstrations, conducting discussions, making presentations and participating in agricultural technology exhibitions; providing training grants for female extension workers; promoting the participation of women, young people and people from traditional communities in visits, exchange programmes and participation in fairs and exhibitions.

Empowerment and capacity-building measures: The Project's Technical Assistance teams will receive training to provide a service that caters to those who have less voice and power, such as training on the themes of gender, race and ethnicity. Within the framework of the project, component 3 will promote Knowledge Management through activities such as workshops and exchanges, which will prioritise the target groups.

Self-targeting measures: the services provided by the project will respond specifically to the priorities, strengths and work capacity of the target groups, although they will be less attractive to those who are better off, avoiding capture by the elite. Income-generating activities will be planned with the participation of the target groups themselves, taking into account their needs and livelihood difficulties, and which they consider relevant and within their reach. *Other self-focusing measures include:* prioritising women and young people when hiring technical assistants; selecting techniques and technologies that are suitable for use by women, young people and people from traditional communities; selecting crops that are suitable for women, young people and traditional communities, considering their potential for food security, local sales, low risk, proximity to home, local processing and opportunities for adding value.

Facilitating measures: The project will support the creation, strengthening and expansion of public policies aimed at Payment for Environmental Services (PES), as well as fostering the consolidation of a regional PES network that is socially inclusive. Dialogue will be fostered with local governments, the state government and donors to conduct policy studies on socio-economic and environmental aspects related to PES, taking into account the livelihoods of local populations, in particular poor farmers, rural women, rural youth and traditional communities.

Operational measures: Both the project team and the implementing partners will be informed about gender, generation, race/ethnicity and nutrition issues. In addition, gender and race/ethnicity parity and diversity will be sought within the Project team and among the Technical Assistance providers. *Other operational measures include:* communicating to the community the criteria for participation in the Project; communicating to communities the mechanisms and procedures for complaints and grievances; providing free technical support to help groups fill in application forms and prepare proposals; simplifying and streamlining application and record-keeping procedures.

The specific operational measures for the inclusion of Gender, Youth and Traditional Peoples and Communities are detailed in **Annex 2** of this manual - Gender, Youth, Nutrition and Social Inclusion Strategy.

5. IMPLEMENTATION OF THE COMPONENTS

Component 1: implementation of PES in the core area

This component aims to create conditions to promote the transition from monoculture areas with low cocoa productivity and stagnant cocoa-cabruca areas to agroforestry arrangements that are agroecological agroforestry arrangements that are more biodiverse, less dependent on external inputs and more profitable. To this end, actions will be taken to strengthen the technical capacities of teams to better implement municipal PES programmes. In addition, this component will be responsible for the implementation of PES (Monetary and Non-Monetary), which will seek to reward the environmental services provided by rural producers, as well as the ecosystem services derived from agroforestry production (and avoided degradation/deforestation in adjacent areas). The provision of the PES will be supported by TA technicians, and its implementation will involve the development of instruments and a multi-sectoral institutional arrangement, which at the same time allows for greater capillarity and transparency in the process, and strengthens and expands the PES agenda that already exists in the region. In this sense, the execution of activities related to PES will be carried out under two sub-components:

Subcomponent 1.1. Selection for participation in the PES mechanism and capacity building.

This sub-component aims to consolidate existing municipal PES programmes, contributing to the consultation processes for regulating municipal legislation and structuring the respective financial funds, as well as strengthening the TA services of the municipalities located in the core area. The aim is also to carry out the process of identifying and selecting the farmers who will take part in the project, as well as drawing up the Integrated Property Plan (PIP).

In this area, CompensAÇÃO will work to enable the implementation of the Municipal Policy in the municipalities where it has already been approved, providing, among other things, specialised advice (for training municipal teams), preparing support and guidance material for the municipal teams (supporting the creation of sectors dedicated to PES, seeking cross-cutting with other sectors of municipal management and forming a management committee), giving visibility to the work carried out, to avoid discontinuity in the possible changes of teams in the municipalities during the implementation of the project.

The main activities planned to achieve the objective are:

(a) Creation and support of a technical chamber to implement the core area project;

(b) Training or levelling of knowledge on a Policy policy for the members of the technical chamber on gender, ethnic and racial issues, biodiversity conservation and agroecology;
(c) Training TA technical staff in gender, ethnic and racial issues, biodiversity conservation and agroecology;
(d) Consolidation and strengthening of municipal PES programmes in the core area;
(e) Mobilising communities and getting beneficiary families on board;
(f) Drawing up the Integrated Property Plan (PIP) on a landscape scale for the Municipal PES Programme.

The process of selecting farmers will include the application of prioritisation criteria, technical inspection and validation of the information contained in the application forms by extension agents and analysis of the eligibility criteria (see Annex 8).

Establishing the baseline of production systems and conservation areas and the evaluation and monitoring of environmental and ecosystem services will be carried out on each selected property/community by drawing up the Integrated Property Plan (PIP). The determination and transfer of PES resources to the beneficiaries will be based on the information contained in the PIP and the respective monitoring carried out by the extension agent in charge. Drawn up with the participation of the landowner, the PIP includes an environmental and production adaptation plan and a schedule of activities. The stages in drawing up the PIP will be: i) technical visits to take the points (geoprocessing) together with the landowner for the delimitation and sketch of the property and the internal and external areas. socio-environmental and economic diagnosis; and ii) analysing and geoprocessing the data and drawing up maps.

Subcomponent 1.2. Implementation of the PES mechanism

This sub-component aims to develop joint Monetary and Non-Monetary PES actions, through cash payments, provision of TA and inputs, based on three types of modality implemented:

	Types of improvements per hectare benefited	Extent of area benefited and counterpart*
Cabruca PES (Enrichment)	● Non-monetary PES: - Renovation (shade management) of forest species; - Pruning and replacing part of the cocoa tree; - Soil analysis and provision of inputs (lime + organic fertiliser); - Enrichment with 50 forest/fruit seedlings and 400 cocoa seedlings; - TA monitoring (6 visits/year); ● Monetary PES: Cash payment	5,300 hectares, considering: - 1,500ha of direct intervention in the system - 3,800ha of contributions from producers and communities

SAF PES (Enrichment)	● Non-monetary PES: - Pruning and replacing part of the cocoa tree; - Soil analysis and provision of inputs (lime + organic fertiliser); - Enrichment with 200 forest/fruit seedlings and 400 cocoa seedlings; - TA monitoring (6 visits/year); ● Monetary PES: Cash payment	5,300 hectares, considering: - 1,500ha of direct intervention in the system - 3,800 ha in return from producers and communities
Social PSA (Backyard)	● Non-monetary PES: - Soil analysis and provision of inputs (lime + organic fertiliser); - Enrichment with 960 forest/fruit seedlings and 480 cocoa seedlings; - ATER accompaniment** (6 visits/year); ● Monetary PES: Cash payment	100 hectares (average of 1 ha/family, no counterpart required)

* PSE beneficiaries will be required to undertake not to degrade the additional forest areas on their property, which will be recognised as a counterpart contribution. This contribution will have a minimum ratio of 1:1 in relation to the area of the enriched production system.

**provided by OTC as a counterpart to the Project

The total value of the Monetary and Non-Monetary PES to be passed on to the beneficiaries will depend on the modality and size of the area implemented (on average, 2 hectares per beneficiary family). Considering the entire three-year period of implementation of the actions linked to the PES, the value per hectare of the benefit to be realised by the FAs will be: i) R$1,248 referring to the cost of providing TA; ii) R$3,913 to R$4,433 (depending on the PES modality), referring to input costs and; iii) R$769 to R$873 (depending on the PES modality), referring to the monetary resource (Monetary PES). See Annex 8 for details of the logic linked to productive, environmental and legal additionality.

The actions linked to the Non-Monetary PES will have different implementation deadlines. Inputs for enriching production systems will be passed on in the first year, including: lime and gypsum (2 t/ha); rock dust (1 t/ha); organic fertiliser (manure or castor bean cake + guandu bean seeds); cacao seedlings (240 to 400 seedlings/ha); soil analysis; forest and fruit seedlings (50 to 300 seedlings/ha); and forest pruning (only for the cacao-cabruca modality).

The Monetary PSA will be paid out over a 24-month period in two instalments (the first at the end of the first year of the project and the second at the end of the second year), after the TA technician has checked in the field that the productive interventions and good management practices agreed in the Term of Commitment have been incorporated.

Technical assistance to rural producers and selected communities will be carried out over 3 years and will be implemented directly by the OCT, ensuring transparency in the processes and the correct allocation of the funds passed on. There will be six visits/year to each beneficiary with an average duration of 3 hours/visit (which can be replaced/complemented by collective working meetings with beneficiaries in the communities). Among other actions and responsibilities, the technicians, together

with the owner, will be responsible for: i) implementing the PIP; ii) drawing up the Environmental and Productive Adequacy Plan (which will guide good production practices and the PES modality); iii) applying the indicators present in the valuation table; iv) providing technical guidance; v) organising logistics and monitoring the delivery of inputs and; vi) overseeing the contractual commitments established with the beneficiaries; and vii) exchanging information and knowledge with other extension agents, contributing to the institutional strengthening of TA services in the region.

When hiring TA agents, the inclusion of women and young people will be prioritised, particularly those who have graduated from the CFA. The process of preparing extension agents will seek to provide a more holistic view of rural property. To this end, among other things, the agents will receive training taking into account gender issues, nutritional food security and practices and customs associated with traditional peoples and communities.

The initiative's communication activities will be carried out through Component 3, in all the years of the Compensation Project's implementation - for a period of 4 years.

THE FUNDAMENTALS OF PSA-COMPENSATION

The Compensation Pilot Project[11] to strengthen the deforestation-free cocoa production chain in the Southern Bahia Lowlands is based on implementing good management practices, renewing and enriching the diversity of species in existing areas of cocoa (Theobroma cacao L., Malvaceae) - largely low-productivity and extractive - with a view to increasing the economic return from cultivation, providing associated ecosystem services and improving the quality of life of rural producers and traditional communities. To this end, the project will promote and support the recovery and transition of stagnant cocoa monoculture and cocoa-cabruca areas to agroforestry arrangements that are less dependent on external inputs and more productive, favouring the "permanence" of the areas and the mitigation of forest degradation and deforestation processes in the region.

Figure 1. Representation of the productive transition encouraged by the Compensation Project

To promote this productive transition and the adoption of good management practices, the project will implement a Payments for Environmental Services (PES) scheme that seeks to recognise and reward the services provided by rural producers for the benefit of the environment, as well as the set

[11] The CompensACTION project is part of a wider programme entitled "CompensACTION for food security and a healthy planet", funded by the Republic of Germany through IFAD's Enhanced Adaptation Programme for Family Farming (ASAP+). In addition, two other projects are being integrated into ongoing loan-funded projects in Lesotho and Ethiopia.

of ecosystem services resulting from more biodiverse cocoa production systems and the conservation of forest fragments on the properties.

The logic of the project's PES scheme is based on the principle that producing in a more sustainable way and maintaining forests is not a simple task and, more often than not, represents a high transaction, implementation and opportunity cost for rural producers, especially those who are decapitalised and living in poverty. It is also considered that (i) the most simplified forms of production that depend on external inputs are currently benefiting from a national political system that subsidises the value of chemical inputs and which are only profitable because they do not account for negative externalities (e.g. losses of biodiversity, soil and water resources) and that; (ii) compensation for the environmental services provided by rural producers can represent an intelligent combination of income that contributes to improving food security, increasing ecosystem services and mitigating and adapting to climate change.

By bringing together ecological principles that conserve soil fertility and recover other ecosystem services (which are rarely available on degraded agricultural land), Agroforestry Systems (SAF) present themselves as a productive alternative that is more suited to the social and biophysical conditions of the Atlantic Rainforest. This form of production - which combines agricultural and/or animal species with tree species - provides greater ecosystem services, including the capture[12] and storage of CO_2 (present in the atmosphere), regulation of the hydrological cycle and the local and regional climate[13] . The quantity and quality of these services depends on the type of SAF, which can range from a simple consortium of two species (e.g. cocoa and rubber trees), diversified multi-stratum SAFs (with many fruit and timber species) to cocoa cabruca systems that closely resemble the structure of a forest.

Figure 2 - Representation of the relationship between the provision of ecosystem services and the complexity of the types of cocoa production that occur in the Southern Bahia Lowlands.

THE AREA OF INTERVENTION AND TARGET AUDIENCE OF THE PSA

[12] Plants fix carbon in the biomass of the vegetation and, consequently, together with their residues (dead wood and leaf litter), constitute a natural carbon stock. Depending on the type of agroforestry system, one hectare of this form of production is capable of absorbing and keeping in stock an average of 80 tonnes of carbon.

[13] SAFs have the ability to regulate the extreme temperatures in the area. Compared to open areas, inside the SAF there are milder temperatures and higher relative humidity. The milder temperatures plus the reduction in air movement due to the canopy reduce average evaporation. This form of production also has a better amount of leaf litter and soil structure. As a result, the water that reaches the soil is utilised more efficiently due to greater permeability, reducing run-off.

Figure 3 - The cocoa growing region of the Southern Bahia Lowlands and the municipalities (in grey) included as intervention areas for the Compensation Project's PES actions.

The PSA will be implemented in twelve (12) municipalities located in the Baixo Sul and Litoral Sul regions of Bahia - Brazil's main cocoa producing regions[14] . The municipalities are: Guandu, Ibirapitanga, Igrapiúna, Ilhéus, Ituberá, Piraí do Norte, Presidente Tancredo Neves, Nilo Peçanha, Nova Ibiá, Teolândia, Uruçuca and Wenceslau Guimarães. The municipalities already have Municipal PES Programmes.

At least 10,000 hectares of rural property in settlements and quilombola territories will benefit from the project's PES actions. In the project's core area there are 38 settlement areas and 22 quilombola territories.

At least 1,600 families will benefit, 50 per cent of them through direct links with women and 15 per cent with young people (aged 15 to 19). The approach to young people will be mainly through the Rural Family Houses of Presidente Tancredo Neves and Igrapiúna and the Agroforestry Family House.

TYPES OF SERVICES COVERED BY THE PSA

In order to promote the transition from more simplified forms of production (monocultures in full sun) to more complex systems (diversified SAFs or cabruca), the project will recognise and compensate rural producers and communities for the services they provide in favour of improving and conserving the local environment, also taking into account the range of ecosystem services provided by SAFs and the degradation/deforestation avoided in adjacent areas (due to the permanence of more profitable systems that are more harmonious with nature).

[14] It is estimated that 70 per cent of the cocoa produced in Brazil comes from the cocoa region of southern Bahia.

DISTINCTION BETWEEN ENVIRONMENTAL SERVICES AND ECOSYSTEM SERVICES

The Compensation Project will be developed on the basis of the distinction and definitions of the concepts of environmental services and ecosystem services contemplated in the "National Policy for Payment for Environmental Services" (PNPSA, Law No. 14.119/21):

ecosystem services: relevant benefits for society generated by ecosystems, in terms of maintaining, recovering or improving environmental conditions, in the following modalities: provisioning services (which provide environmental goods used by humans for consumption or commercialisation); support services (which maintain the perpetuity of life on Earth, such as nutrient cycling and the maintenance or renewal of soil fertility), regulation services (which contribute to maintaining the stability of ecosystem processes, such as carbon sequestration) and, cultural services (which constitute non-material benefits provided by ecosystems, through cultural identity, among others). And complementary to this are **environmental services**: "individual or collective activities that favour the maintenance, recovery or improvement of ecosystem services".

The National PES Policy also provides a definition of **payment for environmental services**: "a transaction of a voluntary nature, whereby a payer of environmental services transfers financial resources or another form of remuneration to a provider of these services, under agreed conditions, respecting the relevant legal and regulatory provisions". Amongst others, the following PSA modalities are considered in the PNPSA: (i) direct payment, monetary or non-monetary; (ii) provision of social improvements to rural communities.

Most of the PES initiatives currently being carried out in Brazil and Latin America are linked to accounting for a single form of ecosystem service (above all, hydrological - as is the case with the "Water Producers" initiative led by the National Water Agency (ANA) - or the capture and storage of CO_2 - through the different forms of "carbon projects" linked to voluntary markets), mainly from forest restoration or conservation. There are few initiatives that actually take into account the environmental services provided by farmers and the "package" of ecosystem services associated with agricultural production systems.

As part of an innovative pilot initiative, the Compensation Project aims to recognise and compensate for the environmental services provided by cocoa producers by also taking into account the package of provisioning, support, regulatory and cultural services associated with the more biodiverse agroforestry systems and forest fragments found on the properties and in the communities benefiting from the project.

It should be noted that although the project seeks to recognise and compensate producers for both environmental services and ecosystem services from their properties, in order to facilitate the process

of communicating the initiative, it will use the name Payment for "Environmental" Service - which is more widely used in Brazil.

TYPE OF SUPPORT AND COUNTERPART

Compensation for environmental services and ecosystem services will be provided through a PES scheme that combines direct monetary payment and the provision of improvements in degraded cocoa cultivation areas (full sun or cabruca) through the provision of technical assistance and inputs.

As a counterpart on the part of the beneficiaries, the rural producers and communities participating in the project will be encouraged to make a commitment not to degrade - during the term of the interventions agreed in the Term of Commitment - an equivalent area at a minimum ratio of 1:1 in relation to the area of the enriched production system. The areas of the properties/communities not covered by the system enrichment and conservation interventions (counterpart areas) may be used as "control areas" for assessing and monitoring possible leakage and indirect benefits of the Project.

The benefits provided to service providers (rural producers and communities) - cash payments, provision of technical assistance and inputs - will be realised according to compliance with the interventions and good production practices agreed in the Term of Commitment and based on the type of modality implemented.

PRODUCTIVE AND ENVIRONMENTAL ADDITIONALITY AND ECOSYSTEM SERVICES

The agroforestry enrichment of cocoa areas is aimed at increasing productivity and the economic return associated with the cultivation of forest species. The average cocoa yield in the region is 14.2@/ha. Based on the experiences of the OCT and other local initiatives (municipal programmes, e.g. Cacau+) that promote productive adaptation, it is projected that the agroforestry transition will increase cocoa production by 53% in the benefited plots.

The productive additionality associated with the agroforestry transition tends to promote the permanence of the systems and, consequently, the environmental additionality[15] referring to (i) the mitigation of degradation processes and deforestation of forest fragments and existing cabruca cocoa systems on the properties and (ii) the diversification of introduced forest species. This environmental additionality will be assessed and monitored through the application of the Integrated Property Plan (PIP), taking into account the plots benefiting from the PES, the counterpart plots and other areas of the properties.

The permission to use SAF in Legal Reserves (contemplated in the Forest Code[16] , Law Nº 12.651/2012) justifies the regulatory additionality of actions to recover and/or conserve areas protected by law.

Additionality related to ecosystem services will be assessed differently according to the type of service. Additionality from CO capture and storage$_2$ from plots benefiting from PES actions and counterpart areas will be measured using stratified sampling[17] . The hydrological ecosystem service will be

[15] This criterion aims to assess whether the activity provides a real, measurable and long-term reduction in the mitigation of change. The concept is established in Article 12 of the Kyoto Protocol, to which carbon projects are subject, and determines that an activity must demonstrably result in a reduction in greenhouse gas emissions or an increase in CO2 removals that is additional to what would occur in the absence of the project (business as usual scenario).

[16] The Forest Code allows the restoration of the RL by planting regionally occurring native species with exotic ones, including fruit trees. The area occupied by exotic species may not exceed 50 per cent of the area to be restored.

[17] Assessments and monitoring of ecosystem services can be supported by the State University of Santa Cruz and the Federal University of Recôncavo da Bahia.

considered as one of the criteria for prioritising areas to benefit and not a condition for participation. Establishing the additionality of ecosystem services as a condition for receiving PES is not only difficult to assess, but also penalises providers who live in smaller areas, but have higher opportunity and activity execution costs.

THE VALUE OF THE BENEFITS PASSED ON AND THE DURATION OF THE ACTIONS

The benefit to be passed on to the providers of environmental services was determined taking into account four complementary approaches: (i) the cost of implementation, which considers the valuation of the costs of inputs, ATER and the level of labour effort[18] (environmental service) made by rural producers to carry out the agroforestry transition and the conservation of forest fragments and; (ii) the resource made available by the financier - which represents the willingness to pay. As reference parameter values: (iii) the opportunity cost[19] of the best untapped production alternative in the region (in this case, intensive cocoa production in full sun) and; (iv) the hedonic price[20] (market), taking into account values passed on by other PES initiatives in neighbouring regions. Due to the difficulty in determining the water additionality (resulting from the productive transition) and the preventive costs associated with treating the water collected in urban centres (dependent on the prioritised sub-basins), the avoided costs were not taken into account[21] .

The total value of the PES to be passed on will depend on the modality and the size of the area implemented (on average, 2 hectares per benefiting family). Considering the entire three-year period[22] of implementation of the actions linked to the PES, the total amount per hectare of the benefit to be realised by the providers of environmental services will be R$ 5,306, of which R$ 1,248 refers to the cost of providing ATER over three years; R$ 3,913 to R$ 4.433 (depending on the type of PES) refers to the cost of inputs[23] passed on in the first year; and from R$769 to R$873 (depending on the type of PES) refers to the cash resource passed on in two instalments (the first at the end of the first year of the project and the second at the end of the second year).

The cash resource will be passed on after the extension technician has checked in the field that the productive interventions and good management practices agreed in the Term of Commitment have been incorporated and the Project Management Unit has approved the report[24] attesting to the implementation of the actions. If the beneficiary fails to comply with the rules set out in the Term of Commitment, the Project Management Unit may suspend payment of the instalment(s) to be transferred.

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[18] Distinguishing and measuring environmental services is not an easy task. Not all activities are carried out exclusively for conservation purposes. Many of them are everyday, complementary services. However, these activities make possible, among other benefits, the sustainable use of the property and, in some cases, surrounding areas.

[19] It is the value lost by the producer or by abandoning the most profitable alternative use of the land, favouring productive practice that generates conservation of natural resources.

[20] They are based on the idea that a service is valued for the attributes or characteristics it possesses and use market prices, which in turn are originally determined taking into account the "willingness to pay" for ecosystem services and/or the "willingness to receive" (mainly, in the case of water PES initiatives, estimated by means of questionnaires and based on the Oasis valuation methodology).

[21] Expenses that are no longer realised by acquiring substitute goods or services that do not alter (or improve) the current state. The method calculates the value that a group would be willing to pay for a service that prevents loss of utility due to environmental degradation, or a change in behaviour to acquire better environmental quality.

[22] The actions linked to the PSA will have different implementation deadlines. The transfer of inputs to enrich production systems will take place in the first year. Payment will be valid for 24 months. Technical assistance to rural producers and communities will be provided for 3 years. The initiative's communication activities will take place during each year of the CompensAção Project's implementation - for a period of 4 years.

[23] Lime and gypsum (2 t/ha); rock dust (1 t/ha); organic fertiliser (manure or castor bean cake + guandu bean seeds); cacao seedlings (240 to 400 seedlings/ha); soil analysis; forest and fruit seedlings (50 to 300 seedlings/ha); forest pruning (only for the cacao-cabruca modality).

[24] Prepared and presented by the extension technician.

TECHNICAL ASSISTANCE

The ATER service will be implemented directly by the OCT, ensuring transparency in the processes and the correct allocation of the funds passed on. Among other actions and responsibilities, the technicians, together with the landowner, will be responsible for: (i) implementing the Integrated Property Plan; (ii) drawing up the Environmental and Productive Adequacy Plan (which will guide good production practices and the PES modality); (iii) applying the indicators in the valuation table; (iv) providing technical guidance; (v) organising logistics and monitoring the delivery of inputs and; (v) overseeing the contractual commitments established with the beneficiaries.

When hiring technical agents, the inclusion of women and young people will be prioritised, particularly those who have graduated from Rural Family Houses. The process of preparing extension agents will seek to provide a more holistic view of rural property. To this end, among others, training is recommended, taking into account gender issues, nutritional food security and traditional peoples and communities.

RULES FOR PARTICIPATION AND CONDITIONS FOR THE PSA

In order to take part in the selection process, the owners or legal representatives (individuals or companies) must meet the following minimum requirements (eligibility criteria)[25] :

1. voluntarily and formally adhere to the CompensAÇÃO Action Project**,** by means of the Application Form in Annex IV;
2. properties demonstrably located in the municipalities or buffer areas (2 km radius from the municipal boundary);
3. the property has been registered with a notary or; proof of occupation of the property accompanied by a Declaration of Ownership or Possession (Annex V);
4. have cocoa production units (plots) that are not being processed by other projects;
5. have preserved natural areas and/or plots of cabruca cacao that are not being processed by other projects;
6. possess and prove registration with the Unified Registry;

When possible and necessary, the project will allow for flexibility in the adoption of criteria 4 to 6, enabling adjustments to be made to take account of the specificities of the communities/municipalities demarcated in the project area and existing demands.

The selected beneficiaries will have the following duties:

- Comply with the conditions set out in the Term of Commitment, respecting the deadlines set and observing the relevant legislation;
- Accompany the extension technician during the inspection of the actions provided for in the Term of Commitment, or appoint someone to replace him/her, providing all the necessary information;
- To look after the area assigned in return for participation in the project.

PRIORITISATION CRITERIA

The prioritisation criteria used to select PES beneficiaries are:

[25] Other criteria that can complement this: Proof of registration with CEFIR; Owning a natural area (native vegetation) on your property; Complying with current environmental legislation or having an environmental compliance agreement signed with the competent bodies; Presenting Negative Environmental Debt Certificates at state and federal level.

- Water recharge areas, public supply sources and areas with a higher density of rivers and springs; represented in the lists of prioritised sub-basins (Annex III);
- Areas with a steeper topographic slope;
- Areas that enable the formation of biodiversity corridors between large remnants of native vegetation relevant to the region;
- Adoption of sustainable practices: organic farming; conservationist production practices for land use (erosion and/or sedimentation control techniques);
- Agrarian reform settlers and quilombolas;
- Rural women and young people;
- Total area to be assigned in return.

THE PROCEDURE AND STAGES FOR IMPLEMENTING THE COMPENSATION PSA

Implementation of the Compensation PSA will comprise the following stages:

YEAR 1 (2024)

- Hiring and training extension agents;
- Publicising the actions of the Compensation PES;
- Opening of the registration process[26] and receipt of applications;
- Selection of areas, including the following processes:
    - Application of prioritisation criteria;
    - Preliminary technical inspection and validation of the information contained in the application forms;
    - Analysis of eligibility criteria.
- Publicising the selection process;
- 1st meeting with selected producers and signing of the Term of Commitment;
- 1st round of technical visits to draw up the Integrated Property Plan (and sketch/map of land use and cover); soil collection (for analysis); definition of the type of intervention (PES modality);
- 2nd round of technical visits to return the soil analysis and define good management practices and the quantity of inputs required;
- 3rd round of technical visits to monitor the delivery of inputs and follow up on the implementation of good management practices;
- 4th round of technical visits to assess the productive intervention and the counterpart areas;
- 2nd collective meeting with beneficiaries (by community or municipality) to present the results of the evaluation carried out on the properties and hand over the payment;

YEAR 2 (2025)

- 1st round of technical visits to monitor the implementation of good management practices;
- 2nd round of technical visits to monitor the implementation of good management practices;
- 3rd round of technical visits to assess the productive intervention and the counterpart areas;
- Collective meeting with beneficiaries (by community or municipality) to present the results of the evaluation carried out on the properties and hand over the payment;

[26] Duly completed and signed by the owner/possessor or legal representative, according to the model in Annex X. If applicable, accompanied by the power of attorney of the owner's legal representative. The Registration Form must be accompanied by: A copy of the personal documents of the owner/possessor (ID and CPF); Proof of residence in the name of the rural owner/possessor (electricity bill, water bill, telephone bill or similar), not older than 90 (ninety) days from its issue; Proof of ownership by presenting a certificate issued by the Land Registry Office. Documents proving ownership status may be sent instead of the General Property Registry, such as: (i) receipts for the purchase and sale of ownership (formalised at a notary's office); (ii) ownership by beneficiaries for more than five years can be proven by proof of filing an individual usucapion action or land regularisation, by administrative means provided for in Federal Law No. 13.465/2017.

YEAR 3 (2026)

- 1st round of technical visits to monitor the implementation of good management practices;
- 2nd round of technical visits to monitor the implementation of good management practices;
- 3rd round of technical visits to assess the productive intervention and the counterpart areas;

YEAR 4 (2027)

- Evaluation of the implementation of the PES scheme;

GUIDELINES FOR OPERATIONALISATION

Before the PES is implemented and throughout the duration of the project, environmental/ecosystem service providers and the interested public must be guaranteed free access to information related to the initiative - in easy-to-understand language - which, among other things, includes aspects of prioritising and selecting beneficiaries, how the services provided will be assessed and monitored, activities to be carried out, the duration of the initiative and conflict resolution mechanisms. The voluntary participation of environmental/ecosystem service providers should also be ensured.

In order to avoid double counting of ecosystem services provided and overlapping funding in the same area, it is recommended that the registration of areas and all related data be available on a platform accessible to the interested public.

Component 2: Support for municipal and regional PES policies

The aim of the Component is to strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the Southern Bahia Cocoa Region (RCSB).

The component will operate in the total area of the project (77 municipalities), including the core area, with complementary strategies orientated in line with the dynamics promoted by SEMA, among other opportunities identified regionally and structured on the basis of the State PES Policy and Municipal Policies.

The action will be based on the lessons learnt and the experience acquired in the municipalities of the core area, the Component will seek to replicate the experience of the core area, with a view to scaling up to a greater number of municipalities with approved laws and decrees.

The project will contribute to building the PES governance process in the RCSB, which could take the form of a network or platform, a topic currently under discussion with the various public, private and organised civil society players, representatives of family farmers and cocoa producers, other projects and programmes, universities and research institutes, among others.

This innovative initiative will be an important contribution of the project, which could materialise through studies, the organisation of events and in particular to implement a communication strategy at the service of the actors involved.

It was also established that the network's work, by giving greater visibility to PES actions around a process of territorial governance, should make it possible to identify and mobilise new partners, particularly investors, to expand, consolidate and make PES processes more sustainable. The OCT is part of a broad network of partnerships, which could contribute to this, as well as seeking greater integration of private actors involved at different levels of the cocoa chain.

The actions and results of Component 1 should directly contribute concrete references for the training and information actions of Component 2.

The activities carried out as part of this component will be systematised and will be used as input for communication material and actions throughout the project. These aspects will be fundamental to guaranteeing the transparency of the process and strengthening the legitimacy of the PES mechanisms. Knowledge management and communication will also be important means of identifying and approaching potential new partners, thus giving greater magnitude and representativeness to the dynamics to which the project will contribute.

Finally, the methodology and results of this component could also form the basis for building exchanges and South-South co-operation with other regions or countries, particularly those where IFAD is involved with projects dealing with or planning to incorporate similar initiatives.

The component is structured around two sub-components

Subcomponent 2.1: Promotion of municipal PES programmes

The aim of this subcomponent is to contribute directly to building the network and to better utilising and coordinating human and financial resources to achieve synergistic results in the actions being carried out by the RCSB.

Considering that there is a dynamic in the development of actions and projects in the RCSB with a focus or interest in PES devices, evidenced by the increase in interventions (GEF Cabruca - FAO, Forest Partners Project - IFAD - IDB - Government of Bahia - initiatives led by other entities such as the Arapyau Institute, the Forest Peoples network, Casas Família Agrícola and Casa Família Agroflorestal, Bahia Rural Development Secretariat - SDR, Ministry of Agriculture and Livestock - MAPA, Secretariat for Innovation, Sustainable Development, Irrigation and Cooperativism - SDI/Executive Commission of the Cocoa Farming Plan - Ceplac, inter-municipal consortia and the Food and Agriculture Organisation of the United Nations - FAO), the need to consolidate and organise interventions is becoming increasingly evident.

The state of Bahia, and the RCSB in particular, has a particularly favourable institutional context and offers solid potential for structuring an institutional arrangement aimed at guaranteeing participatory governance of PES actions.

Recently, the constitution of a regional network of institutions working to implement PES mechanisms has been on the agenda in the informal exchanges that take place between the different actors, public, private and civil society.

In this context, Compensation is emerging at a very opportune moment to support this dynamic, which will be the purpose of subcomponent 2.1.

Through the organisation of regional events and mobilisation, information and communication actions, they will be a means of enabling exchanges of experiences between municipalities in the core area and municipalities that have not yet become involved in PES implementation.

The subcomponent is also planning to organise training events involving municipalities that have not yet drawn up municipal laws, in order to help expand the PES strategy in the territory, with the support of SEMA.

Subcomponent 2.2: Development of the regional PES plan and network

This subcomponent will be concerned with the continuity and expansion of PES mechanisms beyond the CompensAÇÃO programme, and will aim to strengthen the sustainability of PES mechanisms in the region. In this sense, the network will have a strong potential to mobilise partners in order to raise funds and other means that can contribute to building the project's financial and institutional continuity.

To structure and guide the work of the network, a Regional PES Plan will be drawn up at RCSB level. Considering that there is no organised information at the level of this area of coverage and this specific theme, a document of this profile is necessary. The OCT will coordinate this development, which will be conducted in a participatory manner with the network's actors. To this end, it will be necessary to carry out socio-environmental and economic studies, with primary data collection in the field, which should characterise the region, identify opportunities and limiting factors in order to define and implement a governance process geared towards landscape and forest restoration. These studies will be carried out in partnership with the University of Santa Cruz (UESC) and other local institutions that will be identified as having the potential to contribute.

As part of the Regional Plan, there will be a chapter on the main aspects of economic valuation to recognise and provide economic incentives for the environmental services provided, including studies on the opportunity cost of land, the methodology for calculating environmental valuation and the adaptation of the table for bonusing the physical-environmental and socio-economic attributes of rural properties benefiting from Compensation.

It is worth pointing out that this plan and the environmental valuation study could become guiding instruments, and therefore be considered as a reference for a similar planning documents in other regions of the state or country. In this regard, the participation of SEMA, as the authorised and legitimate body at regional level, will be fundamental and the OCT will pay particular attention to ensuring the best possible appropriation.

To this end, the project will organise, through the Regional Network, meetings with the participation of strategic players, to discuss, among other things, the different options and models for fundraising, and to analyse existing models for other types of activities. On the basis of these meetings, the Network will be able to define the most appropriate models and integrate this action into its planning. This mobilisation of institutions and resources should lead to the creation of a fund for PES.

Component 3: Project Management, Knowledge Management and South-South and Triangular Cooperation (SSTC)

The purpose of this component is to coordinate, supervise, manage resources, procure and approve services, guaranteeing the execution of the project's activities. It will also carry out monitoring and evaluation as well as knowledge management of the experiences arising from the project and the exchange of knowledge via south-south co-operation. A Project Management Unit (PMU) will be set up, which will be physically based at the OCT and will be made up of professionals with partial and exclusive dedication to the project.

The PMU will be responsible for the proper implementation of the Project's resources, ensuring compliance with the requirements of environmental and social safeguards, tenders and contracts, financial management, disbursement requests and rendering of accounts for the resources contributed, executed and/or committed, including those of the beneficiaries.

Subcomponent 3.1: Project Management

Activities include:

(a) To implement and supervise the execution of the project in accordance with the negotiated terms and the provisions of the Project Implementation Manual;
(b) Carrying out: (i) technical-operational management, (ii) fiduciary management (relating to financial procedures and tenders and contracts), in accordance with the respective IFAD regulations, and administrative management of the project;
(c) Arrange for annual external audits to validate the project accounts, under the applicable terms of the financing entity, including checks on tenders; and
(d) Disseminate IFAD's policies on combating fraud and corruption and on non-tolerance of sexual harassment, exploitation and abuse throughout the implementation of project activities.

This subcomponent will also be responsible for implementing and operating the Planning, Monitoring and Evaluation (M&E) system. The main activities are:

(a) Contribute to the planning of activities, including the preparation of Annual Operating Plans (AOPs);

(b) Implement a management and monitoring system for the project and the PES;

(c) Monitor the logical framework indicators;

(d) Carry out evaluative studies: effect and impact; and

(e) Provide information for Knowledge Management and Communication studies.

Subcomponent 3.2: Knowledge Management and South-South and Triangular Cooperation

Implementing procedures for the realisation of knowledge management, to provide for the exchange of knowledge. The main activities are:

(a) Generate knowledge products relevant to public policies;
(b) Recording, systematising, documenting and publishing experiences and good practices to share at state level, in the Northeast region and for South-South cooperation actions;
(c) Carry out communication actions to capture good practices, experiences, knowledge and results; and
(d) Develop specific communication materials to disseminate good practices and success stories among beneficiaries.

6. PREPARING FOR IMPLEMENTATION

Certain procedures must be observed by the OCT, in a sequenced manner, in order to guarantee a rapid initialisation of the project:

6.1 Composition of the PMU

The PMU team will be based at the OCT's headquarters and must be made up of at least the following functions:

1. General coordination of the PMU[2]
2. Financial coordination[2]
3. ATER[2] technical coordination
4. Technical coordination governance[2]
5. Financial manager[2]
6. Geoprocessing manager[2]
7. Communication manager[2]
8. Analyst specialising in PSA (Full)[1]
9. Specialist geoprocessing analyst[1]
10. Hiring monitoring[1]
11. Junior communications recruitment[1]
12. Contracts and Tenders Specialist (Consultant)[3]
13. Extension technician - Supervision of field activities[2]
14. Extension technician - Supervision of field activities (Biodiversity)[2]
15. Extension technician - Supervision of field activities (Geotechnology)[2]
16. Extension technician - Supervision of field activities (Agroecology)[2]
17. Extension technician - Supervision of field activities (Gender, Youth and Ethnic-Racial issues)[2]

Explanatory note: [1] Professionals funded with donation resources; [2] Professionals funded with OCT counterpart; [3] Professional with 95 per cent of donation funding.

Therefore, the coordination positions will be filled by OCT professionals, with the support of specialist professionals to be hired, following the rules for hiring consultants, subject to open and competitive selection.

6.2 Quick start procedures

Project preparation activities, to be carried out by the grant recipient before the Financing Agreement is signed and the operation begins, include: i) finalising/adjusting the Project Implementation Manual (MIP - Annex 8); ii) reviewing and updating the Annual Operating Plan (POA) for the first year (Annex 6) and the Annual Contracting Plan (PAC) for the first 18 months of project operation (Annex 7); iii) preparing the disbursement plan and opening designated and operating accounts; iv) setting up the Project Management Unit (PMU), as planned; v) drawing up the Monitoring and Evaluation (M&E) plan and the knowledge management plan.

The official launch of the project, together with the *start-up* workshop, is scheduled for the first quarter of 2024.

Between the end of the project design and the start of its implementation, it has been agreed that the OCT team will work on the following aspects:

- Organisation of meetings with the main partner institutions to coordinate and plan 2024 and the actions of the PES network,

- Preparation of the Technical Co-operation Agreements to be signed with the main partner institutions,

- Raising awareness and publicising the Compensation initiative in the communities in the project's core area,

- Preparation of communication material on the general presentation of the project,

- Preparation of the training plan for the technical team, which will be implemented as soon as the technicians are hired,

- Preparation of the hiring processes for the members of the PMU and the technical team,

- Reviewing and updating the main implementation tools and, in particular, the Integrated Property Plan (PIP),

- Preparation of detailed TORs for the studies to be carried out in the first year of implementation.

It's worth mentioning that the preparation of activities with city halls will be a priority considering that 2024, which should be the first year of implementation, will coincide with the election year of the city halls, which will lead to restrictions on carrying out some activities.

7. MONITORING AND EVALUATION (M&E)

Monitoring e Evaluation (M&E) will be one of the agents responsible for planning, monitoring and recording the physical actions of the Project, measuring the results achieved, as well as proving the agreements made with the farmer for the purposes of transferring PES resources.

Therefore, M&E will work in two synergistic areas, the first being related to the project as a whole, such as the registration of families and activities, the preparation of six-monthly progress reports, etc.; and the second will be around the monitoring, follow-up and evaluation of interventions in the field for the purposes of PES payment, including the measurement of results/impacts.

To achieve these objectives, M&E will work in tandem with the teams from the other components to assist in the strategic planning of the project and to ensure that its actions are in line with the premises set out in the design document. In addition to operational complementarity, these links will be fundamental to ensuring that the project is carried out as defined in the MIP and the POA/PAC for the current year.

Each activity to be carried out must be linked to an analytical and participatory process involving all stakeholders, starting with the other professionals in the PMU. Consultations could be held with the ATER service teams, various bodies at municipal and territorial level and the community organisations with which the project will work. In this sense, the planning process should involve family farmers and their leaders, belonging to rural communities, agrarian reform settlements and traditional communities, in all the municipalities that will be part of the project's intervention. It will be up to the PMU to create mechanisms and procedures to integrate the planning process at local and regional level with other public and private partners in the municipalities it covers.

The M&E team will be made up of one specialist, with exclusive dedication, and will be assigned to the PMU, and will be responsible for registering beneficiaries and activities, as well as planning and conducting the project's evaluation studies, including monitoring the PSA. The team will be reinforced by hiring university fellows to support M&E tasks.

It should be noted that the Knowledge Management and Communication (KM&C) specialists will work in line with the M&E team, the component teams, the gender, race and ethnicity team and the biodiversity and agroecology team. In this way, knowledge will be produced in an integrated manner, capable of subsidising new actions, and also for the dissemination of the main results obtained.

The information generated by the M&E system will be widely used by the Social Communication (SC) & GC team in the systematisation, communication and dissemination process, serving as inputs to influence public opinion and influence the political sphere. In this way, the materials produced will form a solid basis for the '*scaling up*' process, helping to draw up legal frameworks and public policies aimed at the sustainable management of the resources realised by the Project.

7.1 Planning

On the subject of planning, the M&E team will be responsible for drawing up and monitoring the following documents:

7.1.1 Monitoring and Evaluation Plan - M&E Plan

This document will be drawn up by the M&E team at the start of the project, and is intended to define the guidelines to be followed during its implementation. For example, the presentation of M&E processes, the dictionary of indicators and the methodology for feeding the Logical Framework (ML), the definition of evaluation studies, the monitoring of the PES, among other topics. This plan, when finalised, should be sent to IFAD for No Objection.

IFAD has a model M&E Plan that will be made available to the project team.

7.1.2 Logical Framework (ML)

The ML is an important tool for monitoring and evaluating the project's actions. The indicators defined at the time of design reflect the main activities that will be carried out during implementation, as well as their expected results. It is important for the project team to be aware of these indicators in order to plan actions.

Each ML indicator contains quantitative data (target), and references explaining the source of the data, the organisation responsible for the information and the assumptions used in its calculation. In the course of implementing the project, the data source, the organisation responsible and the assumptions may be adjusted. Indicators and targets can only be changed with IFAD's approval.

For each indicator, there are targets to be met by the end of the project. The annual targets will be defined by the project when drawing up the POA for the following year. Therefore, the POA must be related to the ML, where the actions planned with the budget will be related to meeting the physical targets in the ML.

The indicators will be monitored in a disaggregated way, by women, young people and traditional communities, whenever applicable. The frequency with which quantitative information is entered into the ML is defined by indicator. The ML, with updated physical progress, should be included in the POAs, Half-Yearly Progress Reports and prior to the start of IFAD missions.

ML has three levels of indicators: process (product), effect (result) and impact. The last two types of indicators are responsible for assessing the progress and results obtained by the actions in the field and will serve as a basis for rethinking and realigning the strategies for implementing the planned activities. Below is a breakdown of the 3 types of indicators:

Process indicators: The **process** (or product) indicators will be constantly monitored and will be represented by the direct progress of the project. Through these, it will be possible to find out quantitatively what benefits the project is providing and who is receiving them. For this reason, it is

important to have an efficient system for registering beneficiaries and activities, so that the M&E team can issue management reports in a timely manner.

Effect indicators: The effect indicators will be evaluated in conjunction with the impact assessment study and will present the results of the actions in the field, such as increased productivity, access to markets, expansion of green areas, etc.

The effect indicators, classified as *Core Outcome Indicators* (COIs), have a methodology proposed by IFAD, with a set of questions that should be included in the impact assessment questionnaire. The project should consult the IFAD manual on this subject.

The other ML effect indicators could be evaluated over a shorter period of time than that proposed for the IOCs, in order to serve as parameters for adjustments in the project's implementation processes.

Impact Indicators: The impact indicators will be measured by carrying out the impact assessment study, with checks at the Baseline and Final Assessment. The topic of impact assessment will be dealt with in greater depth in the specific section of this document.

7.1.3 Annual Work Plan and Budget (POA)

This document is drawn up by the project each year and consists of a forecast of the actions to be carried out in the following year. Its planning will be in line with the Project's main documents, such as the design and implementation manual, and will contain the financial resources that will be used over the course of the year. The activities that involve assisting families must present the physical quantities, i.e. how many families will be benefited. In addition, each action must be related to an ML indicator, and the target will be included in this for the year in question. As an example, the POA being drawn up for year 02 states that resources will be invested in providing ATER to 100 families. These amounts will make up the proposed year's targets for the ML indicators relating to this action.

The POA that will be sent for IFAD's No-Objection must contain the ML, including the targets for the year it is in force, as well as the physical progress made to date.

Preparation of the POA will be the responsibility of the PMU team, especially the component managers and those responsible for the project's cross-cutting themes, such as the youth issue, for example. The M&E team will be responsible for subsidising the team with information on the project's progress, as well as presenting the demands for implementation, based on the ML's final goals. M&E will be responsible for consolidating and evaluating the POA, checking its consistency with the project documents.

IFAD has a POA template that will be made available to the project team.

○ 7.2 Project and PES monitoring

On the subject of monitoring, the M&E team will be responsible for defining the means and methods that will be able to obtain information on the implementation of the project, as well as ensuring monitoring to prove the agreements made with the farmer for the purposes of transferring PES resources. This information should be better explored in the Monitoring and Evaluation Plan. The main topics are presented below.

7.2.1 Monitoring tools and methods

Implementation and use of a monitoring system: The project must keep the information management system up to date and ensure that it stores disaggregated data specific to the beneficiaries, such as their family composition, ethnic group, and above all, the type of benefit received. It is also important that this system is available to the other PMU teams, so that they can feed and consult the system.

To this end, an M&E system capable of storing a significant volume of tabular and geographical information will be purchased.

The M&E system should allow for the registration of tabular information about the family and their property, as well as the geographical delimitation of agricultural, non-agricultural and environmental protection areas, etc. on each property. The methodology basically includes two phases: i) Cadastral, through the insertion of the "drawing" of the property when the Integrated Property Plan (PIP) is drawn up; ii) Monitoring and Evaluation, through the follow-up of the PIP. This data will also be essential for carrying out evaluation studies.

In order to comply with CompensAÇÃO, the M&E system must be able to: i) collect and store images, tabular and geographical information; ii) operate on Windows and Android; iii) operate for off-line registration and consultation; iv) allow communication between the technician and the beneficiary; v) generate dashboards for monitoring indicators; and vi) include new forms (customisable).

In addition, the project will develop the digital Valuation Table tool, which currently does not have an electronic version.

Registration of beneficiaries and activities: The registration phase is of paramount importance for the Project and will make up the database with information on the family and the benefit received. The M&E System will be the electronic environment for obtaining information in the field and storing it. It should have an interface that allows ATER technicians to enter information from the field, using tablets, and to monitor the management and progress of registered indicators. The system will also allow ATER work to be recorded whenever a family is visited.

Registration will be required for all families (and their members) benefiting from the project, as well as the geographical area of the property and its uses. The main information is: the beneficiary's name, the names of other family members, date of birth, gender and ethnicity, as well as geographical coordinates. Community registration data, such as name and typology, should also be included.

The M&E team should check what data should be obtained from these registers, including questions related to production, income, etc., in order to assess the results of the project's work with these families.

In relation to the benefit, the system will record the type of benefit received and the start and end date of the activity. If the family receives more than one benefit, the Project will need to record these interventions in the family register, taking care to only count the family as a beneficiary of the Project once.

Monitoring the PSA: After the registration phase mentioned above, the families will start to receive the benefits of the project, such as ATER and agricultural inputs, in the areas chosen for intervention on the property. For the purposes of paying the PES, the ATER technician will check that the agreements with the farmer have been complied with, based on the information in the M&E system.

7.3 Evaluation

In terms of evaluation, the M&E team will be responsible for defining the means and methods that will be able to analyse the results and impacts of the project's implementation. These analyses will be obtained through evaluative studies, and should be better explored in the Monitoring and Evaluation Plan. The main topics are presented below.

7.3.1 Evaluation tools and methods

Preliminary results assessments: Preliminary results assessments will be used to support management and indicate whether the project is on track. The M&E team will use data obtained at the time of registering families (using the M&E System) and will update it as planned in the M&E Plan.

Evaluation of effect/impact indicators (COIs): The ML effect/impact indicators (COIs) will be assessed during the impact assessment study, i.e. the questions that will bring answers to these indicators will be present in the baseline and final assessment.

The M&E team should consult the IFAD manuals that deal with monitoring COIs and their methodology should be included in the M&E Plan.

Impact assessment: The first step in carrying out the project's impact assessment will be to verify the theory of change in order to validate that the links projected in the design document between the project's activities and products are in line with the desired short- and long-term results. This point is fundamental, as this will enable the study to accurately identify and capture the results achieved in all the existing dimensions. The study should begin before the benefits are provided to the families, preferably in year 1.

Traditionally, the impact assessment study is carried out with two different groups, made up of beneficiary families (treatment group) and non-beneficiary families (control group). In this case, the study will only be carried out on beneficiary families, with the following difference: the comparison will be made between the plots of these beneficiary families, with and without the project's intervention.

Therefore, each family will have a project intervention area of around 2ha (treatment area) and an area that will be selected as a counterpart and will not undergo project intervention (control area). In this way, it will be possible to compare the results obtained through the Project's intervention.

The impact assessment study will be carried out on the basis of:

i) Control area: Productive family area that will not receive any type of benefit from the Project, to be defined at the time of registration of the beneficiary family, to serve as a comparison for the study; and

ii) Treatment area: The productive family area that will receive the benefits of the project, such as ATER and investments in inputs and seedlings.

The registration of families, the application of the questionnaire and the geographical delimitation of the control and treatment areas will be carried out by the ATER team using the M&E system. The baseline questionnaire will be administered to all beneficiary families at the start of the project. At the end of the project, the questionnaire will be reapplied in order to identify and measure changes (impact). It is important to emphasise that there will be no sample definition, since the study will be carried out on the universe of beneficiary families.

This information will be obtained in the field by ATER technicians hired by the project. The baseline and impact assessment technical reports will be carried out by consultants external to the project, to be hired for this purpose.

The basic questionnaire for the survey will be provided by IFAD, where the project can add new questions, adapting the document based on the desired results.

The results of the impact assessment will be used to fill in the results of the ML impact and effect indicators (COIs), as well as providing information to subsidise the preparation of the Project Completion Report (PCR).

The study should cover the following topics: i) income; ii) level of assets and wealth; iii) production, consumption and commercialisation; iv) management of the environment and natural resources; v) valuing gender identity, race, ethnicity and generation; vi) access to public policies; and vii) food security, among other topics.

The impact assessment will consist of 2 stages: The Baseline Study and the Final Evaluation Study.

a. Baseline

The baseline is a kind of initial X-ray of the project's beneficiary families, where information on family composition, production, income, etc. will be obtained for later comparison with subsequent studies.

The baseline will be obtained through a survey of the universe of beneficiaries, in the family intervention areas (treatment area), and in the control areas, which will represent the areas that will not be served by the Project. The questionnaire to be used in the survey will be the same model used by IFAD projects in Brazil, adapted to cover all the expected impacts of the project.

The baseline study and its database must be available before any field activities are implemented. Baseline data should be compared and contrasted with data collected during implementation and, above all, in the final impact assessment.

The baseline report will contain a detailed description of the activities carried out to apply the questionnaire in the field, the delivery of the database and a preliminary report on the results of the fieldwork. The final report should include: i) an executive summary; ii) the identification and selection of observations; iii) a description of the study methodology and the calculation of indicator data; iv) a presentation of the analysis of the data from the set of evaluation indicators listed above and collected using the information-gathering instrument (questionnaire), with illustrations using graphs, maps and tables; and v) conclusions and recommendations. The report should include, as an annex, the database, summarised in its entirety in Excel and "csv" electronic format, as well as other material relevant to the study, such as photographs and maps of the households surveyed.

b. Final and Impact Evaluation

This study will use the same questionnaire applied during the baseline, and it will be possible to identify changes in the set of impact indicators listed above in order to allow for a more in-depth impact analysis of the Project's activities on the beneficiary families. The study will be carried out during the final year of the project. It is important that the treatment areas have benefited for at least one year, to ensure that the impact can be identified after the investment has matured.

Adaptation, Biodiversity and Carbon Mapping Tool (ABC-Map): A tool that will make it possible to holistically assess the environmental impact of the Project's actions using satellite images, making it possible to identify improvements in biodiversity at the ecosystem level. Using this tool, it will be possible to measure the ML indicator of biodiversity improvements at the ecosystem level.

The M&E team, together with the Component 1 team, and with the support of the IFAD team, should carry out an initial, mid-term and final study using this tool, based on the data registered in the M&E

System. Particularly important for this is the collection of georeferenced information on production areas and the equivalent area conserved in return for the farmer.

○ 7.4 Drawing up technical documents

7.4.1 Half-yearly Progress Report (RSP)

The RSP should be sent to IFAD every six months, containing a detailed description of the activities carried out in the last six months of the project, including information on physical and financial progress by component and sub-component, and the extent to which they contributed to meeting the project's goals. The report for the first half of the year, with data from January to June, will be sent to IFAD by 31 July, and the report for the second half of the year, with data from July to December, will be sent to IFAD by 31 January.

The RSP should present the progress of the ML indicators with respect to the targets estimated by the POA in force for the year, and the total targets envisaged in the design. The RSP for the first half of the year must provide the lines of correction to be adopted by the project in the second half of the year, in order to correct delays in the execution of activities, by means of a specific timetable. The RSP for the 2nd half of the year, in addition to detailing the actions for the period, should present an overview of the project's activities for the whole year.

M&A will be responsible for providing quantitative and qualitative data to the project team, as well as being responsible for consolidating the final document.

The RSPs must present an analytical description of the level of progress of the project by component and sub-component, as well as the relevance of the activities carried out to the results of the indicators. This analytical section should i) record, qualify, monitor and evaluate contracted service providers; ii) qualify the degree of efficiency of information flows between stakeholders, as well as contribute to strengthening local planning coordination processes; iii) evaluate the quality of the Project's products, results and impacts, in accordance with the ML indicators; iv) evaluate the success of the targeting strategy, including issues of gender, race, ethnicity and generation for each component, in order to ensure that the Project is reaching the target population; and v) evaluate the relationship between the activities and investments and the management of natural resources in the context of climate change.

It is important for the document to include photographs to illustrate the main activities carried out during the period.

IFAD has an RSP template that will be made available to the project team.

7.4.2 Project Completion Report (PCR)

A document to be drawn up by the project team, it consists of the final report. The CPR must follow IFAD guidelines and contain information on the implementation of the project, changes in direction (if any) and the results achieved. Focal points should be defined in the PMU to liaise with the other project professionals and have the mission of inserting the information into the main document of the CPR.

It is important to emphasise that the document must be constructed in such a way that the cross-cutting themes related to actions with young people, women, etc. are present throughout the text, including in the project results. The CG materials and the results and impact evaluations will be fundamental to the preparation of the CPR, and for this reason their deliveries must be aligned to ensure this complementarity.

Closing workshop: The workshop will be the main closing event and will be attended by the project's main participants, such as the beneficiaries, ATER entities, producer organisations, as well as municipal and state government bodies. At this event, the project will present its actions and the results obtained, as well as gathering information and testimonies from the participants. The results of this event will be systematised and included in the project's CPR.

8. PRODUCTION, KNOWLEDGE MANAGEMENT, COMMUNICATION AND SOUTH-SOUTH AND TRIANGULAR COOPERATION

○ 8.1 Production, knowledge management and communication (GCC)

The PMU will have two professionals dedicated to knowledge management and communication. They will be responsible for including in the project management team a culture that values documenting, analysing and communicating implementation experiences and lessons, establishing work strategies and ensuring their active participation in the project's planning and monitoring processes.

The GCC specialists should work in line with the M&E team, the components, and the gender, race and ethnicity teams as well as environmental and agro-ecology specialists. In this way, knowledge will be produced in an integrated manner, capable of systematising good practices, disseminating the main results obtained and subsidising new actions.

Knowledge Management: The Project will have to draw up a Knowledge Management and Communication Plan in year 1 of implementation, detailing the methodology that will be used during implementation. In order to formulate a KM strategy and plan actions, innovative best practices from IFAD's portfolio that can be applied to the Project will be identified, as well as activities, processes, systems and capacities employed and their solutions and lessons learnt. This, together with the mapping of needs and demands and the monitoring of the activities implemented by the Project, will allow the Project to build a practical and actionable methodology to support critical reflection, learning and adaptation during its implementation.

This plan should contain the activities, processes, systems, capabilities and success indicators of the topic, with the aim of structuring and internalising the CCM actions. This plan should include a detailed timetable for the systematisation process and product deliveries. It is important that the timetable is built taking into account the implementation of the project's actions in the field.

The information generated by the M&E system will be widely used by the GCC team, both in the systematisation, communication and dissemination process, as well as in providing technical, quantitative and qualitative inputs. In this way, the materials produced will form a solid basis for the 'scaling up' process, helping to draw up legal frameworks and public policies aimed at the sustainable management of natural resources.

The strategy will outline the actions to be carried out during the course of the project, including publications, studies, exchanges, etc., with the aim of guaranteeing beneficiaries access to technical, economic and institutional information on PES, with a view to improving their productive and organisational capacities and market insertion. Within government institutions, the CCM strategy will generate products that are relevant to public policies and sustainable rural development programmes related to the project's themes.

Based on this structure, it is estimated that the GCC will be able to: i) Generate knowledge products relevant to public policies; and ii) Record, systematise, document and publish experiences and good

practices to share at the level of farmers, municipalities, states, the Northeast region and for South-South Cooperation actions.

The project should draw up quantitative systematisations by thematic area of intervention, for example, the importance and results of productive backyards, cocoa production chains, etc. These systematisations will inform the project team about the most immediate impacts on families' lives in terms of income and food security in the short to medium term. At least 6 thematic systematisations should be drawn up over the course of the project.

Communication: The team should use the M&E data to draw up documents communicating the main results of the project to the media, including partners. The team will be responsible for communicating, in a simple, visual and comprehensive way, the progress of the project in its main activities and results, both in terms of monitoring and evaluation. The team will be able to use the Semi-Annual Progress Reports (RSP), as well as the inputs from the M&E system, the results of the Baseline Study, the Thematic Systematisations and the Impact Assessment Study, to transform them into communication material that summarises and illustrates the Project's main advances for a diverse public and private audience.

Based on this structure, it is estimated that Communication will be able to: i) Carry out communication actions to capture good practices, experiences, knowledge and results; and ii) Develop specific communication materials to disseminate good practices and success stories among beneficiaries.

The project will set up a specific section of the current website for publishing CCM and communication materials, as well as publicising calls for tenders, at the address "https://oct.org.br/compensacao", including keeping it active for at least 3 years after the end of the project. The social networks Facebook, Instagram and Youtube will be used to publicise CCM and communication materials, as well as to transmit information about actions in the field, such as the contracts to be awarded, thus increasing the transparency of the work carried out.

○ 8.2 Triangular and South-South Cooperation (SSTC)

The SSTC aims to implement procedures for the exchange of knowledge between farmers, technicians and managers, providing an exchange of knowledge between regions that have the same productive characteristics, in Brazil or in Southern Cone countries, such as Africa, South America, etc.

In this way, the project will plan and receive at least one delegation (made up of farmers, technicians, etc.) to learn about the experience adopted in the area of intervention, for dialogue with farmers and key people such as community leaders, managers, etc., preferably between the 3rd and 4th years of implementation.

The project will maintain a close relationship with the IFAD Centre for Knowledge and South-South and Triangular Cooperation, located in Brasilia, which will be able to support the exchange of knowledge between IFAD projects in Brazil and Latin America through South-South and Triangular Cooperation activities.

The CCM materials produced by the project will be translated into Spanish and/or English so that people living in other countries can learn about the experience and lessons learnt during its implementation.

9. IFAD MISSIONS

Throughout the implementation of the project, IFAD will organise different missions of different modalities:

i) full supervision mission that evaluates the performance of all aspects of the Project;
ii) partial supervision mission, assessing only selected aspects of the Project's performance (e.g. partial supervision mission can be conducted as the second mission for projects with real or chronic problems);
iii) implementation support mission, which is less formal and can be more technical in nature
(iv) completion mission;

A completion mission will be conducted at the end of the project to assess its results and impacts, review the sustainability strategy, the exit arrangement, and extract the lessons learnt, among other topics.

The missions will be accompanied by specialised consultants, hired by IFAD as necessary.

9.1 Supervision missions

The Project will be supervised directly by IFAD. In order to facilitate the implementation of the Project and ensure the fulfilment of its objectives, IFAD, in collaboration with the OCT, will carry out at least one supervision mission per year. The Project supervision missions will include field visits and dialogue with the OCT and local stakeholders such as civil society, research organisations, the private sector and farmers' organisations, among others. The supervision missions will result in a Memorandum of Understanding signed between IFAD and the OCT, in addition to the Supervision Report.

Supervision missions should focus on identifying implementation bottlenecks and proposing concrete solutions, rather than just evaluating project performance. In the context of decentralisation, which promotes the principle of continuous supervision, IFAD requires at least one full supervision mission every 12 months. The results of the supervision mission are captured in a Supervision Report generated online in ORMS, where performance scores are also assigned according to the criteria set out in IFAD's supervision guidelines. Financial management (FM) analyses, procurement analyses and general Project management issues are an integral part of all full supervision missions. Exceptional circumstances may justify ad hoc FM and/or procurement supervision, as agreed with IFAD.

The supervision missions will consist of the following topics, among others:

i) Reviewing the progress of implementation, in view of the agreed objectives and results targets as well as mainstreaming themes;
ii) Dialogue on problems identified in project management;
iii) Field visits to beneficiary families and communities and meetings with project partners;
iv) Review of the Project's Interim Financial Reports (IFRs);
v) Review of the Project Progress Report;
vi) Review of the issues raised in the audit reports;
vii) Review of other financial and disbursement reports;
viii) Dialogue on problems identified in the financial management of the project;
ix) Financial risk update, including performance evaluation;
x) Review of the bidding and contract management processes carried out under the Project;
xi) Agreements with the Project implementers on measures to improve the Project's operational, FM and procurement performance.

9.2 Implementation Support Missions (ISMs)

ISMs aim to address specific issues that may arise during implementation. These missions will be key to ensuring IFAD's targeted support and the removal of obstacles to implementation. ISMs can be organised as needed and according to demand, with an initial forecast of at least one per year.

ISMs provide technical advice (and sometimes training) to implementing agencies. Reporting on these missions is done in the form of memos, does not include performance ratings and is not publicised. However, it is shared with implementing agencies and partners.

IFAD provides implementation support for a wide range of activities, depending on the needs and circumstances of the particular project or programme. Implementation support can be reactive (responding to requests from the project implementer) or proactive (initiated at IFAD's suggestion), and can also be provided in response to real or emerging problems and constraints or to prevent identified potential problems from materialising. Implementation support should not replace the Project's regular implementation activities.

Implementation support can be mobilised for individual projects to address project-specific issues, for country programmes to address cross-cutting issues in the country portfolio, and for multinational/regional initiatives to facilitate learning and knowledge sharing. Support can range from assistance in resolving complex issues to more practical advice or facilitation of processes, such as reorienting the strategic direction of the project; modifying components or implementation arrangements; and resolving fiduciary issues (FM, procurement) during project implementation. It can also support the introduction of innovative approaches and the promotion of good practice and new partnerships.

It is important that implementation support contributions are agreed in advance with implementing agencies, partners and stakeholders.

10. FINALISING AND CLOSING THE PROJECT

10.1 Project Completion Report (PCR)

It consists of the final document, which aims to describe the activities carried out, the results achieved, as well as the lessons learnt during the project's intervention. To do this, it will use data from the M&E system, the evaluation of intermediate results and impact, as well as Knowledge Management publications.

It is important to emphasise that the document must be constructed in such a way that the cross-cutting themes related to actions with young people, women, etc. are present throughout the text, including in the project results. The CCM materials and the results and impact evaluations will be fundamental to the preparation of the CPR, and for this reason their deliveries must be aligned to ensure this complementarity.

Although the CPR is the responsibility of the grantee, IFAD, through the Project Development Team (PDT), will facilitate the process, ensuring the timeliness and quality of the reports, and distilling knowledge. The completion report represents the last stage of the partnership between IFAD and the country (or executing entity) to achieve the agreed development results, and is therefore formally the last stage of supervision and implementation support.

The grantee then prepares the CPR, which: (a) assesses the extent to which the project has achieved its objectives and evaluates the overall performance of the Executor and the Fund; and (b) draws lessons from this experience to improve the design of future projects, country programmes/strategies and policies.

IFAD usually begins discussing plans for project closure with the grantee during the penultimate supervision mission to allow for discussion of the activities required for completion, which are then included in the final POA. The following are the main areas related to project completion to cover during the penultimate and final supervision missions:

- Status of all contracts or activities under implementation and their completion date, in order to align these dates with the project's completion date and allow for timely payment to all contractors, consultants and suppliers;
- Status of closure activities - finalisation of withdrawal requests, recovery and/or reimbursement of advances, reimbursement of any ineligible expenses;
- Processes for collecting project data to facilitate the evaluation of project achievements;
- Organisation of any impact assessments;
- The need to inform co-financiers, stakeholders and development partners of the date of closure of funding and to make arrangements for the closure of activities;
- The donor's obligation to prepare the CPR;
- The possible organisation of a final mission to help collect relevant data as input for the RCP; and
- Modalities and deadlines for the final audit report.

10.2 Project completion deadline

The Project Completion date is defined as the end of the project activities, "on which the implementation of the Project will be completed". It marks the end of the implementation period and eligible expenses must be incurred before that date. After this date, only expenditure on settlement activities will be eligible. The Funding Closure Date is defined as the date on which the Beneficiary's right to request withdrawals from the Loan and Grant Accounts ends, which is six (6) months after the Project Completion Date or such later date as IFAD may designate by notification to the recipient.

The Project will have the completion period (the six months after the completion of its activities) to document the expenses incurred before the completion date. During this period, the last (independent) external audit will be carried out and remunerated. Contract expenditure should be planned to be finalised by the end of the Project in order to proceed with financial closure.

10.3 PCR sections

The RCP needs to follow the IFAD guidelines, including the main document and its annexes. In the main document, the following items will be covered:

A - INTRODUCTION
B - PROJECT DESCRIPTION
  B.1 - CONTEXT
  B.2 - PROJECT OBJECTIVES
  B.3 - IMPLEMENTATION METHODS
  B.4 - TARGET AUDIENCE
C - ASSESSMENT OF THE RELEVANCE OF THE PROJECT
  C.1 - RELEVANCE IN RELATION TO THE EXTERNAL CONTEXT
  C.2 - INTERNAL LOGIC
  C.3 - SUITABILITY OF DESIGN CHANGES

D - EVALUATION OF THE PROJECT'S EFFECTIVENESS
D.1 - PHYSICAL TARGETS AND DELIVERY OF RESULTS
D.2 - IMPACTS ON RURAL POVERTY
i) Household Income and Assets
ii) Human and Social Capital
iii) Nutrition and Food Safety
iv) Agricultural Productivity
v) Institutions and Policies
vi) Access to markets
D.3 - GENDER EQUALITY AND WOMEN'S EMPOWERMENT
D.4 - ADAPTATION TO CLIMATE CHANGE
D.5 - ENVIRONMENT AND MANAGEMENT OF ENVIRONMENTAL / NATURAL RESOURCES
D.6 - FOCUS AND SCOPE
D.7 - INNOVATION
D.8 - SCALING UP
E. EVALUATION OF PROJECT EFFICIENCY
E.1 - PROJECT COSTS AND FINANCING
E.2 - QUALITY OF PROJECT MANAGEMENT
i) Purchases and Contracts
ii) Monitoring and Evaluation (M&E) and Knowledge Management (KM)
E.3 - QUALITY OF FINANCIAL MANAGEMENT
E.4 - INTERNAL RATE OF RETURN OF THE PROJECT
F. PARTNER PERFORMANCE
F.1 - FIDA PERFORMANCE
F.2 - GOVERNMENT PERFORMANCE
F.3 - PERFORMANCE OF OTHER PARTNERS
G. SUSTAINABILITY ASSESSMENT
H. LESSONS LEARNT
I. CONCLUSIONS AND RECOMMENDATIONS

Below is a list of the mandatory annexes

Appendix 1 Project Logical Framework
Appendix 2 Summary of amendments to the financing agreement
Appendix 3 Actual project costs
Appendix 4 Project Internal Rate of Return
Appendix 5 Environmental, Social and Climate Impact Assessment
Appendix 6 Dates of supervision and monitoring missions
Appendix 7 Terms of Reference for the Completion Mission
Appendix 8 List of people consulted and mission programme
Appendix 9 Stakeholder Engagement Workshop

In addition to these annexes, the project will have to draw up other annexes detailing the implementation and results obtained.

11. FINANCIAL MANAGEMENT

The financial management of the Project will follow the provisions of the Donor Agreement, Financial Management and Control Letter (FMFCL), IFAD's Standard Donor Forms (https://www.ifad.org/en/-/document/ifad-grant-forms); IFAD's Audit and Financial Reporting Manual, applicable Brazilian regulations and this MIP.

IFAD Financial Reporting and Auditing Manual - English/Spanish:

English:
http://www.fida.org.br/assets/downloads/Manual%20Operacional_Ingl%C3%AAs.pdf

Spanish: http://www.fida.org.br/assets/downloads/Manual%20Operacional_Espanhol.pdf

○ 11.1 Organisation and personnel

The PMU should have the necessary number of suitably qualified and experienced financial management staff, resulting in the capacity to meet the functional needs of the project.

11.1.1 Organisation

The non-governmental organisation Organização de Conservação de Terras do Baixo Sul da Bahia - OCT will be the general technical, administrative and financial coordinator of CompensAÇÃO. The PMU will be established at the OCT and will use its financial management sector called Dynamic Organisation, which will be responsible for financial administration and execution, budget management, as well as rendering accounts and providing timely financial reports. Accounting management will be carried out by the accounting firm that provides services to the NGO.

11.1.2 Financial team

The PMU Finance Team will be the current team of the Dynamic Organisation and will be primarily responsible for the fiduciary execution of the Project's resources. This team is made up of a leader with experience in project execution, an administrative assistant and a human resources assistant. This team will be strengthened through training to update it on IFAD regulations. To this end, the OCT will promote a training plan to be carried out especially for the first year of its implementation.

IFAD Financial Management Practices and Procedures Online Course:
https://www.ifad.org/en/web/knowledge/-/publication/ifad-e-learning-course-ifad-grants-a-guided-overview-of-financial-management-practices-and-procedures

○ 11.2 Planning and Budgeting

Budgeted expenditures must be realistic, prepared or revised in a timely manner and executed in an orderly and predictable manner, resulting in funds being available when needed, eligible costs and the proper allocation of project funds and satisfactory implementation progress.

11.2.1 Planning

The project will spend its money through an Annual Operating Plan (AOP) which will contain a budget annex (form A.1). The AOP is the project's central planning instrument. It sets out the project's development objectives and mechanisms for making the activities and targets to be achieved feasible. Operationally, the POA includes all the activities planned for a year, together with the actions and inputs needed to obtain the final products and results, serving as the basis for monitoring physical execution, the project budget for the year/period, as well as the purchases and contracts to be made and the methods to be used. The PMU will coordinate the preparation of the POA, and it is the responsibility of the OD to ensure that the necessary adjustments are made regarding the disbursement categories financed by IFAD and the actual quarterly spending schedule. After the first POA, the PMU must prepare a new POA and send it to IFAD for non-objection no later than 60 days before the end of each year.

The POA should be accompanied by a table of the amounts executed to date, the POA's forecast amount and the future balance, by sources, categories and project components.

11.2.2 Budget

In order to implement this POA, the OCT will be responsible for securing the necessary funds from the Deliberative Council for the contribution of counterpart funds for the duration of the project, as well as providing counterpart funds from other co-financiers, if any.

11.2.3 Revisions to the POA

If necessary, the POA could be revised within the year with reasonable justification. This revision of the POA should endeavour to keep the total amount foreseen in each source unchanged, especially the IFAD funds. This revision should be sent to IFAD for non-objection.

○ 11.3 Flow of Funds and Disbursement Arrangements

Funds from various financiers need to be disbursed in a timely manner, with financial arrangements appropriate to the Project's cost centres for the Project's suppliers and service providers and proven to IFAD in a timely manner, resulting in swift implementation.

11.3.1 Disbursements

The PMU may request advances of funds from the Grant during the Project Implementation Period using the Disbursement Request (form B.3). The amount requested must not exceed 90 per cent of the expenses included in the respective POA. For the second and subsequent Disbursement Requests, the Recipient must submit to the Fund a Statement of Expenditure (SOE) regarding the use of at least 75% of the immediately preceding instalment (and 100% of previous instalments, if any). IFAD may request additional documentation if necessary. The final 10% instalment of the last POA will be disbursed only after the final Audit Report has been submitted.

11.3.2 Preliminary steps required for disbursement:

i) opening of the designated account; ii) customisation of the Financial Management Accounting System with a cost centre and chart of accounts suitable for the project; iii) approved POA.

11.3.3 Disbursement categories

I. Salaries and allowances (including operating costs): Expenses related to the basic salaries and allowances of the Grant Recipient's staff directly assigned to the project/programme activities. Recurrent expenses and utilities for the project office, maintenance costs, audit costs and administration fee (3%, excluding FPSA).
II. Consultancies: Expenses related to studies, technical assistance and other consultancy services within the framework of the Project carried out by international and local consultants. Consultants' travelling costs, including subsistence, may be included in travel expenses.
III. Workshops (including Training): Expenses related to workshop and training meetings, venue, food, publication material.
IV. Grants: Subsidies to sub-beneficiaries under the FPSA (Payment Fund for Environmental Services).
V. Goods, services and inputs: expenses related to goods and services purchased for project activities.
VI. Travel and subsistence: Expenses related to tickets, per diems and hotel costs for employees, consultants and beneficiaries.

The project provides for a Payment for Environmental Services (PES) mechanism for family farmers through cash grants and through the implementation of small projects. Payments made directly to farmers will be paid directly into the farmer's bank account by means of the corresponding concession/contract agreement attesting to the merit of the environmental service provided and will be accounted for in the Grants category. In the context of small projects, the farmer must submit a list of expenses with the corresponding receipts to the OCT.

11.4 Internal Controls

The appropriate control arrangements over Project funds in place, leading to the efficient and appropriate use of Project resources**.**

11.4.1 Internal Controls

Internal control will be ensured by following existing management policies, establishing segregation of duties; reconciling accounts at least monthly; approving levels of expenditure supported by opinions or other documents. Process flows must be clear and well understood by PMU staff. All budget and accounting transactions for the project will be carried out in the Sapiens system.

In order to strengthen internal control, the PMU will detail the PES payment mechanism and its procedures in a specific manual. This manual will need to set out the processes to be carried out and contain procedures for disbursements, payments, approvals, measurements and accountability reports.

The OCT will use its policies for managing travel expenses (per diems, tickets, cash advances, fuel control) and events.

11.4.2 Document conservation

The PMU will keep all records relating to correspondence and procurement documentation and contracts on file. All documentation supporting the Statements of Expenditure (contracts, invoices, payment vouchers, bank statements, etc.) will need to be properly archived for IFAD missions and audits for up to 10 years after the end of the project.

11.4.3 Financial Management Supervision

Financial supervision of the Project will be carried out directly by IFAD, without prejudice to other national control and inspection bodies, and will consist of assessing the implementation of financial management and performance mechanisms, identifying corrective actions, where appropriate, and monitoring fiduciary risks. The supervision will be carried out at a distance (*on desk*) by analysing the financial and audit reports, and eventually on *site, and will* include: (i) evaluation of the half-yearly financial reports; (ii) evaluation of the auditors' reports and follow-up of any issues raised by the auditors in their letter of recommendations, as the case may be; and, (iii) eventual participation in the *on-site* supervision of the Project (including visits to the beneficiaries).

11.4.4 Dissemination of IFAD's main policies

The Project will publicise IFAD's policies on Anti-Corruption and Combating Sexual Harassment, Sexual Exploitation and Abuse to all its employees.

MAIN ACTIONS TO MITIGATE INTERNAL CONTROL RISKS			
	Mitigatory Action	Responsible party	Expected date
1	Revision of the Financial Management sections in the Project Implementation Manual	OCT	Before entry into force
2	Assign key Financial Management staff to PMU	OCT	Before entry into force
2	Capacity-building training in the course "An overview of IFAD's financial management practices and procedures" for Donations: Available at: https://www.ifad.org/en/web/knowledge/-/publication/ifad-e-learning-course-ifad-grants-a-guided-overview-of-financial-management-practices-and-procedures	OCT	Before entry into force and every two years
3	Performance evaluation of PMUs in GF through supervisions	FIDA	From the end of 1st year

○ 11.5 Accounting and Financial Reports

Accounting systems - including policies and standards - must be integrated and reliable, leading to accurate financial records and that reports are prepared, issued and stored, supporting decision-making.

11.5.1 Accounting

The accounting records of the operations arising from the execution of the Project will be kept separately and apart from the other records that do not involve Project funds, with appropriate charts of accounts to allow the presentation of data in the Financial Statements, identifying all sources of funds, expenditure by category of disbursement and by component, in six-monthly, annual and cumulative periods for all the years of the Project, in accordance with generally accepted accounting principles, and in accordance with Federal Law No. 3100, and the International Accounting Standards issued by the International Federation of Accountants (IFAC).

11.5.2 Chart of Accounts

It will follow the standard used in the OCT, containing the Project's cost centre, components, Project disbursement categories and sources. The OCT is responsible for managing, classifying, archiving and storing all the accounting and tax documentation generated by the Project. For this purpose, it will designate a physical or virtual area to guarantee the preservation of the documentary collection for 10 years.

11.5.3 Financial Reports

The Project will use the IFAD forms for Donations. The PMU will submit a six-monthly report of the Expenditure Statements (form C.1) identifying all sources of funds (IFAD and financial and non-financial counterparts, income), expenditure by disbursement category and by component, in six-monthly, annual and cumulative periods for all years of the project.

During the implementation of the project, the PMU will produce and send to IFAD various documents / reports containing management information on the project. Most of these have a pre-established frequency, as detailed in the table below:

FINANCIAL REPORTS TO BE SENT TO FIDA				
NO.	DOCUMENT	ELABORATION	PERIOD	DELIVERY
1	POA - Annual Operating Plan	PMU	Annual	60 days before the start of each year
2	Declaration of Expenses	OD	Half-yearly	up to 30 days of the month following the quarter
3	Financial Statements	OD	Annual	up to 60 days of the month following the end of the year
4	Audit opinion	PMU	Annual	Up to 180 days of the year following the relevant year

11.5.4 Financial Management System

The accounting system used by the Beneficiary, named "Sapiens", will be used to keep the Project's accounting records through a specific cost centre and ensure separate financial records in relation to the Donation and the proper control and generation of detailed information necessary to prepare financial statements.

In order to render accounts to IFAD, it would be necessary to adapt the "Sapiens" system to keep track of all the project's income and expenditure, including the economic counterparts; and in US dollars, in order to generate the financial reports in the format required by IFAD.

Alternatively, once all the financial records in local currency are duly recorded and booked in the system, the Project could make an auxiliary accounting in Excel in order to carry out the follow-up of the project execution in USD and generate the financial reports. This alternative will assign a certain level of moderate risk to the subject of financial management and reporting.

This system and the Excel Control should be reconciled monthly with the Donation Accounts registered with IFAD (USD) and Designated (BRL) and should cover all counterpart contributions and income.

11.5.5 Counterpart

The project's counterpart will be provided in the form of economically measurable goods and services, as detailed in the project budget, and must be included in the POA and accounted for in the financial reports. Expenditure will follow IFAD's Technical Note for *In-kind* Contributions. All in-kind costs must be eligible, effective, demonstrable and essential for the implementation of the Project**.**

11.5.6 Exchange rates

In order to be able to report and account in US dollars (USD), the amount actually paid by the designated account in Brazilian reals (BRL) will be converted at the exchange rate applied by the bank when it transferred the funds from IFAD (in USD) to the DC (in BRL). It is essential that the Project closely monitors the exchange rate to avoid discrepancies. This will ensure that the amount received in BRL is reported in USD in an equivalent manner.

The project must also follow the PEPS/ FIFO (*First In - First Out)* method when making disbursements from IFAD, and must record expenditure at the rate of each disbursement, moving on to the other rate only after the amount of the previous rate has been used up.

The counterpart funds, as well as the income earned, must be converted at the exchange rate of the last day of the month in which these expenses or income were realised (Central Bank rate - Ptax Closing Rates/US DOLLAR - Dollar purchase):

http://www4.bcb.gov.br/pec/taxas/port/ptaxnpesq.asp?id=txcotacao.

11.6 External audit

The Project must have independent and competent supervision of the Project's financial statements and carried out in a timely manner, leading to satisfactory verification of financial results and remedies for any lack of compliance.

The Recipient must ensure that the entire Project Implementation Period is covered by audit, in accordance with the IFAD Manual for Financial Reporting and Audit of IFAD Funded Projects. The Recipient must provide a separate Audit Opinion on the Statements of Expenditures (SOEs) submitted to IFAD, which can be attached to the audited institutional financial statements or submitted separately. Both the audited institutional financial statements and the Audit Opinion on SOEs must be submitted to IFAD within six months of the end of the beneficiary's fiscal year. A Project-specific Audit Opinion on the final SOE must be submitted to IFAD by the Project Closing Date.

12. PROCUREMENT AND CONTRACT MANAGEMENT

Project procurement activities need to be planned in the Procurement Plan (PP) of OPEN. No purchase or selection may take place without being included in the PP, approved by IFAD with a "no objection". Only operational expenses that are not eligible for competitive tendering will not be included in the PP, but they must be included in the AWPB, the Annual Workplan and Budget.

The PP will indicate the type of IFAD review, whether prior or post. In prior review bids, the bid documents will be analysed by IFAD at each stage of the bidding process, where no objections will be issued in order to proceed to the next stage. In subsequent reviews, IFAD will analyse the tender documents during supervision missions to check that they have been carried out in accordance with its Regulations and this Implementation Manual, taking into account that all IFAD-funded tenders must comply with all the procurement principles laid down, including Value for Money (VfM), Economy, Integrity, Fit for Purpose, Efficiency, Transparency and Fairness.

In the course of implementation, all IFAD methods may be used for the procurement category (goods, works and common non-consultancy services) and for the consultancy category (individuals or Individual Micro Company or companies/legal entities). To this end, they will be included in the PP and IFAD will analyse the need.

Tenders must be publicised in a comprehensive manner to allow for broad participation, taking into account various means of communication, including the project website, national and local newspapers, the internet, partners, etc.

This Manual details the methods for Requesting Quotations and Selecting Individual Consultants, for selecting the teams that will provide the Project's activities, regardless of the contracting method chosen, whether it is a civil servant contract (national), a lump-sum contract or a time-based contract (modalities of the IFAD Regulations).

○ 12.1 Mandatory clauses in tenders and contracts

All calls for tenders and contracts financed in whole or in part by IFAD must contain the Anti-Corruption and Anti-Harassment clauses described below:

Anti-Corruption Clause:

As this is an IFAD-funded contract, if the CONTRACTING PARTY concludes that the[27] CONTRACTED PARTY has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices during the selection or execution of the contract, it may, after notifying the CONTRACTED PARTY within 14 (fourteen) days, terminate the contract, taking into account the definitions below:

(i) "**corrupt practice**" means offering, giving, receiving or requesting, directly or indirectly, anything of value with the aim of influencing the action of a public official in the bidding process or in the execution of a contract;

(ii) "**fraudulent practice**" means the falsification or omission of facts in order to influence the bidding process or the execution of a contract;

[27] For the purposes of this clause, the term "parties" refers to the participants.

(iii) "**collusive practice**" means scheming or establishing an agreement between two or more parties[1], with or without the knowledge of the Borrower or its Agents, aimed at setting prices at artificial and non-competitive levels;

(iv) "**coercive practice**" means causing harm or threatening to cause harm, directly or indirectly, to persons or their property with a view to influencing their participation in a bidding process or affecting the execution of the contract.

(v) "**obstructive practice**" means:

(a) destroying, falsifying, altering or concealing evidence in inspections or making false statements to auditors, with the aim of materially impeding an IFAD inspection of allegations of corrupt, fraudulent, coercive or collusive practice and/or threatening, harassing or intimidating any interested party to prevent them from showing their knowledge of matters relevant to the investigation or its prosecution, or

(b) acts intended to materially impede the exercise of IFAD's rights to conduct inspections or audits.

Measures to be adopted:

1. IFAD will cancel the portion of the loan or grant relating to the contract if, at any time, it concludes that representatives of the Borrower/Contractor or of a beneficiary of the loan have been involved in corrupt, fraudulent, collusive or coercive practices during the selection process or the execution of the contract, without the Borrower/Contractor having taken timely, adequate and satisfactory measures to IFAD to remedy the situation;

(2) IFAD shall impose sanctions on the CONTRACTOR and may declare the CONTRACTOR ineligible, indefinitely or for a fixed term, to be awarded a contract financed by IFAD, if at any time it concludes that the CONTRACTOR was directly or through an agent involved in corrupt, fraudulent, collusive or coercive practices when participating in the selection or executing the contract.

Inspection and Audit

The CONTRACTED PARTY shall permit IFAD and/or persons appointed by IFAD to inspect its accounts and records in connection with the submission of its proposal and/or curriculum vitae and the execution of the Contract, and the CONTRACTOR shall permit such accounts and records to be audited by auditors appointed by IFAD if it so requires.

Clause to Combat Harassment and Sexual Exploitation and Abuse:

IFAD requires the recipients of its funding to observe and enforce, including in all agreements and contracts within the framework of Projects financed with its funds, whether with project staff, contractors, suppliers and other third parties, provisions for the prevention of "Sexual Harassment"

and "Sexual Exploitation and Abuse", under the following provisions:

The borrower, beneficiaries or parties involved have the obligation to immediately report to IFAD, incidents in activities or operations financed or administered by IFAD, relating to Sexual Harassment and Exploitation and Sexual Abuse.

IFAD applies the definitions of the United Nations, which states that:

"Exploitation and sexual abuse in relation to beneficiaries in the context of IFAD operations are defined as any actual or attempted abuse of a position of vulnerability, differential power or trust, for sexual purposes, including but not limited to monetary, social or political gain from the sexual exploitation of others (sexual exploitation); actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions (sexual abuse). "

"Sexual Harassment is any unwelcome sexual advance, request for a sexual favour or other verbal, non-verbal or physical conduct of a sexual nature that unreasonably interferes with work, alters or is a condition of employment, or creates an intimidating, hostile or offensive work environment."

○ 12.2 Details of the methods initially planned

12.2.1 RfQ - Request for Quotation

Request for Quotation is a bidding method considered the simplest of those provided for in the IFAD Regulations. It is used for the purchase of technical goods and services (common or off-the-shelf) that do not exceed the value of USD 70,000 and for small works or renovations that do not exceed USD 175,000.

RfQ comprises the comparison of price quotations, in a minimum of three, obtained from various suppliers. Its aim is to guarantee competitive prices, and it is the appropriate method for purchasing limited quantities of goods that are readily available on the market, or cheap products with standardised specifications.

Requests for quotations must contain the description and quantity of the goods, as well as the date and place of delivery.

Quotations can be sent by electronic means or system, and their evaluation will follow the same principles as an open tender.

The terms of the accepted bids/quotations will be incorporated into the purchase order or simplified contract, which must contain the mandatory clauses of IFAD.

The following flowchart is a guide to the steps involved in an RfQ, even if the process is a prior review. It has been broken down into two phases: an Internal Phase, prior to the announcement, and an External Phase, which covers the time from the announcement of the tender to the signing of the contract. This flowchart can be readapted by the team, taking into account the execution arrangement, but with IFAD's review.

FASE	Nº	ETAPAS SDC	Beneficiário/ Equipe Técnica/ Comissão de Avaliação	Equipe de Licitação	Coordenador do Projeto	FIDA	Licitante
Fase Interna	1	Elaborar a especificação técnica.					
	2	Receber a Especificação Técnica.					
	3	Elaborar a Estimativa de Custos (Orçamento).					
	4	Elaborar Carta Convite e a Minuta do Contrato (se for o caso, ou Ordem de Serviço).					
	5	Enviar ao FIDA a Carta Convite, Especificação Técnica, Orçamento, Minuta Contratual (se não for Ordem de Serviço) para a não objeção, se o processo for de revisão prévia.					
	6	Emitir não objeção aos documentos do certame.					
Fase Externa	7	Enviar Carta Convite às empresas, via sistema ou e-mail (na mesma data e horário e individualmente).					
	8	Elaborar e encaminhar proposta/cotação ao projeto.					
	9	Analisar propostas e elaborar mapa de apuração.					
	10	Encaminhar mapa de apuração com adjudicação da empresa vencedora para análise do FIDA, se revisão prévia.					
	11	Emitir não objeção ao mapa (se revisão prévia).					
	12	Homologar o Certame.					
	13	Declarar o vencedor do certame.					
Contrato	14	Providenciar assinatura do contrato, ou da Ordem de Serviços.					
	15	Encaminhar para o FIDA cópia do contrato assinado.					

12.2.2 Selection of individual consultants

Method used to select consultants/team for the planned activities. Depending on the resources available and the type of work, the contractual modality may be a contract with a civil servant (CLT), a lump-sum contract or a time-based contract. In addition to the purpose of the TOR, the description in the PP should also state the contractual modality of each professional to be hired.

Individual Consultants are hired for services in which (i) the participation of a team of experts is not required, (ii) no additional external professional support is needed (such as a head office) and (iii) the person's experience and qualifications are the main requirements.

In the selection of Individual Consultants, curriculum evaluations cannot be a purely mathematical exercise. Individual consultants are selected on the basis of their experience, qualifications and ability to perform the service. They do not need to submit proposals and will be considered if they meet the minimum requirements determined by the contractor based on the nature and complexity of the service, as well as assessed on the basis of academic background, specific experience and, as appropriate, knowledge of local conditions such as language, culture, administrative systems and government organisation.

The selection should be made by comparing the qualifications and experience of at least three qualified candidates among those who express an interest in carrying out the services following a

Request of Expression of Interest. Ideally, more than three should be chosen to increase the chances of being hired and replaced if necessary.

The TOR - Terms of Reference - a document of an exclusively technical nature, which must define the minimum qualifications for a consultant to be on the short list, and **cannot be confused with or transformed into a public notice,** as this does **not** exist in individual consultancy selection processes. These qualifications should be listed in terms of minimum academic background, minimum specific experience and, if applicable, minimum knowledge of local conditions. If they fall below any of these minimum qualifications, the consultant will be disqualified and their CV will be discarded. The minimum qualifications must be set at a balance between low enough to favour competitiveness and high enough to ensure that any consultant who meets them is capable of carrying out the consultancy.

1. With at least 3 valid candidates, a technical team of evaluators, assisted by the Project's bidding team, should meet to conduct the individual evaluation of each of the CVs that make up the short list. They must observe the confidentiality clause that applies to the bidding and selection processes for consultants financed by IFAD, and information about the evaluation must not be discussed by the evaluators with any of the candidates or other people who are not officially linked to the selection process. A declaration of impartiality must be signed by the Evaluation Committee.

2. A CV assessment matrix, setting out sub-criteria (desirable qualifications) and their respective maximum scores, will have been created together with the TOR, as an annex to it but not as part of it. It is acceptable for the percentage weight of the assessment criteria to be disclosed in the TOR, such as 30 per cent for academic background, 60 per cent for specific experience and 10 per cent for knowledge of local conditions, or for an interview. If there is no interview to be scored, the percentages will be: 70% experience and 30% training.

3. Until the publication of the contract award, it is not acceptable for the evaluation matrix listing the sub-criteria to be disclosed to the consultants or made public in any way.

4. It is recommended that the proposal evaluation matrix be structured in such a way as to guarantee at least:
   a. That each evaluator has a personal evaluation form for each CV on the short list. The form should have at least fields with the title of the consultancy, date of the evaluation, name of the evaluator, signature of the evaluator and name of the evaluated consultant.
   b. Under each of the criteria (i) academic background, (ii) specific experience and, if applicable, (iii) knowledge of local conditions, their specific sub-criteria must be included. Percentage weights are given to each sub-criterion according to their relevance, resulting in maximum points for each sub-criterion, which added together equate to the maximum possible score for the criterion. Each sub-criterion will receive the score that the assessor considers coherent when analysing the CV, the sub-criterion, the TOR and the universe of consultants that make up the short list.

   c. Just below the sub-criteria, there must be a field for the evaluator to justify the grade awarded. Changes to the score that the evaluator decides to make during the evaluation process, depending on the number of consultants on the short list (minimum of three), must also be explained in this field, without the need for a new form.

5. A minimum final mark (cut-off mark) of no less than 70 out of 100 points must be set for each candidate to be considered valid.

6. Once the CVs and the evaluation matrix are in their possession, each evaluator, in their individual assessment, will distribute points according to their analysis, respecting the maximum score for each criterion and the consultant's suitability for the specific consultancy task, as described in the Terms of Reference. It is not expected that all professionals who meet the minimum requirements will receive the same score, but rather that the evaluator will award the best score to the best candidate, considering the relevance of the consultant's CV to the proposed consultancy service and evaluating the aspects listed in the sub-criteria. Successively lower scores are awarded to the other candidates. It is important to note that the best score does not mean the maximum score, but rather the highest score among the candidates, which may or may not reach the maximum score available for the criterion or sub-criterion.

7. In this assessment mechanics, even though the degree of training, number of studies and years of experience are taken into account, the assessor's judgement goes beyond pure mathematics and their technical judgement must also differentiate the relevance of the degree of training, number of studies and years of experience to the consultancy task.

8. At the end of the individual evaluations, the final result will be an arithmetic average of each evaluator's scores. The borrower's procurement area must consolidate the individual reports into a final report, which has the evaluation forms of each evaluator for each consultant evaluated as annexes.

9. The successful candidate (winner) will be called to a negotiation meeting and the consultant must be invited to sign the contract. IFAD does not have a standard contract template for individual consultants and there are only 2 requirements for individual consultant contracts:

    a. Punishment clauses such as fines are not accepted. Punishment for poor performance by an individual consultant lies in non-payment for products or activities that are delivered without the expected quality.

    b. Every contract must contain IFAD's mandatory clauses.

To publicise the selection of individual consultants, an SMI - Request for Expression of Interest - will be published, according to the model below:

REQUEST FOR EXPRESSION OF INTEREST
Individual Consultancy Services
BRAZIL - (ORGAN AND ACRONYM)
(INSERT PROJECT TITLE)
Donation Agreement No. XXXX - IFAD

The International Fund for Agricultural Development has made a donation to the OCT, for the execution of the CompesAÇÂO Project, which intends to apply part of the amount of the funds to the following consultancy service: (INSERT OBJECT OF TERM OF REFERENCE).

The OCT invites Individual Consultants to express their interest in carrying out this service. The selection will be made by comparing the overall capacity of qualified candidates who express an interest. The criteria for forming the Short List of Individual Consultants will take into account experience and qualifications for carrying out the service. Expressions of Interest that minimally meet the following criteria will be considered:

Academic background: (INSERT the minimum criteria from the TOR qualifications item)

Specific Experience: (INSERT the minimum criteria from the TOR qualifications item)

The Expression of Interest does not imply any commitment to contract. The selection process will be conducted in accordance with the Individual Consultant Selection (ICS) method set out in IFAD's Procurement Regulations.

Number of vacancies: (INSERT)

Contractual Modality: (INFORM IF CLT, or Global Price/Products, or By Time)

Contract term: (INFORM)

To take part in the selection, candidates must send a detailed CV with their training and experience by e-mail, indicating their contract periods (start and end), no later than 11.59pm on XX/XX/201X, to the following e-mail address: (INSERT PROJECT e-mail address preferably)

The e-mail in which the CV is sent must include the following in the subject line: **"Selection of Individual Consultant - Code: TDR/CI/No.** (INSERT) - Project (INSERT PROJECT NAME)**".**

This SMI and the Terms of Reference can be viewed at: (INFORM ELECTRONIC ADDRESS)

AND/OR

This SMI and the Terms of Reference can be requested by: (INSERT PROJECT EMAIL), (INSERT PROJECT TELEPHONE)

(Name of person responsible - Authorising Officer)

(Position and Organisation)

The following flowchart is a guide to the steps involved in an Inidividual Consultant Selection, even if the process is a prior review. It has been broken down into two phases: an Internal Phase, prior to the announcement, and an External Phase, which covers the time from the announcement of the tender to the signing of the contract. This flowchart can be readapted by the team, taking into account the execution arrangement, but with FIDA's review.

FASE	Nº	ETAPAS CONSULTORIA INDIVIDUAL	Beneficiário/ Equipe Técnica / Comissão de Avaliação	Equipe de Licitação	Coordenação do Projeto	FIDA	Consultor
Fase Interna	1	Elaborar o Termo de Referência e Estimativa de Custo.					
	2	Designar Comissão de Avaliação.					
	3	Enviar TDR e Estimativa de Custo para a não objeção.					
	4	Emitir Não Objeção.					
	5	Elaborar a minuta da Solicitação de Manifestação de Interesse e de Contrato e enviar ao FIDA para análise.					
	6	FIDA analisa a minuta Contratual e a SMI aprovando sua divulgação.					
Fase Externa	7	Publicar a Manifestação de Interesse em Jornal de Grande Circulação, em conformidade com as Regras do FIDA.					
	8	Disponibilizar no site do Projeto a Manifestação de Interesse, para acesso aos candidatos do certame.					
	9	Enviar Currículo para participar do processo seletivo, por correspondência, ou por e-mail.					
	10	Receber os Currículos enviados pelos candidatos.					
	11	Realizar reunião de preparação e orientação dos avaliadores.					
	12	Avaliar os Currículos: (formação e experiência profissional). Selecionar os melhores candidatos que manifestaram interesse. Pelo menos 3 candidatos válidos, que cumprem os requisitos mínimos do TDR.					
	13	Apresentar o relatório final com a indicação do profissional melhor classificado no processo seletivo.					
	14	Solicitar ao Consultor o Plano de Trabalho e proposta financeira - honorários e despesas reembolsáveis.					
	15	Realizar a reunião de negociação com o consultor que obteve a maior nota final, para tratar dos aspectos técnicos de seu plano de trabalho, discutir a alocação de horas, valores de honorários, despesas reembolsáveis que foram propostas, e, a incidência de impostos.					
	16	Registrar a reunião em Ata e enviar ao FIDA juntamente com o currículo selecionado, o relatório de avaliação e a minuta do contrato (quando for revisão prévia) para Não Objeção.					
	17	Emitir Não Objeção.					
	18	Encaminhar cópia dos documentos pessoais solicitados.					
	19	Providenciar a homologação do certame.					
Contratação	20	Enviar contrato para assinatura da autoridade competente e do consultor.					
	21	Encaminhar as via do contrato assinado para o Consultor.					
	22	Encaminhar cópia do contrato assinado e o formulário 384 para o FIDA.					

12.2.3 – National Competitive Bidding (NCB)

The National Public Tender method – NCB (*National Competitive Bidding)* is the competitive bidding procedure normally used for national public tenders, and may be the most appropriate method for acquiring goods, works and technical services that, due to their nature or scope, are probably unable to attract the interest of foreign bidders.

The NCB procedure aims to guarantee savings, efficiency, transparency and will be used within the scope of the Project for acquisitions of common goods and/or technical services. No works are planned at Compensation.

The NCB procedure is also adopted when the advantages of ICB – International Public Bidding (*International Competitive Bidding*) are clearly outweighed by the estimated administrative or financial burden.

The conditions of the contract include clauses referring to fines or similar provisions, with an appropriate value, for when there are delays in the delivery of services or goods.

Proposal guarantees and execution guarantees are also provided for the NCB method.

PROPOSAL GUARANTEE (2.14)	PERFORMANCE GUARANTEE (2.41)
Reasonable amount (from 2 to 5% of the estimated contract cost)	In goods contracts, consider the amount between 5 and 10% of the value of the signed contract.
Validity of 30 (thirty) days beyond the validity period of the proposals	
It is recommended to indicate a fixed amount, equal for all bidders and not a percentage of the estimated cost.	

The forms of guarantees accepted are those issued by a banking institution, such as bank guarantees and cashier's checks.

The full text to publicise the event will be published in a newspaper with wide circulation in the country and in the national language, or in the Official Gazette of the Union, or on a website or electronic portal that is widely visited and has free national and international access.

The project may publish a shorter version of the material for dissemination with the minimum pertinent information, in the national press, as long as the full text is published simultaneously in the Official Gazette or on a website or electronic portal that is widely visited and has free national and international access, indicated in the short version. This disclosure must occur sufficiently in advance so that potential bidders can obtain the relevant documents.

The bidding notice may be published in the national language. The currency to be adopted will be Brazilian for bidding and payment purposes.

The NCB notice must contain the IFAD Self-Certification Form as an annex.

The bidding notice will also contain clear information about the method, place and date for sending proposals, and how prices should be offered. It should say that the technical specifications must be “substantially” met, in order to give companies a margin of service.

An appropriate deadline must be specified for the preparation and presentation of proposals. The procedures must provide for an appropriate dispute, with the aim of ensuring that reasonable

prices are offered. In an NCB process, the minimum deadline for opening proposals is 30 (thirty) calendar days after the date of publication of the Bidding Notice.

The notice must specify whether the price is fixed or whether it will be subject to adjustment based on specific price variation indices. If the notice does not have adjustment clauses, there will be no way to adjust the price later if necessary. It is generally provided for contracts over 12 months.

The methods used to evaluate proposals must be objective and communicated to all bidders in the bidding notice, and the Commission is not permitted to adopt criteria different from those set out in the call for proposals.

The Project must have an effective and independent mechanism for receiving complaints, allowing bidders to protest and for them to be dealt with in a timely manner.

Foreign companies wishing to participate in the tender may do so, as long as they are willing to accept the NCB terms and conditions valid for national bidders.

Next, the direct execution steps for bidding on an NCB will be demonstrated, with the procedures separated into three phases: (i) internal, (ii) external and (iii) contractual.

Phase 1 NCB – Internal

1	Prepare the Specification and forward it to the project.
two	Receive the Technical Specification and arrange for the opening of the administrative process, duly registered, registered and numbered.
3	Prepare Budget/Cost Estimate.
4	Prepare a Technical Note, containing the justification for carrying out the contract (fitting into the project).
5	Confirm that there are budgetary resources available for contraction.
6	Prepare the Bidding Notice, Notice and Draft Contract.
7	Send the documentation (Notice, Notice, Technical Specification and Draft Contract) for non-objection.
8	Issue the no objection.
9	Appoint the Evaluation Committee.
10	Forward the process for legal advice.
11	Provide legal opinion on the hiring process. Remember that if the Legal Department determines any change in the notice or in the annexes, the package of documents must be returned for non-objection by FIDA, if the revision is a prior review.

Below is a model Bid Notice that may be proposed for analysis by IFAD:

BIDDING NOTICE

(INSERT THE NATURE OF THE SERVICES)

BRAZIL – (INSERT ORGAN)
(INSERT PROJECT TITLE)
Donation Agreement nº XXXX-BR – IFAD

OCT negotiated a donation with the International Fund for Agricultural Development to carry out the COMPENSATION Project, and intends to invest part of the funds in the following (INSERT OR SERVICE OR ACQUISITION): (INSERT OBJECT)

OCT invites eligible companies to participate in the bidding procedure for (INSERT FOR THE PROVISION OF SERVICES OR THE SUPPLY OF GOODS/MATERIALS/ETC).

The event will be conducted in accordance with the acquisition method called NCB – National Public Tender, established in the IFAD Procurement Regulations. The evaluation criterion will be the Lowest Global Price, combined with substantial compliance with the specifications contained in the Terms of Reference.

To participate in this bidding, it is necessary to comply with the provisions contained in NOTICE No. 0X/201X /(BODY Acronym) available at the following email address: (INSERT PROJECT WEBSITE) or by request at the following email address: (INSERT EMAIL FROM THE PROJECT).

Further clarifications can be requested at the following email address: (INSERT PROJECT EMAIL).

The deadline for submitting proposals, as determined in the notice, is 20:00 on **XX/XX/201X** .

After approval of the bidding documents by the Legal Body, the steps of Phase 2 are arranged, which begins with disclosure.

NCB Phase 2 - External

12	Promote the publication of the bidding notice in the DOU and/or national newspaper of large circulation and/or national website with free national and international access.
13	Publish the Assessment Committee internally.
14	Prepare and present a proposal in accordance with the call for proposals.
15	Proceed with the public opening of proposals.
16	Receive, evaluate proposals and prepare a detailed evaluation report with the award of the winning company.
17	Forward the evaluation and judgement report with adjudication for analysis by IFAD.
18	Issue no objection to the Assessment Report. Remember that if questions or objections arise the need to modify the Notice or annexes, the set of documents must be submitted to FIDA for non-objection.
19	Forward the process for approval of the event by the competent authority.
20	Proceed with the approval of the event.
21	Provide commitment from the approved company.
22	Prepare Grant document. Submit to IFAD for no objection if prior review.
23	Issue no objection to the Grant document (prior review).
24	Promote the publication of the Grant in the DOU within 2 weeks from the date of non-objection, if prior review, or within 2 weeks from the date of ratification of the event, if subsequent review (DOU and/or Jornal de Grande National circulation and/or national website with free national and international access).

The project area must arrange for the publication of the Bid Notice in a newspaper with wide circulation in the country and in the national language, or in the Official Gazette of the Union, or on a website or electronic portal that is widely visited and has free national and international access. It is important to note that the greater the publicity, the greater the possibilities of obtaining proposals for the contest, so it is suggested to expand as much as possible, publishing the notice in the three options.

After the publication of the Bidding Notice, the Competition's Evaluation Committee must be informed to FIDA, whose appointment must have already been provided in Phase 1.

At the place, time and date stipulated in the notice, proposals will be opened, in a public session, under the coordination of the project team, which must anticipate the time, in order to welcome bidders.

Regarding the opening of proposals:

Proposals will be opened in a public event only with the presence of bidders and the project team that handles bidding procedures. Public event does not mean open to the general public, but to the participants of the event.

- Each bidder's "unique" envelope must be opened for examination (not evaluation) of its contents. The act of opening proposals is not part of the evaluation and judgement process.
- At the time of opening, you must not, under any circumstances, reject or return proposals submitted within the deadline defined in the notice, even if they are blank, have an empty envelope, etc. Everything will be recorded in the minutes and no one will be disqualified at this time (this is up to the Evaluation Committee).
- Proposals submitted "after" the deadline must not be received.
- All proposals received within the notice period must be opened and read in public in the presence of bidders and/or their authorised representatives.
    - Requests for withdrawal of proposals received within the deadline established in the notice will first be read.
    - Secondly, requests for modification of proposals received within the established deadline will be read.
    - The proposals received will then be read and recorded with their prices and discounts offered.
- All relevant circumstances or events that occurred during the opening session must be recorded in the minutes.
- Companies are not allowed to check the proposals of others.
- Carrying out the correct bid opening procedure is essential to ensure the transparency of the bidding.

At the end of the meeting, the project team must finalise the minutes, request signatures from those present, scan it and send it to IFAD immediately, distributing copies to those present.

For this to be possible, the project team must have previously drawn up the minutes, with details of the project, the competition and the bidders, and designate someone exclusively to record all the information during the meeting. The minutes must be structured in the order of the information that will be read.

After the deadline for receiving proposals has closed, the Evaluation Committee will be convened by the project to begin the analyses. The purpose of evaluating proposals is:

- Determine compliance of each proposal with the requirements of the bidding documents.
- Determine the evaluated price of each proposal for comparison:

- EVALUATED PRICE = PROPOSED PRICE +/-Arithmetic correction + correction for items not included - TAXES (IPI and ICMS).

- Select, for contract award, the proposal with the lowest evaluated price that is substantially adequate to the Technical Specifications.
  Analyzes must meet the following principles:

- Confidentiality - is essential to ensure bid financing eligibility.
- Transparency - clarifications are permitted as long as they do not modify the essence of the proposal or the price.

The Commission must pay attention to the fundamental concepts of acceptance or rejection of proposals, which mention that a proposal must meet the following requirements:

- Identify the competitor through a signed proposal letter.
- Submit authorization to submit a proposal.
- Clearly present the proposal price.
- Be accompanied by a proposal guarantee in the form and value established in the notice.
- Be substantially in line with technical specifications.
- Present a satisfactory delivery schedule.
- Meet the qualification requirements (experience, financial capacity, among others).

The Evaluation Committee must also verify:

- Whether the proposal is complete and signed.
- Whether the arithmetic calculations are correct.
- If there are variations.

Research must be carried out to verify the situation of each company, as far as being included on a negative list of international or national ineligibility. Nothing must be issued regarding the financial documentation, the collection of FGTS, INSS and other certificates from the Federal, state and municipal Revenue.

The evaluation must be detailed and the Commission must evaluate only those proposals that substantially respond to the technical specifications, disqualifying the others. However, everything is recorded in a report, including disqualifications.

At the end of all checks, the Commission must prepare the evaluation and judgment report with award to the winning company. The project team must support the Commission by reviewing the report to verify compliance with the proposals. After review, the Evaluation Committee must sign the report and forward it to the project team along with the proposals and other bidding documents in its possession.

The project team will send a scanned copy of the evaluation and judgment report for non-objection by IFAD. All documents relating to the analyzes must be registered in the administrative process, including the non-objection. The approval of the event must be arranged with the Competent Authority, and the following model may be used:

(ORGAN)

APPROVAL TERM

NATIONAL PUBLIC BIDDING – NCB No. XX/201X /(Acronym of the Body)

(PROJECT NAME) – LOAN AGREEMENT XXXX-BR

OBJECT: (INSERT)

The (INSERT PROJECT NAME) of the (INSERT BODY), in the use of its legal powers, and in view of the records of the aforementioned process and the AWARD carried out by the EVALUATION COMMITTEE of the event (Fls. XXX, XXX) RESOLVES, in compliance to item _

Brasília-DF, XX (MONTH) 201X.

(NAME AND SIGNATURE OF THE EXPENDITURE ORGANIZER)

(Office)

The project team must prepare the Grant document and submit it to IFAD for non-objection, if prior review.

After the non-objection, being the prior review process, the publication of the Grant document is provided within 2 weeks from the date of non-objection, if subsequent review, within 2 weeks from the date of approval of the contest. Publication may be made in the Official Gazette of the Union - DOU and/or national newspaper of large circulation and/or national website with free access authorised by IFAD. The project website can be indicated.

The Grant document must contain the proposal, lot numbers and the following pertinent information:

- The name of each bidder who submitted a proposal.
- Prices read at the proposal opening meeting.
- The evaluated prices of each proposal examined.
- The names of the bidders whose bids were rejected as unsuitable or did not meet the qualification criteria, or were not evaluated, together with their reasons.
- The name of the winning bidder, final total contract value, duration, and summary of the contract scope.

Once this stage is completed, we move on to the Contractual Phase.

Phase 3 NCB – Contract

25	Fill in contractual details of the awarded company and the Project's Competent Authority.
26	Forward the contract for analysis by the Legal Body
27	Provide legal opinion on the hiring process.
28	Forward the contract and copy of the grant publications to IFAD .
29	Issue the no objection to the contract.
30	Forward copies of the contract for signature by the winning company.
31	Sign and return the signed contract to the project.
32	Provide the signature of the competent authority on the contract.
33	Forward a copy of the signed contract to the company.
34	Forward a copy of the signed contract to IFAD .
35	Publish the contract extract in the DOU, if required by the entity's regulations.

The project team must request data from the winning company and the Project's Competent Authority to be included in the contract, as well as data from the winning proposal.

After this stage, the project team must arrange, with the Competent Authority, the formalisation of the contract Manager and, if necessary, the respective Inspectors.

Once you have no objection to the contract, signatures are provided. First from the company and then from the Competent Authority. One signed copy is sent to the company, and the other is notified in the process.

The following flowchart provides guidance on the steps to proceed with an NCB tender, including if the process is prior review. It was detailed in two bidding phases (Internal and External) and a contractual phase, which encompasses the moment of publicising the tender until the signing of the contract. This flowchart may be readapted by the team, considering the execution arrangement, but with review by IFAD.

FASE	Nº	ETAPAS NCB	Beneficiário/ Equipe Técnica/ Comissão de Avaliação	Equipe de Licitação	Coordenação do Projeto	FIDA	Licitante
Fase Interna	1	Elaborar a Especificação.					
	2	Receber a Especificação e elaborar Orçamento/Estimativa de Custo.					
	3	Elaborar o Aviso de Licitação, o Edital e a Minuta do Contrato.					
	4	Enviar a documentação (Aviso, Edital, Especificação Técnica, Orçamento e Minuta do Contrato) para a não objeção.					
	5	Emitir a não objeção.					
	6	Designar a Comissão de Avaliação.					
Fase Externa	7	Promover a publicação do aviso de licitação em Jornal de Grande Circulação Nacional e/ou site nacional de acesso gratuito nacional e internacional.					
	8	Elaborar e apresentar proposta de acordo com o instrumento convocatório.					
	9	Proceder à abertura pública das propostas.					
	10	Receber, avaliar as propostas e elaborar relatório detalhado de avaliação com a adjudicação da empresa vencedora.					
	11	Encaminhar o relatório de avaliação e julgamento com adjudicação para análise do FIDA.					
	12	Emitir a não objeção ao Relatório de Avaliação. Lembrar que se de questionamentos ou impugnações surgir a necessidade de modificar o Edital ou os anexos, o conjunto de documentos deverá ser submetido novamente ao FIDA para não objeção.					
	13	Encaminhar o processo para homologação do certame pela autoridade competente.					
	14	Proceder à homologação do certame.					
	15	Elaborar documento de Outorga. Submeter ao FIDA para não objeção, se revisão prévia.					
	16	Emitir não objeção ao documento de Outorga (se revisão prévia).					
	17	Promover a publicação da Outorga no DOU no prazo de 2 semanas a contar da data da não objeção, se revisão prévia, ou no prazo de 2 semanas a contar da data de homologação do certame pelo mutuário, se revisão posterior (Jornal de Grande Circulação nacional e/ou site nacional de acesso gratuito nacional e internacional).					
Contratação	18	Preencher dados contratuais da empresa adjudicada e da Autoridade Competente do Mutuário.					
	19	Encaminhar o contrato e cópia das publicações de outorga para o FIDA.					
	20	Emitir a não objeção ao contrato.					
	21	Encaminhar as vias do contrato para assinatura da empresa vencedora do certame.					
	22	Assinar e devolver ao projeto o contrato assinado.					
	23	Providenciar a assinatura da autoridade competente no contrato.					
	24	Encaminhar via do contrato assinado para a empresa.					
	25	Encaminhar cópia do contrato assinado e o formulário de registro do FIDA					

13. PUBLICISING PROJECT ACTIVITIES

IFAD's Policy on Document Disclosure, approved in 2010, adopted the principle of "presumption of full disclosure". It is mandatory to disclose the main Project documents, when available, in a timely manner on the website of the NGO OCT, IFAD and in places accessible to the communities impacted by the Project. Sharing these documents not only keeps all parties informed, but ensures their meaningful input into the design and implementation of the Project, as well as risk mitigation.

The documents disclosed must be presented in an accessible and culturally appropriate manner, giving due attention to the specific needs of community groups that may be affected by the implementation of the Project (such as literacy, gender, language differences or accessibility of technical information or connectivity).

Any specific information needs of the community (e.g. related to culture, disability, literacy, mobility or gender) should be considered. Special needs and limited access to web content should also be taken into account. In this regard, special attention will be paid to potential project participants: farmers, illiterate or technologically illiterate people, people with hearing or visual impairments, people with limited or no access to the internet and other groups with special needs.

The dissemination of information among these groups will be carried out by the OCT and the organisation's partners. All accessible and locally available tools for dissemination will be used, including social media, local newspapers, leaflets, brochures, radio and television. Special attention will be paid to publicising the Project's environmental and social safeguards, including the grievance redress mechanism.

For documents to be prepared and disseminated after approval by IFAD's Board of Executive Directors, the details and deadline for delivery and dissemination of the documentation will be stipulated in the financing contract.

14. COMPLAINTS AND GRIEVANCES MECHANISMS

In accordance with IFAD's environmental and social policies, a public and accessible complaints and grievances mechanism (GRM) will be made available to the Project's target groups for individuals or community representatives affected by the implementation of the Project. The Project will set up a system for receiving and handling complaints and denunciations with the adoption of an Ombudsman channel.

Compensation shall promote an ongoing programme to disseminate integrity policies, as well as training and guidance on the use of whistleblowing tools to the communities and beneficiaries of the Project. All people potentially affected by the Project's activities will be informed and given clear instructions on what procedures should be followed for registering reports and complaints. This information will be made available in plain language.

Complaints can be submitted through IFAD's Complaints Procedure, which allows individuals and communities to contact IFAD directly and make a complaint if they believe they are or may be adversely affected by an IFAD-funded project that does not comply with IFAD's Social and Environmental Policies and their mandatory aspects, at SECAPcomplaints@ifad.org.

In line with IFAD's Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse (2020), the Project will ensure that adequate safeguard measures are in place for a safe and harassment-free working environment, including sexual harassment and free from sexual exploitation and abuse in its activities and operations. Complaints at this level can be made on the IFAD website at: ethicsoffice@ifad.org.

Complaints relating to fraud, corruption or financial and administrative issues should be reported to IFAD's Office of Supervision and Audit at anticorruption@ifad.org.

To make any kind of complaint or redress, in addition to the IFAD channels, the OCT provides a channel on its website, the Compensation Project page, at the following link: (INFORM LINK CREATED ON OCT WEBSITE - PROJECT PAGE).

ANNEX I - TERMS OF REFERENCE FOR KEY PROJECT FUNCTIONS

DRAFT TDR FOR EXTENSION TECHNICIAN SUPERVISING FIELD ACTIVITIES (GENDER, YOUTH AND ETHNIC-RACIAL ISSUES)

TYPE OF CONTRACT: FIXED-TERM CONTRACT

OBJECT OF THE CONTRACT

Selection of an extension technician for gender, youth and ethnic-racial issues, to advice on the planning, execution and management of field activities under the Compensation project.

ACTIVITIES:

- To support the development of a strategy and action plan for the inclusion of young people and gender equity, and for the care of traditional communities, in the project's actions and activities;
- Coordination with the entire technical team to ensure that gender, generation and social inclusion aspects of PCTs are taken into account in all areas when developing field activities;
- Encourage and guide the involvement of women, young people and PCTs in project activities;
- Ensure that the project respects IFAD safeguards, following the project's environmental and social management framework.
- Training of field technicians and project participants on aspects of gender, generation and social inclusion of PCTs;
- Supporting the M&E team in monitoring the quality and results of activities with regard to gender, generation and social inclusion of PCTs and assisting in the preparation of progress reports;
- Ensure that project teams and technical advisory teams pay attention to gender, youth and traditional community issues in their activities;
- Participate in the PES network to provide technical support in the area of gender, generation and social inclusion of PCTs;
- Organising and participating in IFAD missions, including field visits when required;
- Participate, when requested by the Coordination Office, in training programmes relating to the gender, generation and social inclusion activities of PCTs;
- Strengthen an atmosphere of debate in the communities about the role of men and women in family and youth farming;
- Draw up reports on the implementation of actions.

PROFILE:

- Highly motivated and committed to poverty reduction and gender equality, inclusion of rural youth and PCTs;
- Ability to work as part of a team;
- Ability to communicate and negotiate with family farmers, their organisations and the project teams;
- Preferably Afro-descendants and/or members of traditional communities.

QUALIFICATION:

- Professionals may take part in the selection process if they have at least the qualifications described below, which will be verified by applying the assessment criteria, distributed between academic training and experience, with 30 per cent and 70 per cent of the total points respectively:

EDUCATIONAL REQUIREMENTS:

1) <u>Minimum qualification not eligible for points and elimination:</u>

Minimum training

- Professional with a university degree.

Minimum experience

- At least 3 (three) years' experience working on gender and social inclusion issues;

2) Minimum scoring and classification qualifications

- Professional with a degree in Social Sciences, Rural Development or a related discipline.

<u>Experience desirable</u>

- Experience in agricultural and rural development projects;
- Experience in projects that integrate gender targeting and considerations in all components/activities and in M&E is a plus.
- Professional experience as an extension technician.
- Experience in designing and delivering training modules

Computer literacy and skills in Word, Excel and web browsers are required to carry out the work.

CVs must be detailed, allowing experience to be counted, so that the Evaluation Committee can analyse them properly.

GUIDELINE FOR ACTION

The professional to be hired will work in person, with regular trips to the field.

They must liaise well with the rest of the OCT's technical team and have access to the systems needed to carry out the project.

<u>DRAFT TDR FOR BIODIVERSITY PROFESSIONALS</u>:

TYPE OF CONTRACT: FIXED-TERM <u>CONTRACT</u>

OBJECT OF THE CONTRACT

Selection of a Biodiversity Extension Technician to assist in the planning, execution and management of field activities under the Compensation project.

ACTIVITIES

- Coordination with the entire technical team to ensure that biodiversity aspects are taken into account when implementing the PES.
- Supporting the M&E team in monitoring the quality and results of biodiversity activities and helping to draw up progress reports.

- Coordinate the purchase of materials and seedlings with the procurement specialist to ensure that IFAD safeguard requirements are respected.
- Ensure that the project respects IFAD safeguards, following the project's environmental and social management framework.
- Ensure the promotion of priority species for conservation and control the non-use of exotic species.
- Identification of practices to conserve and promote biodiversity.
- Training for field technicians and project participants on biodiversity aspects.
- Make regular trips to the field to supervise the implementation of agroforestry and cabruca systems.
- Participate in the PES network to provide technical support in the area of biodiversity.
- Organising and participating in IFAD missions, including field visits when required.
- Participate, when requested by the Coordination, in training programmes related to biodiversity activities.
- Support the IFAD team in carrying out training for the teams involved in implementing agroforestry systems.
- Other activities relevant to the biodiversity of the project.

CONSULTANT QUALIFICATIONS

Professionals may take part in the selection process if they have at least the qualifications described below, which will be verified by applying the assessment criteria, distributed between academic training and experience, with 30 per cent and 70 per cent of the total points respectively:

1) Minimum qualification not eligible for points and elimination:

Minimum training

- Professional with a university degree.

Minimum experience

- Professional with at least 03 (three) years' experience in biodiversity conservation and the implementation of agroforestry systems in the Atlantic Forest.

2) Minimum qualifying marks:

Desirable training

- Professional with a degree in one of the following areas: Ecology, Biology, Environment, Forestry or Agricultural Engineering.
- Practical training in implementing agroforestry systems desirable.
- Training in payment for environmental services projects.
- Project management course.

Experience desirable

- Professional experience as an extension technician.
- Professional experience in PES projects desirable.
- Professional experience in biodiversity within the framework of nationally funded projects.
- Professional experience in biodiversity within the framework of external funding projects (IFAD, World Bank, IDB).

- Professional experience in planning and/or managing production and conservation activities in national funding projects.
- Professional experience in planning and/or managing production and conservation activities in externally funded projects.

Computer literacy and skills in Word, Excel and web browsers are required to carry out the work.

CVs must be detailed, allowing time experience to be counted, so that the Evaluation Committee can analyse them properly.

GUIDELINE FOR ACTION

The professional to be hired will work in person, with regular trips to the field.

They must liaise well with the rest of the OCT's technical team and have access to the systems needed to carry out the project.

DRAFT TDR FOR AGROECOLOGY PROFESSIONALS:

TYPE OF CONTRACT: FIXED-TERM CONTRACT

OBJECT OF THE CONTRACT

Selection of an agroecology extension technician to assist in the planning, execution and management of field activities under the Compensation project.

ACTIVITIES

- Coordination with the entire technical team to ensure that aspects of agroecology are taken into account when implementing the PES.
- Supporting the M&E team in monitoring the quality and results of activities in the area of agroecology and helping to draw up progress reports.
- Coordinate the purchase of materials to carry out production activities with the procurement specialist to ensure that the requirements of IFAD safeguards and Brazilian legislation are respected.
- Ensure that the project respects IFAD safeguards, following the project's environmental and social management framework.
- Identification and promotion of agroecological practices for managing agroforestry systems.
- Training for field technicians and project participants on aspects of agroecology.
- Make regular trips to the field to supervise the implementation of agroforestry and cabruca systems.
- Participate in the PES network to provide technical support in the field of agroecology.
- Organising and participating in IFAD missions, including field visits when required.
- Participate, when requested by the Coordinator, in training programmes related to production activities.
- Support the IFAD team in carrying out training for the teams involved in implementing agroforestry systems.
- Other activities pertinent to the implementation of the project's agroforestry systems.

QUALIFICATION

Professionals with at least the qualifications described below can take part in the selection process, which will be verified by applying the assessment criteria, distributed between academic training and experience, with 30 per cent and 70 per cent of the total points respectively:

1) Minimum qualification not eligible for points and elimination:

Minimum training

- Professional with a university degree.

Minimum experience

- Professional with a minimum of 03 (three) years' experience in production and implementation of agroforestry systems in the Atlantic Forest.

2) Minimum qualifying marks:

Desirable training

- Professional with a degree in one of the following areas: Agroecology, Ecology, Biology, Environment, Forestry or Agricultural Engineering.
- Practical training in implementing agroforestry systems desirable.
- Training in payment for environmental services projects.
- Project management course.

Desirable Experience

- Professional experience as an extension technician.
- Professional experience in PES projects desirable.
- Professional experience in agroecology within the framework of nationally funded projects.
- Professional experience in agroecology within the framework of externally funded projects (IFAD, World Bank, IDB).
- Professional experience in planning and/or managing production and conservation activities in national funding projects.
- Professional experience in planning and/or managing production and conservation activities in externally funded projects.

To carry out the work, you will need computer skills and the ability to use Word, Excel and Internet browsers.

CVs must be detailed, allowing experience to be counted, so that the Evaluation Committee can analyse them properly.

GUIDELINE FOR ACTION

The professional to be hired will work in person, with regular trips to the field.

They must liaise well with the rest of the OCT's technical team and have access to the systems needed to carry out the project.

DRAFT TDR FOR THE PROCUREMENT AND CONTRACTS PROFESSIONAL:

EVALUATION MATRIX - ESPECIALIST PROCUREMENT

Selection of a Technical Consultant Specialized in tenders and contracts, to advise on the planning, execution and management of tenders and contracts within the scope of the **CompensAÇÂO project** .

INTERNAL USE – CANNOT BE DISCLOSED BEFORE THE END OF THE SELECTION PROCESS

MINIMUM FINAL GRADE FOR CANDIDATE ACCEPTANCE 70 POINTS

EVALUATOR'S NAME:

NAME OF THE EVALUATED CONSULTANT :

A- DESIRABLE ACADEMIC CRITERIA – MAXIMUM OF 30 POINTS[28]

CRITERIA		POINTS
1	Professional with training in one of the following areas: Administration, Accounting, Law or International Relations.	**0 to X**
two	Tenders and contracts courses under national rules.	**0 to X**
3	Tender and contract courses in accordance with the rules of an international financial organization (IFAD, IBRD, IDB, etc.).	**0 to X**
4	Project management course	**0 to X**
	Total (maximum 30 points)	**30**

[28] **Guidance to the evaluator:** It is up to each evaluator, in their individual evaluation, to distribute the points, respecting the maximum score, according to the academic suitability of the consultant for the specific consultancy task, as described in the Terms of Reference. It is not expected that all professionals who meet the minimum requirements will receive the same score, but rather that the evaluator will assign the best score to the best candidate, considering the relevance of the consultant's CV in relation to the proposed consultancy service and evaluating aspects such as the area training center, training institution, etc. Successively and proportionally lower grades are awarded to the other candidates. It is important to note that the best score does not mean the maximum score, but rather the highest score among the candidates, which may or may not reach the maximum score available.

JUSTIFICATION FOR THE SCORE - ACADEMIC CRITERIA

JUSTIFY EACH CRITERIA	
1	
two	
3	
4	

B- DESIRABLE EXPERIENCE CRITERIA – MAXIMUM OF 70 POINTS[29]

CRITERIA		POINTS
1	Professional experience in tenders and contracts within the scope of national financing projects.	**0 to X**
two	Professional experience in tenders and contracts within the scope of external financing projects (IFAD, World Bank, IDB).	**0 to X**
3	Professional experience in planning activities, and/or managing bids and contracts in national financing projects.	**0 to X**
4	Professional experience in planning activities, and/or managing bids and contracts in external financing projects.	**0 to X**
	Total (maximum 70 points)	**70**

JUSTIFICATION FOR THE SCORE - EXPERIENCE CRITERIA

[29] **Guidance to the evaluator:** It is up to each evaluator, in their individual evaluation, to distribute the points, respecting the maximum score, according to the adequacy of the consultant's experience to the specific consultancy task, as described in the Terms of Reference. It is not expected that all professionals who meet the minimum requirements will receive the same score, but rather that the evaluator will assign the best score to the best candidate, considering the relevance of the consultant's CV in relation to the proposed consultancy service and evaluating aspects such as the area of experience, length of experience, etc. Successively and proportionally lower grades are awarded to the other candidates. It is important to note that the best score does not mean the maximum score, but rather the highest score among the candidates, which may or may not reach the maximum score available.

CRITERIA	
1	
two	
3	
4	

ANNEX II - GENDER, YOUTH, NUTRITION AND SOCIAL INCLUSION STRATEGY

Gender Strategy

Context

Gender disparity is a widespread issue in Bahia. In the state, the Gender Disparity Index is 0.68%, indicating that women are 32% less likely to have the same opportunities as men, with the biggest gaps being in the dimensions of political empowerment and economic opportunity. The rural environment is the place of greatest resistance to advances in women's autonomy and rights. Gender disparities are expressed in restrictions on control and access to natural, social and monetary resources. One of the fundamental obstacles is the concentration of land ownership in the hands of men, leaving women in a situation of economic dependence. In the project area, an analysis of the 2017 Agricultural Census shows that only 27 per cent of family farmers with land titles are women. Among the multiple legal, cultural and structural barriers that exclude women from land rights are patriarchal ideologies about the gender division of labour in the public and private spheres and the practice of ceding land rights only to one representative of the family - the man.

Rural women's strategy for expanding their space and independence in this macho and conservative context has been education. Despite having a higher level of education than men, women's average income is lower. As a result, women migrate to urban areas, which is reflected in the demographic data of a higher proportion of men in rural areas, as opposed to large cities. The so-called selective rural exodus of young women is a contemporary phenomenon that is intensifying throughout the country in the context of the modernisation of agriculture. The invisibility and devaluation of their labour force, in caring for children and household chores, and in family farming, also stimulates the desire of younger women to leave rural areas.

Despite rural women's significant contribution to the family economy, their work is often neglected because they are not part of the formal labour market and do not generate monetary income from activities such as self-consumption. Women also suffer from double working hours and greater difficulty in accessing public policies. They are also more vulnerable than men to environmental challenges, being the main collectors of water, food and firewood in a context where increasing pressure on natural resources and environmental degradation are negatively affecting water and food supplies.

Rural women from traditional peoples and communities (PCTs) in the project area are impacted by the combined effects of regional socio-economic, gender and ethnic-racial inequalities. Those who are part of the PCTs face even greater obstacles in participating in the decisions that affect their territories and in fully realising their rights. These are the groups of women who experience the highest rates of food insecurity, poverty, difficulty in accessing health, education, credit and participation in political life.

Policies aimed at women. The Bahia State Secretariat for Women's Policies (SPM) draws up, organises and implements public policies aimed at women throughout the state, prioritising: i) the economy and productive inclusion in rural and urban areas; ii) women's empowerment; iii) combating violence; iv) inclusive and non-sexist education; and v) health and reproductive rights.

Strategic transformation paths

The project will promote gender equality and women's empowerment through two main paths: i) economic empowerment and ii) participation and decision-making.

Theory of Change

General Objective	To increase the project's impact on gender equality and empower the beneficiary women.	
Target	At least 50 per cent of the beneficiaries are women.	
Specific objectives	**Economic empowerment**	**Participation and decision-making**
Activities	- Creating new income opportunities for women emerging from the conservation of ecosystem resources and increasing the productivity, diversification and profitability of their cabruca systems, SAFs and agroecological backyards. - Increasing women's access to and control over resources - inputs, technologies and finance, economic services - such as TA - and natural resources. - Select techniques and technologies adapted for use by women	- Ensuring the involvement of women in the development and implementation of the project's activities, including in drawing up the Integrated Property Plan (PIP) and building the PES network. - Effective participation and voice in socio-economic and environmental planning and the management of natural resources. - The TA team will receive gender training to ensure that women's specific demands are heard and met - Using women as role models, selecting those who can host demonstrations and promoting the participation of women in visits and exchanges of good practice
M&A	Indicators broken down by sex.	

Implementation Measures

The following measures will be taken to ensure that gender issues are taken into account in project management:

- Setting targets for women as a percentage of beneficiaries.
- Development of a Gender, Youth, Nutrition and Social Inclusion Strategy.
- Budget allocation for specific gender-related activities.
- Ensure that project staff and technical assistance teams are trained in gender-related topics.
- One person on the project management team should be responsible for gender and social inclusion issues (overseeing the implementation of the gender strategy, helping the Project to address gender equality and women's empowerment issues in its operations, including knowledge management, M&E indicators and results measurement).
- Sex-disaggregated data will be collected and analysed.

- In the event of low involvement of women in the project or unqualified participation, corrective action will be taken.
- In all project activities, IFAD's policy on preventing and combating sexual harassment, exploitation and abuse (SEA) will be complied with. This will be reflected in the terms of reference of all key project staff and service providers. All agreements and contracts within the framework of IFAD-funded Projects will have the obligation to immediately report to IFAD incidents in IFAD-funded activities or operations related to sexual harassment, exploitation and abuse (SEA) - further details in the Procurement and Contract Management section of this Manual.

Youth Strategy

Context

25% of young people in Bahia are considered vulnerable to poverty because they neither study nor work, and the majority are black. Young women of African descent have the highest percentage out of school and the labour market. According to the latest Demographic Census, the illiteracy rate among young people in Bahia is 18.8%, almost double the national rate and above the average for the Northeast, which is 21.9%. In 2019, the situation worsened and Bahia became the state with the highest illiteracy rate in the country. Household chores and caring for family members are among the main barriers faced by young people in continuing their studies or getting paid work, and young women are the majority in this situation. Another important causal factor is the high rate of teenage pregnancy. In 2021 alone, more than 1,500 children under the age of 14 became mothers in Bahia.

Bahia's rural environment does not offer attractive employment opportunities for young people, as it combines low income generation capacity, precarious working conditions and a lack of basic services. As a consequence of the lack of formal study and sustainable work opportunities for rural youth, there has been a process of exodus to urban centres, particularly of young women with more schooling, which has led to an ageing rural population (the largest group of migrants are aged between 16 and 35) and a decrease in the number of women in the rural population. Comparing the 2006 and 2017 Agricultural Census, the number of managers of rural establishments aged up to 35 fell by 8,677 people. In the Project area, only 10.5% of PA establishments are run by young people under the age of 35 and only 6.1% of young family farmers in the Project region have access to Technical Assistance.

Youth policies. The state of Bahia has a State Youth Policy, a State Youth Plan and a State Youth Council (COJUVE). The State Youth Plan was approved in 2011 and has five axes: i) youth emancipation and autonomy; ii) youth well-being; iii) development of citizenship and youth organisation; iv) support for youth creativity and v) recognition of diversity. COJUVE is an instrument for dialogue and listening between the public authorities and civil society, especially youth movements. It is a permanent consultative body made up of 20 members of the public authorities and 40 members of civil society working on the issue. Among its competences, COJUVE proposes strategies for monitoring and evaluating the State Youth Policy.

Strategic transformation paths

The project will promote the empowerment of young people through two main paths: i) economic empowerment and ii) participation and decision-making.

Theory of Change

General Objective	Increase the project's impact on the economic empowerment of young people in the project area.	
Target	At least 15 percent of the beneficiaries are young people (50 percent of whom are young women).	
Specific objectives	**Economic empowerment**	**Participation and decision-making**
Activities	- Create new income opportunities for young people emerging from the conservation of ecosystem resources and the increased productivity, diversification and profitability of their cabruca systems, SAFs and agroecological backyards. - Engaging young people in cultures that interest them - Increasing young people's access to and control over resources - inputs, technologies and finance, economic services and natural resources - Promoting PES and investments in enriching the productive systems of young students at Family Farm Houses - Selecting young people for TA teams, generating new job and income opportunities	- Ensure the involvement of young people in the development and implementation of project activities, including the preparation of the Integrated Property Plan (PIP) and the construction of the PES Network. - Effective participation and voice in socio-economic and environmental planning and the management of natural resources. - Provision of TA that meets the specific demands of young people. - Using young people (especially young women) as role models, selecting those who can host demonstrations and promoting the participation of young people in visits and exchanges of good practice.
M&A	Indicators broken down by generation.	

Implementation Measures

The following measures will be taken to ensure the inclusion of young people in project management:

- Setting targets for young people as a percentage of beneficiaries.
- Development of a Gender, Youth, Nutrition and Social Inclusion strategy.
- Budget allocation for specific youth-related activities.
- Even if there is no Social Inclusion specialist on the PMU team, one person on the project management team should be responsible for rural youth inclusion issues (overseeing the implementation of the youth strategy, helping the Project to address youth inclusion issues in its operations, including knowledge management, M&E indicators and measuring results).
- Data disaggregated by age will be collected and analysed.

- In the event of low involvement of young people in the project or unqualified participation, corrective action will be taken.
- All contracts with service providers will include child labour prevention clauses (more details in the Procurement and Contract Management section of this Manual).

Nutrition Strategy

Context

45.3 percent of the population of Bahia had some degree of food insecurity (INSAN) in 2018 and 6.3 percent were hungry (severe food insecurity), above the national average of 37 per cent. More recent research by the PENSSAN Network (2022) indicates the current worsening of food insecurity, which affects 6 out of 10 Bahians, with family farmers and small producers being among the most affected. Despite the nutritional transition, the state follows the trend of the rest of the Northeast region and faces a double burden of malnutrition, being marked by both undernutrition and an increase in the prevalence of overweight.

In Bahia, according to the Ministry of Health's Food and Nutrition Surveillance System (SISVAN), in 2022 obesity reached more than 480,000 Bahians or 27 per cent of the population and 35 percent of the state's adult population monitored by the SUS was overweight. In the same year, in the Project area, 4% of children aged 0 to 5 were malnourished - underweight or very underweight for their age. For the same age group, 7.2 per cent were short for their age, which is indicative of chronic malnutrition. The situation worsens among the most vulnerable groups, such as quilombola communities, which continue to have socio-economic disadvantages that are reflected in higher morbidity profiles, especially in relation to nutritional problems.

Women of reproductive age have higher nutritional needs than men and therefore tend to have worse nutritional indicators than men of the same age. Research shows that in the north-east, the prevalence of underweight among pregnant women is as high as 18 per cent, compared to 6.7 per cent in the rest of Brazil.

When approaching the subject of nutrition with traditional peoples, it is necessary to identify the relationship between food and cultural aspects that can influence menu definitions based on food taboos and prohibitions. Normally, the diets of these communities also vary according to agricultural and extractive cycles. The selection of species to increase production and/or nutritional supply needs to be carried out with these factors in mind.

The main root causes of food and nutritional insecurity in rural areas of Bahia are the declining quality of and difficult access to water for human consumption and food production; the limited capacity for food production and diversity; the low quality of the food consumed; the lack of productive infrastructure; and low levels of food and nutritional education. It is worth highlighting the direct correlation between food and nutritional insecurity and poverty rates (73.2 per cent of family farmers registered in the Single Registry in the project area live in extreme poverty) and environmental restrictions (such as lack of basic sanitation, interruptions in water flows and poor quality of water sources). Only 60 per cent of households in the project area have access to the public sewage network and 70 per cent are connected to the public water supply network.

Food and Nutrition Security Policies. The Government Food and Nutrition Security Group (GGSAN) is responsible for drawing up the State Food and Nutrition Security Policy and Plan, its guidelines, targets, resources and M&E instruments, based on the guidelines of the Bahia State Food and Nutrition Security Council (CONSEA-BA). The general objective of the State Food and Nutrition Security Policy (PESAN) is to promote food and nutrition security, with a view to ensuring the human right to adequate and healthy food throughout Bahia.

Strategic transformation paths

The project aims to improve the quality of the beneficiary families' diets through different trajectories: (i) the availability of and access to nutritious food will be increased at the family level in various ways; (ii) knowledge about nutrition and food diversification will be fostered, improving eating and nutritional habits; (iii) sustainable practices for managing natural resources and increasing climate resilience will be promoted; and (iv) gender equality and women's empowerment will be encouraged.

Theory of Change

General Objective	Improving the quality of families' diets by increasing the availability of and access to diverse and nutritious food.			
Target	At least 500 direct beneficiaries of nutrition-sensitive TA interventions.			
Specific objectives	**Greater availability and access to nutritious food**	**Greater knowledge of nutrition**	**Sustainable management of natural resources and climate resilience**	**Gender equality and women's empowerment**
Activities	- Increasing the production of nutrient-rich crops and diversifying the production of nutritious food for own consumption through the implementation and enrichment of agroecological backyard gardens (vegetables) and SAFs. - Integrating the use of nutrient-rich Neglected and Underutilised Species (NUS) into productive agroecological backyards - Enrich SAFs with fruit species	. Integrate basics of nutrition, enriched diets, food diversification, hygiene practices in the provision of TA for target groups. - Train the TA team in nutrition-related topics - Valuing and disseminating relevant traditional knowledge related to nutrition	- Promoting climate-resilient practices and the sustainable management of natural resources (soil, composting, bio-swales, etc.). - Diversifying and enriching Agroforestry Systems (SAFs) and cabruca so that they are more biodiverse and resilient - Voice and effective participation in environmental planning and natural resource management	- Increasing women's access to and control over goods - inputs, technologies and finances - and generating new opportunities for sustainable income - Raising awareness of issues related to gender equality and nutrition
M&A	Outcome indicator (CI 1.1.8): Number of people receiving targeted support to improve nutrition (disaggregated by gender, age and PCTs).			

Implementation Measures

The following implementation measures will be taken to ensure special attention to nutrition:

- Ensure that both men and women are involved in nutritional training.
- Ensure that project staff and technical assistance teams are trained in nutrition-related topics.
- Development of a Gender, Youth, Nutrition and Social Inclusion Strategy.
- Even if there is no nutrition expert on the PMU team, one person on the project management team should be responsible for nutrition issues (overseeing the implementation of the nutrition strategy and helping the project to address nutrition issues in its operations, including knowledge management, M&E indicators and measuring results).
- Ensure that the project team and technical assistance teams are sensitised on nutrition-related issues, including the specific nutrition issues of women and the influence of socio-cultural aspects in the case of PCTs.
- Budget allocation for specific nutrition-related activities.
- The specific nutrition indicator will be monitored and the data analysed.
- The studies carried out by the project and the Knowledge Management products produced will include a nutritional perspective.

Strategy for Traditional Peoples and Communities

Context

Traditional communities are particularly vulnerable due to historical structures of exclusion, high dependence on natural resources and ecosystem services affected by climate change, marginalisation and neglect, labour exploitation and poor access to public services, including health, education, sanitation, infrastructure and technical assistance and extension services.

In the project area, there are 3 Indigenous Territories and 27 communities from 3 ethnic groups: Tupinambá, Pataxó and Pataxó Hã Hã Hã and the indigenous peoples are concentrated on the South Coast. In 2019, the indigenous population of these TIs was estimated by the IBGE at 7,516 individuals. In the Unified Registry, 3,307 indigenous families are registered, 77% of whom are in extreme poverty and 5% in poverty.

In the case of the quilombola communities in the project area, of the 72 recognised communities, only four have land titles. This insecurity of land ownership can lead to agrarian conflicts. 5,427 quilombola families in the project area are registered in the Unified Registry, 74 per cent of whom are in extreme poverty and 5 per cent in poverty.

The main Quilombola economic activities are based on subsistence agriculture associated with extractivism and artisanal fishing. Quilombola identity is strictly associated with belonging to the collective territory in which they live. Like other traditional communities, they make common use of natural resources and their relationship with the environment is based on differentiated cultural practices. Although Brazil's 1988 Constitution recognises the remaining quilombo communities (CRQ) as legal holders of the right to the land they have historically occupied, the process of recognising and regularising quilombo territories is still challenging. These communities often suffer from human rights violations and have historically been subjected to a process of expropriation of their territories

Strategic transformation paths

The project will seek to improve the quality of life of traditional communities through two main paths: i) economic empowerment and ii) participation and decision-making. Means will be provided for

preserving the integrity of their territories, as a way of providing the right conditions for their physical and cultural reproduction. To this end, the project will promote Payment for Environmental Services provided by these communities, forest recovery, strengthening of the cabruca cocoa chain, enrichment of SAFs and production of agro-ecological backyards. Indigenous peoples will be included in the process of forming and strengthening a PES Network, as proposed in component 2.

Theory of Change

Assumption	Traditional peoples and communities are the populations most exposed to environmental degradation and climate change, as their physical and cultural survival is directly linked to maintaining the integrity of their territories and the ecosystem services they provide.	
General Objective	To increase the impact of the project on the climate and environmental resilience of the PCTs, employing strategies for the conservation and restoration of ecosystem services through forest recovery strategies, enrichment of SAFs, cabruca systems and agroecological backyards.	
Target	At least 20 percent of the beneficiaries are PCTs (320 families).	
Specific objectives	**Economic empowerment**	**Participation and decision-making**
Activities	- Create new income opportunities for PCTs emerging from the conservation of ecosystem resources and the increased productivity, diversification and profitability of their cabruca systems, SAFs and agroecological backyards. - Offering technical assistance that is adapted to traditional practices and meets the specific demands of the PCTs - Mapping the socio-economic particularities of the PCTs for more effective and efficient empowerment activities	. Ensuring free, prior and informed consent (where applicable) - Ensuring the voice and effective participation of the PCTs in socio-economic and environmental planning and the management of natural resources - Valuing traditional knowledge, in general, and that of PCT women, specifically, in relation to agriculture and the use of forest species - Inclusion of PCTs in the PES Network
M&A	Indicators broken down by traditional peoples and communities.	

Implementation Measures

The following measures will be taken to ensure the inclusion of traditional communities.

- Definition of targets for reaching members of traditional peoples and communities as a percentage of beneficiaries.
- Preparation of the FPIC Plan and the Indigenous Peoples' Plan.
- Development of a Gender, Youth, Nutrition and Social Inclusion Strategy.
- Budget allocation for specific activities related to traditional peoples and communities.
- Ensure that the project team and technical assistance teams are trained in issues related to race and ethnicity.
- One person on the project management team should be responsible for PCT inclusion issues (overseeing the implementation of the PCT inclusion strategy and helping the project to address PCT inclusion issues, including knowledge management, M&E indicators and results measurement).
- Data broken down by traditional community will be collected and analysed.
- In the event of low PCT involvement in the project or unqualified participation, corrective action will be taken.
- Opening events in traditional communities to present the project's components and planned activities, in order to draw up an agreement of adhesion and commitment.

ANNEX III - MAP OF THE SUB-WATERSHEDS PRIORITISED BY THE PROJECT **(INCLUDE MAP)**

• ANNEX IV - APPLICATION FORM FOR PSA COMPENSATION

Compensation for Environmental Services Project to strengthen the deforestation-free cocoa production chain in the Southern Bahia Lowlands region

Name of owner: _____
CPF: _____ RG: _____
Endereço:_____
Neighbourhood/Community:
_____
Municipality: _____
Mobile phone: _____
E-mail address (if any): _____

Name of legal representative (if any): _____
CPF: _____ RG: _____
Address: _____
Neighbourhood/Community:
_____
Mobile phone: _____
E-mail address (if any): _____

Name of property (if any):_____
Property address: _____
Total area: _____ha
Property registration number (if any): _____
Declaration of Ownership or Possession? ( ) Yes ( ) No
Do you have a Legal Reserve on your property? ( ) Yes ( ) No
Do you have any Permanent Preservation Areas (APP)? ( ) Yes ( ) No

Uses of the property (more than one option can be selected):
( ) Housing
( ) Agroforestry backyard

( ) Cocoa in full sun
( ) Cocoa consortium
( ) Cocoa cabruca
( ) Cocoa SAF
Total area of cocoa production: _____ha

( ) Other forms of agriculture
( ) Livestock
( ) Leisure
( ) Tourism
Other: _____

Are you registered with CAD-ÚNICO? ( ) Yes ( ) No

Being aware of the terms of Public Notice no. XXXXXX, I request the accreditation of the particular area in the selection process, with a view to joining the Compensation Project PES.

I declare that the information contained in this application is my sole responsibility and represents the truth.

_____

Signature of Owner/Legal Representative

LOCATION: _____, ___of _____, 2024.

• ANNEX V - DECLARATION OF OWNERSHIP OR POSSESSION

I, _____, bearer of identity card No. _____, issued by _____, registered with the CPF under No. _____, resident and domiciled at _____, No. _____, neighbourhood/community _____, in the Municipality of _____, DECLARE, for the purposes of Public Call No. _____ that I have ownership, through ownership or possession, or be the legal representative of the person who owns the property _____ (name of property), located at _____ (full address of property), with a total size of _____ (area in hectares), as evidenced by the documents in the APPENDIX.

I also declare that the land and legal situation of the property can be characterised by the information indicated below:

1. Do any other owners (partners, heirs or spouses) have rights to the property?
( ) no ( ) yes. If yes, please list all the names below.
_____
_____

2. Is the property under inventory? ( ) no ( ) yes

3. Are there any lawsuits or administrative proceedings of any kind involving the property? ( ) No ( ) Yes. If yes, please quote below.

_____
_____

I declare that the information contained in this application is my sole responsibility and represents the truth.

_____
Signature of Owner/Legal Representative

LOCATION: _____, __of _____, 2024.

● ANNEX VI - DECLARATION OF NON-ATTACHMENT TO THE CIVIL SERVICE AND TO THE PROJECT MANAGEMENT UNIT

I, _____, bearer of identity card No. _____, issued by _____, registered with the CPF under No. _____, resident and domiciled at _____, No. _____, in the Municipality of _____, DECLARE, for all due purposes, that I do not hold any position, effective or commissioned, or public function with the municipalities covered by the Compensation Project, nor do I have any direct or indirect link with the Project Management Unit.

_____
Signature of Owner/Legal Representative

LOCATION: _____, __of _____, 2024.

● ANNEX VII - ENVIRONMENTAL COUNTERPART TERM OF COMMITMENT

I, _____, bearer of identity card No. _____, issued by _____, registered with the CPF under No. _____, resident and domiciled at _____, No. _____, in the municipality of _____, DECLARE my availability and my voluntary commitment - during the term of the Project - not to degrade an area equivalent in ratio to the area of the enriched production system. Failure to fulfil this commitment will result in a breach of the Term of Commitment.

The Compensation Project is obliged to provide inputs and technical assistance for the adaptation and enrichment of the productive parcel to be specified in the Term of Commitment.

Current situation of the property:

	Area* (ha)
Total property area	
Total natural area	
Legal reserve required	
Registered legal reserve	
Total cocoa production area	
Total area to be assigned in return	

* approximate area size

I declare that the information contained in this application is my sole responsibility and represents the truth.

_____
Signature of Owner/Legal Representative

LOCATION: _____, __of _____ of 2024

- ANNEX VIII - PROJECT PROCUREMENT STRATEGY

PROJECT BIDDING STRATEGY

PPS

“Promotion of PSA for deforestation-free value chains in Brazil Compensação Project ”

YEAR: 2023

COUNTRY:	**Brazil**
PROJECT NAME:	Promotion of PSA for deforestation-free value chains in Brazil - Compensation
TOTAL FINANCING ($):	US$5 million
Components ($):	Component 1: PSA implementation in the core area (USD 3,720 million, 76% of the total budget) Component 2: Support for municipal and regional PES policies (USD 113,020, 2% of the total budget) Component 3: Project Management, Knowledge Management and South-South and Triangular Cooperation (CSST) (USD 1,067 million, 22% of the total budget).
PROJECT NUMBER:	GRIPS ID: 2000004380 COMPENSATION PROJECT

1. INTRODUCTION

The Project is financed by IFAD with donation resources from the Federal Republic of Germany, which contributed 15 million euros to the Adaptation Program for Family Farming (ASAP+) fund, destined for the “CompensACTION for food security and a healthy planet” project. . This project is implemented through three separate pilots in Lesotho, Ethiopia and Brazil with the aim of testing "smart income matching" that compensates smallholder farmers and traditional communities for the role they play in not only producing food for a large percentage of the world's population, but also in the conservation of multifunctional ecosystem services.

The Project “Promotion of PES for deforestation-free value chains in Brazil - Compensação” will be carried out by the Land Conservation Organization of Baixo Sul da Bahia (OCT), which will also provide counterpart resources. The Project's development objective is to promote the agroforestry transition from cocoa growing areas to productive arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favoring increased production and income, providing mitigation of forest degradation and deforestation processes in the Cocoa Region of Southern Bahia.

1.1 Goal and Objectives

The goal of the CompensAÇÃO Project is to reduce rural poverty and at the same time recover degraded environments and ecosystem services. The development objective is to promote the agroforestry transition from cocoa growing areas to productive arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favoring increased production and income, providing process mitigation degradation and deforestation of forests in the Cocoa Region of Southern Bahia.

This objective will be achieved through: i) Providing qualified ATER services to strengthen the capacities of beneficiary families and their community organizations to introduce productive innovations; ii) Promote environmental and ecosystem services through financial and non-financial incentive mechanisms (provision of ATER and inputs); iii) Strengthen families' capabilities to access public credit and commercialization policies, iv) Ensure the agroecological transition of production systems; v) Strengthen the capacities of municipalities in implementing PES mechanisms; vi) Support the structuring of a regional governance network of PES mechanisms; vii) Prepare the conditions for the establishment of a PSA fund; viii) Develop knowledge management products for this pilot project and develop

communication actions to disseminate the experience and results; ix) Organize South-South Cooperation exchanges and events, in particular, with other projects supported by IFAD.

The Project area covers the 77 municipalities of 4 Identity Territories of Bahia – Baixo Sul, Litoral Sul, Vale do Jiquiriçá and Médio Rio de Contas, with an area of 42,528 km². The total population is 1,799,981 and the rural population is estimated at 515,007 people. There are around 102,477 agricultural establishments in the Project area, 78% of which are Family Farming (AF). Among the 31,471 family farmers in the Single Registry, 72% are in extreme poverty and 7% in poverty. The presence of 3 Indigenous Lands, 130 agrarian reform settlements and 72 quilombola communities was identified in the intervention area.

The Project consists of 3 components: 1: Implementation of PES in the core area (12 municipalities), component 2: Support for municipal and regional PES policies (77 municipalities) and component 3: Project Management, Knowledge Management and Southern Cooperation -South.

The implementation of component 1 will prioritize the core area of 12 municipalities that have approved PSA legislation, high potential for agroecological transition and concentration of Environmental Protection Areas (APAs), Conservation and Integral Protection Units with endemic species, favoring connectivity between protected areas. Component 2 will have its intervention in the entire project area (77 municipalities), seeking to expand the drafting of PES laws in new municipalities in addition to supporting the creation of a regional PES network.

2. OVERVIEW

2.1 Governance Aspects

The Land Conservation Organization of Baixo Sul da Bahia (OCT) will be the Implementing Agency and responsible for managing the Project's resources.
To coordinate the execution of Compensation, a UGP – Project Management Unit – will be installed . The UCP is a management body responsible for the technical, administrative, fiduciary and safeguards aspects necessary to implement the project.

This unit's functions are: (i) to carry out project management, including dealing with the relationship with IFAD; (ii) ensure the implementation of the project in accordance with the provisions of the legal documents; (iii) ensure that project activities are carried out within the schedule, identifying issues at the beginning of the project and proposing ways to resolve

them; and (iv) coordinate all technical, fiduciary and safeguard activities related to the implementation of the project, including the hiring of an independent audit.

You will also have specific responsibilities:

a) **Project Management** : Interact with IFAD and coordinate activities with other strategic partners that will be mobilized during implementation, including:
   - SEMA: Support in the coordination and training of municipalities, formation of the PES Network and monitoring of Project actions. A Technical Cooperation Agreement will be signed.
   - Municipalities: Support in mobilization in communities, formation of a technical chamber in each municipality in the core area to strengthen Project actions and participation in the PSA Network. A Technical Cooperation Agreement will be signed.
   - Territories of identity: through Municipal Consortia, they will be spaces for consultation and coordination with public policies, projects and programs.
   - Universities and Research Institutes: Development of studies and research that will enable the Project's strategic actions. Technical Cooperation Agreements will be signed.
   - Other projects: search for synergies and complementarity with other projects operating in the same area as CompensAÇÃO , which aim to strengthen the cocoa production chain and the conservation of forest remnants in the Atlantic Forest biome, considering Payment for Environmental Services mechanisms in its scope (GEF Cabruca , Parceiros da Mata, Cacau Mais Program)
   - Other NGOs or implementation partners: Support in mobilization and engagement actions with other strategic partners, search for new investors, technological innovation and territorial intelligence: Instituto Arapyaú, Taboa, Rede Povos da Mata, Regional Development Agency (ADR), Centro de Cocoa Innovation (CIC), Cima, World Cocoa Foundation (Cocoa Action), Scientific and Technological Park of Southern Bahia.
   - Other organizations that will be sought to form the PSA Network: The Nature Conservancy (TNC), Conservation International, World Resource Institute (WRI), Imaflora, SEBRAE and SENAR.

   - To ensure sustainability and enable scalability of the Project, a Project Advisory Committee (CCP) will be created, composed of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose role will provide strategic guidance and maintain coherence of the actions carried out with the regional development objectives of the PSA in Bahia. The CCP will also identify possible synergies and opportunities for scaling and complementarity of the Project's activities with Parceiros da Mata, an investment project financed by IFAD and the IDB, which will include a PES component, as well as with other related projects working with the Payment Program for Environmental Services (PEPSA) of Bahia. The OCT may invite representatives of institutions that can contribute their technical experience in various aspects of the implementation and sustainability of the PSA fund.

b) **Governance** : To ensure sustainability and enable scalability of the Project, a Project Advisory Committee (CCP) will be created, composed of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose function will be to provide strategic guidance and maintain coherence of the actions carried out with the regional development objectives of the PSA in Bahia. The CCP will also identify possible synergies and opportunities for scaling and complementarity of the Project's activities with Parceiros da Mata, an investment project financed by IFAD and the IDB, which will include a PES component, as well as with other related projects working with the Payment Program for Environmental Services (PEPSA) of Bahia. The OCT may invite representatives of institutions that can contribute their technical experience in various aspects of the implementation and sustainability of the PSA fund.

c) **Financial management and disbursements:** Perform financial management of the project, including the preparation of financial statements and reports. Maintain project administrative and fiduciary information and keep data updated and available; Arrange for payments relating to contracts financed under the project to be made through the financial sector. Prepare and send disbursement requests to IFAD.

d) **Procurement and contract execution** : Coordinate and supervise estimated budgets for all contracts, technical parts of bidding documents and requests for proposals; Prepare bidding documents, requests for proposals and bid and proposal evaluation reports. Liaise with IFAD to prepare and send the request for non-objection to bidding documents and alert IFAD of any issue related to procurement; Prepare clarifications presented by competitors on bidding documents and requests for proposals. Carry out the formal stages of the bidding processes, such as publishing bids and expressions of interest, holding bid opening sessions, announcing the opening of bid registration and responding to requests for clarification from competitors. Develop and update the Procurement Plan, in addition to monitoring its implementation; Supervise contracts; Organize project audits.

○

2.2 REGULATION OF THE BIDDING PROCESS

Tenders carried out by the OCT procurement sector will follow IFAD regulations.

The IFAD regulations are subsidized by Law No. 8,666 of June 21, 1993 and at the state level by Law No. 9,433 of March 1, 2005. Popularly known in the world as the “Tenders Law”, Law 8,666/93, in the article 42, §5, of the aforementioned makes a clear provision regarding the use of procedures and rules of international funding organizations, as long as they are required in financing and as long as these regulations do not conflict with the principle of objective judgment, as transcribed below:

“Art. 42. In international competitions, the notice must adapt to the guidelines of monetary policy and foreign trade and meet the requirements of the competent bodies.

(...)

§5º carrying out works, provision of services or acquisition of goods with resources from financing or donations from an official foreign cooperation agency or multilateral financial organization to which Brazil is a party, the conditions resulting from agreements may be accepted in the respective bidding process, international protocols, conventions or treaties approved by the National Congress, as well as the rules and procedures of those entities, including the criteria for selecting the most advantageous proposal for the administration, which may include, in addition to price, other evaluation factors, as long as required by them to obtain financing or donation, and which also do not conflict with the principle of objective judgment and are the subject of a motivated order from the body executing the contract, which order is ratified by the immediately superior authority. (As amended by Law No. 8,883, of 1994). ”

With the advent of Law No. 14,133, of April 1, 2021, which will come into full force on December 29, 2023, a new bidding regime will be established for all direct, autonomous and foundational public administration. Along these lines, even though the text proposes the repeal of the laws referenced above, this rule brings a real improvement to the institutes previously employed, and proposes a new and modern look at issues such as transparency, compliance and the fight against corruption.

However, regarding the application of standards and procedures for acquisition, based on methodologies determined by international financing organizations, the content of this new law does not bring innovations that compromise the jurisprudential understanding already consolidated and largely pacified by the Federal Audit Court and the Audit Courts of the States. In this sense, see the provisions of the new law in its article 1, below:

“Art. 1st This Law establishes general bidding and contracting rules for direct, autonomous and foundational Public Administrations of the Union, States, Federal District and Municipalities, and covers:

I - the bodies of the Legislative and Judiciary Powers of the Union, the States and the Federal District and the bodies of the Legislative Power of the Municipalities, when performing an administrative function;

(…)

§ 3 In tenders and contracts involving resources originating from loans or donations from an official foreign cooperation agency or financial organization to which Brazil is a party, the following may be permitted:

I - conditions arising from international agreements approved by the National Congress and ratified by the President of the Republic;

II - conditions peculiar to selection and contracting contained in standards and procedures of agencies or bodies, provided that:

a) are required to obtain the loan or donation;

b) do not conflict with the constitutional principles in force;

c) are indicated in the respective loan or donation contract and have received a favorable opinion from the legal body of the financing contractor prior to the conclusion of said contract;

d) (VETOED).

§ 4 The documentation sent to the Federal Senate for authorization of the loan referred to in § 3 of this article must make reference to the contractual conditions that affect the hypothesis of the aforementioned paragraph. (no emphasis in original)”

It should be noted that the project will be governed by the IFAD Procurement Regulations. To meet this obligation set out in the Donation Agreement, the team will participate in acquisition training carried out by IFAD specialists, by the LAC team, regarding the use of OPEN and CMT.

2.3 Economic and Market Aspects

Given the Brazilian political and economic moment and the overcoming of the COVID-19 Pandemic phase, the moment appears to favor the market's recovery. Brazil has resumed public investments, and this is a crucial step to attract the interest of the private sector in participating in project bidding, favoring the local economy.

Some of the economic indicators at the turn of the semester were higher than expected and triggered a review of forecasts. The Ministry of Finance increased the projection for the Gross Domestic Product (GDP) in 2023. According to the parameter grid of the Secretariat of Economic Policy (SPE), the estimate for the expansion of activity in 2023 went from 1.9% to 2.5% and then to 3.2%, upon seeing better activity data – such as the agricultural sector and for some Services and Industry subsectors – and the resilience of the job market.

According to the SPE, growth projections have improved for all sectors. For the agricultural sector, the projection was revised from 13.2% to 14%. For industry, from 0.8% to 1.5%, while the projection for services went from 1.7% to 2.5%.

The predominant assessment is that growth should continue to be supported by income, supported by a resilient job market.

For 2024, expectations for the Broad National Consumer Price Index (IPCA) fell from 3.89% to 3.86%. For 2025, it remained at 3.50%. For the basic interest rate (Selic), the expectation remained at 11.75% at the end of 2023, 9.00% in 2024 and 8.50% in 2025.

The signaling is supported by other recent indicators. FGV-Ibre's GDP Monitor recorded an increase of 1.3% in June compared to May, and 0.2% in the second quarter compared to the first, mainly supported by services. The Central Bank's Economic Activity Index (IBC-Br), with an increase of 0.63% in June, and 0.43% in the second quarter, compared to the first.

The International Monetary Fund also raised its forecast for the Brazilian economy this year to 2.1%, from 0.9% estimated in April, according to the World Economic Panorama (WEO) report released in July. The improvement in the Brazilian Gross Domestic Product (GDP) growth forecast was attributed to strong agricultural production in the first quarter and its consequent positive impact on service sector activity.

In agriculture, the estimate for the production of cereals, legumes and oilseeds in 2023 is 308.9 million tons, 17.4% higher (or 45.7 million tons more) than that obtained in 2022 (263.2 million tons).

Bahian Economic Scenario

The Regional Economic Activity Index (IBCR) for Bahia, calculated by the Central Bank, considered a preview of GDP, registered an increase of 2.4% for the first half of the year. The Superintendence of Economic and Social Studies of Bahia (SEI) projects, for 2023, a growth of 2.5% for the state GDP.

Data from monthly IBGE surveys from the first semester compared to the previous year, systematized and analyzed by the Superintendence of Economic and Social Studies of Bahia (SEI) show expansion in the services sector (7.8%) and expanded retail trade (9.8%). 6%).

Agriculture is expected to record a new record with a harvest of 12.1 million tons of grains, a growth of 6.9% compared to the 2022 harvest. In turn, industrial production recorded a drop of 3.7% in the first half of the year, with exports also falling 26.8%. The generation of formal jobs was positive in the first half of the year, totaling 50,955 jobs, a result of 448,972

admissions and 98,017 dismissals, increasing the stock of CLT employees to 1,952,504.

The scenario observed in the first half of the year, compared to the same period in 2022, indicates that performance in the year will be driven by growth in agricultural income and sales of commerce and services.

The tendency is for companies to participate in project bids, considering that they are items focused on agriculture and resilience.

2.4 Technological Aspects

OCT makes use of integrated technological solutions in financial, purchasing and management areas, which will support project monitoring, with the possibility of optimization. Therefore, it stands out:

Sapiens System

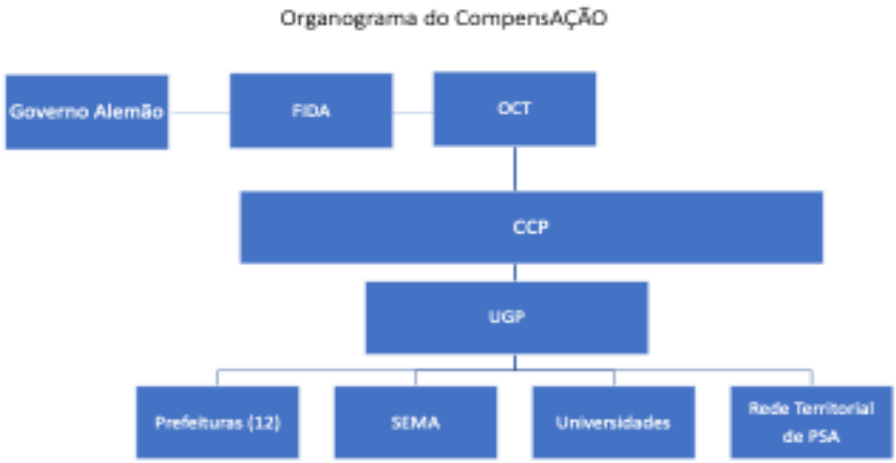
It has a project plan, which contains the project code and all phases of activity execution, with the possibility of new implementations.

Meets project management needs by computerizing the acquisition, monitoring and contract conclusion processes.

3. ASSESSMENT OF CUSTOMER AND CPU CAPACITY

3.1 Institutional Arrangement

To ensure sustainability and enable scalability of the Project, a Project Advisory Committee (CCP) will be created, composed of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose role will provide strategic guidance and maintain coherence of the actions carried out with the regional development objectives of the PSA in Bahia. The CCP will also identify possible synergies and opportunities for scaling and complementarity of the Project's activities with Parceiros da Mata, an investment project financed by IFAD and the IDB, which will include a PES component, as well as with other related projects working with the Payment Program for Environmental Services (PEPSA) of Bahia. The OCT may invite representatives from institutions that can contribute their technical experience in various aspects of the implementation and sustainability of the PSA fund .



Procurement sector, where the OCT Purchasing sector operates. This sector has a dedicated professional and another support professional, who is from the financial sector. A Consultant experienced in international Bidding rules will be hired to provide assistance to the project team.

○

4. SCOPE OF PREDICTED ACQUISITIONS

Project bids are based on acquisitions, common services (technical) and individual consultancies, being.

Using the Request for Quotations method, and if the estimated values do not exceed USD 70,000.00, the SDC – Request for Quotation (Shopping) method will be used.

A) Acquisition of goods, such as UAVs, GPSs, Notebooks, printers, office supplies, uniforms, PPE, motorcycles, smartphones, 2WD vehicles, among others.
B) Common services, such as events (workshops and seminars), documentation, soil analysis and pruning labor, publicity, creation of graphic materials, video production, project Hotsite within OCT.org.br, Creation logo and visual identity, 4WD utility vehicle rental, warehouse rental, translation services, Commission for use of the M&A program, and support that includes the verification system for the PSA, agricultural items and audit for the project.

Some acquisitions will be carried out using the NCB method (National Competitive Bidding), due to the estimated values exceeding USD 70,000.00.

A) Acquisitions using the NCB method relate to seedlings, limestone, organic fertilizer, seeds and other agricultural items in larger quantities to implement PES mechanisms.

OCT is an entity that works to implement PES mechanisms, and its purchasing department already has a register of suppliers of agricultural items related to this activity.

Considering the simplicity of the items that will be tendered, the risk of low market participation is relatively low, but adequate prior disclosure measures must be taken to increase the chances of a positive result in the contracts.

5. RECOMMENDATIONS FOR INTENDED ACQUISITIONS:

- Request for Quotation: It will be necessary to invite as many well-known or researched companies as possible, in each type of acquisition, in order to encourage the greatest possible participation. The minimum is three valid quotes, that is, that substantially meet the specifications. This way, it will always be necessary to invite a larger number to guarantee the participation of at least three companies. Publication is recommended whenever there is financial availability.
- NCB (or LPN): For this method, the publication of a Tender Notice is mandatory. Even so, it is necessary to research as many companies as possible, so that, immediately after publication, the bid notice is sent by email, with receipt recorded, to ensure the greatest possible participation.
- Selection of Individual Consultant: Wide publicity in the media is recommended. Immediately after publishing the Request for Expression of Interest (SMI), you should send the SMI to consultants or bodies that may know good participants.

It is essential that the procurement team takes proactive and preventive action in pre-bidding, to obtain good quotes, proposals or CVs, saving time and avoiding delays in project execution.

6. Purpose of Tenders

- Promote, within the deadline scheduled in the project's acquisition plan, the implementation of PSA mechanisms.

- Carry out contracts in compliance with the principles of competition, equality, transparency, economy, efficiency, effectiveness and objective judgment, and for the latter, it will develop objective and qualitative evaluation criteria, in order to select the best proposals, for the execution of services that promote the development of planned activities.

- Ensure the fight against fraud and corruption , encouraging the best conduct.

- Achieve the development objectives proposed for the Project.

7. Project Recommended Bidding Approach

- All planned bids will follow the IFAD Procurement Regulations.

- Individual consultancies (individuals) will follow IFAD regulations and specific recommendations from the procurement specialist assigned to the Project. There is no standard contract for this method, but the model used must contain IFAD's Anti-Corruption and Anti-Harassment Clauses. For contracts generated via the system, where it is not possible to insert these clauses, they must be included in the Terms of Reference, which must be an integral part of the contract as an Appendix. Bids must have, in the contractual part, a self-certification form, to be completed by the winning bidder. This certificate must be an appendix to the contract.

- The UGP must organize and synchronize the preparation of the Terms of Reference and Technical Specifications and their respective cost estimates and budgets, in order to promote agility and efficiency.

- The bidding and contracts team must undertake training on the IFAD Procurement Regulations, the OPEN procurement system and the contract management system, the CMT. It is extremely important to prioritize participants from the UGPs who will work in bidding processes, avoiding providing training to people whose role is not related to the topic.

- Bids must comply with IFAD Procurement Principles, including *Value for Money* .

- Tenders are supervised by FIDA, to ensure fairness and administrative probity, through annual supervisions carried out.

- According to the bidding sector, there is a clearly identified target market for most bids. However, the recommendation to maximize the dissemination of competitions is reinforced, ensuring compliance with the principle of publicity.

- Regarding bidding documents for goods, services and individual consultancies, the standard models made available by IFAD must be used, or models acceptable to IFAD, when there is no standard model.

- The Procurement Plan will be prepared and approved at OPEN, where appropriate selection/acquisition methods, market approach and type of review by IFAD will be defined.

- The bidding team must anticipate and request the preparation of technical specifications for the goods and services that will be purchased, so as not to delay the implementation of scheduled activities.

- Procurement Specialist must be on board and validated by IFAD before the start of the project.

IFAD
Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 9: Integrated Project Risk Matrix (IPRM)

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
Project No.	2000004380
Report No.	6613-BR

Latin America and the Caribbean
Programme Management Department

Overall Summary

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	**Moderate**	**Moderate**
Political Commitment	*Substantial*	*Moderate*
Governance	*Moderate*	*Moderate*
Macroeconomic	*Moderate*	*Low*
Fragility and Security	*Low*	*Low*
Sector Strategies and Policies	**Substantial**	**Low**
Policy alignment	*Substantial*	*Low*
Policy Development and Implementation	*Moderate*	*Low*
Environment and Climate Context	**Moderate**	**Moderate**
Project vulnerability to environmental conditions	*Moderate*	*Low*
Project vulnerability to climate change impacts	*Moderate*	*Moderate*
Project Scope	**Moderate**	**Moderate**
Project Relevance	*Low*	*Low*
Technical Soundness	*Moderate*	*Moderate*
Institutional Capacity for Implementation and Sustainability	**Substantial**	**Moderate**
Implementation Arrangements	*Moderate*	*Low*
Monitoring and Evaluation Arrangements	*Substantial*	*Moderate*
Project Financial Management	**Substantial**	**Substantial**
Project Organization and Staffing	*Substantial*	*Moderate*
Project Budgeting	*Moderate*	*Moderate*
Project Funds Flow/Disbursement Arrangements	*Substantial*	*Moderate*
Project Internal Controls	*High*	*Substantial*
Project Accounting and Financial Reporting	*Moderate*	*Moderate*
Project External Audit	*Substantial*	*Substantial*
Project Procurement	**Substantial**	**Substantial**
Legal and Regulatory Framework	*Substantial*	*Substantial*
Accountability and Transparency	*Substantial*	*Substantial*
Capability in Public Procurement	*Substantial*	*Substantial*
Public Procurement Processes	*Substantial*	*Substantial*
Environment, Social and Climate Impact	**Low**	**Low**
Biodiversity Conservation	*Moderate*	*Low*
Resource Efficiency and Pollution Prevention	*Moderate*	*Low*
Cultural Heritage	*Low*	*Low*
Indigenous People	*Moderate*	*Low*
Labour and Working Conditions	*Moderate*	*Moderate*
Community Health and Safety	*Low*	*Low*
Physical and Economic Resettlement	*Low*	*Low*
Greenhouse Gas Emissions	*Low*	*Low*
Vulnerability of target populations and ecosystems to climate variability and hazards	*Low*	*Low*

Risk Category / Subcategory	Inherent risk	Residual risk
Stakeholders	**Moderate**	**Low**
Stakeholder Engagement/Coordination	*Low*	*Low*
Stakeholder Grievances	*Moderate*	*Low*
Overall	**Moderate**	**Moderate**

Country Context	**Moderate**	**Moderate**
Political Commitment	***Substantial***	***Moderate***
Risk: At the country level, there is a risk that there is no political commitment due to the change of government representatives in new elections. At the state of Bahia level: change of support or strategy in relation to the implementation of the PES Policy by SEMA, the main institutional partner. At the municipalities' level in the project area, the 2024 elections could lead to changes in mayors and management teams in the municipalities in the core area from January 2025.	Substantial	Moderate
Mitigations: Brazil is at the beginning of a new presidential management, which has the history of being committed to the service of the extremely poor population class, a fact that decreases the risk of no political commitment, besides the fact that this project is a donation to a Non -governmental entity: OCT. And the government entities will be partners, example: the SEMA - Secretary of the Environment. SEMA has been involved throughout the project design process and shows a high level of commitment. SEMA's involvement and permanent dialogue should be enough to avoid the risk of distancing itself from this key partner, which has been involved since 2015 when the State PES Law was approved. In the first year, the project will support the development of booklets and systematise the process underway in the municipalities, with a view to providing support materials to ensure the transition between teams. Another important factor will be to maintain the work that the OCT team has been doing in the municipalities of the core area, to support the new teams that will take office from January 2025.		
Governance	***Moderate***	***Moderate***
Risk: There is a risk of inadequate governance, which could lead to poor project execution and also to incidents of fraud and corruption in processes. There is a risk that the instrument's image could be damaged as a result of an inappropriate governance process. According to Brazil's MPF Transparency index, Bahia ranked 26th out of 27 states in 2016, with 4.1 points out of 10 (http://www.rankingdatransparencia.mpf.mp.br/). In 2022 the state ranked 15th out of 27 in a similar index made by Transparency International, with 64.5 points out of 100, which is considered Good (https://transparenciainternacional.org.br/itgp)	Moderate	Moderate

Mitigations: The project bidding processes must contain Anti-Corruption and Anti-Harassment clauses. IFAD will carry out support and supervision missions, where compliance with the IFAD Policy to combat fraud and corruption will be verified. IFAD requires the hiring of an independent audit, with a Term of Reference approved by IFAD, where the accounts and purchasing processes will be verified. The team will be trained on the importance of complying with the IFAD Policy on combating corruption and harassment and the consequences of incidents. The constitution of the regional network and the institutional arrangement it should promote, the knowledge management products and adequate communication should mitigate any risk of a governance process that could jeopardise the smooth running of the project. In addition, the OCT team will be involved in all institutional activities and with the beneficiaries, thus constituting another means of permanent control of any inappropriate governance practices. OCT has been working for several years with different municipalities in Bahia on the development of PES programmes and projects, and is recognised for its high quality of work and significant, pioneering experience in PES in the state.		
Macroeconomic	***Moderate***	***Low***
Risk: The government gross debt increased from 72.9% at the end of 2022 to 74.4% of GDP in August 2023, while public sector net debt increased from 57.1% to 59.9% of GDP in the same period. The Brazilian government has approved a tax framework to limit the debt rise, which was well received by investors and rating agencies, and also pushed a long awaited tax reform through congress, although its effects might not be felt during the project cycle. Exchange rates are historically high with little expectation to decrease, making imported Rising prices for commercial inputs more expensive. and falling cCocoa prices are also historically high and are expected to fall in the coming years.	Moderate	Low
Mitigations: Mitigations: With regard to input prices, the project's approach of supporting a transition to the use of agroecological inputs should reduce dependence on the use of commercial inputs that are subject to price increases. In addition, the project's technical monitoring will focus on calculating the net margin of the financed activities, a point that was little addressed before the project (the productivity criterion being the only one used, not allowing the profitability of the activity to be known). Diversifying production, particularly in SAFs, by introducing fruit species for consumption and commercialisation will be another risk mitigation factor. Finally, the technical advisory service will also seek to implement good harvesting and cocoa drying practices, with a view to improving the commercial value of production.		
Fragility and Security	***Low***	***Low***
Risk: The INFORM index table indicates a moderate to low vulnerability level (https://drmkc.jrc.ec.europa.eu/inform-index).	Low	Low
Mitigations: The project aims to improve the livelihoods and increase resilience of vulnerable populations.		
Sector Strategies and Policies	**Substantial**	**Low**
Policy alignment	***Substantial***	***Low***
Risk: Difficulties in implementing municipal laws due to the complexity of the instruments or laws that have been drafted but have weaknesses. These difficulties can lead to delays in implementation and a lack of transparency.	Substantial	Low

Mitigations: SEMA has been training municipalities on what the PSA is and how to draw up draft municipal laws. The municipalities have shown great interest in the mechanism. Based on these training sessions and the experience accumulated by the municipality of Ibirapitanga, which is recognised at state and regional level, CompensAÇÃO will implement an ongoing programme to monitor and train municipalities that are in the initial stages of drafting. In addition, the communication surrounding the project and the PES mechanism should contribute to the necessary transparency.		
Policy Development and Implementation	***Moderate***	***Low***
Risk: Despite the federal and state governments currently pursuing agroecology and organic agriculture policies, the region has been subject to a strong push towards cocoa monoculture in the past 20 years, mainly through CEPLAC (Executive Committee of the Cocoa Farming Plan), a federal plan designed to overcome the several sector crisis that happened in the 60s and 90s. The plan contrasts with the project's push for diversified production with agroforestry and cabruca systems.	Moderate	Low
Mitigations: The project's proposal, articulated in two main axes of support for municipalities on the one hand and the provision of technical assistance for beneficiary families on the other, should limit this risk. In fact, the set of actions envisaged in these axes will make it possible to incorporate other services, which should even represent a greater value than the financial payment itself. The monitoring system will be key to highlighting the additional features that the project intends to introduce, such as the evolution and changes in practices, and better ways of organising the families involved.		
Environment and Climate Context	**Moderate**	**Moderate**
Project vulnerability to environmental conditions	***Moderate***	***Low***
Risk: Risk(s): The project area has suffered significant environmental degradation due to the historical and continuous deforestation of the Atlantic Rainforest. Aggravated by the impacts of extreme weather events (droughts and extreme rainfall), the conversion of forests into pastures and other land uses has resulted in the loss of biodiversity, soil erosion, landslides, flooding and has affected the availability and quality of water. An additional factor contributing to poor water quality and, in worse cases, contamination or pollution, is the lack of sanitation services or infrastructure, especially in the rural areas where the project will work. In the 1980s and 1990s, cocoa production in the region suffered from the arrival of the witches' broom fungal disease which, together with the fall in cocoa prices, led to a socio-economic crisis in the region. Although the disease has been combated with the introduction of resistant cocoa varieties, this and other diseases remain a challenge and a risk for cocoa production.	Moderate	Low

Mitigations: The cabruca agroforestry system is widely recognised as an Atlantic Forest conservation strategy by scientists and environmental organisations, as it conserves a variety of native flora and acts as a habitat and ecological corridor for endangered fauna. The restoration of these systems (especially at the headwaters, on the slopes and along the riverbanks), thanks to inputs and technical assistance, as well as the conservation of the same area of forest provided as a counterpart contribution by the farmers in exchange for the PES, also aims to neutralise the area's vulnerability to natural and climatic risks. In addition, several families will receive economical and sustainable grey water and sewage management systems. To reduce the risk posed by witches' broom and other pests and diseases, the project will promote enrichment (and risk distribution) by planting different varieties of cocoa, native tree species and native and exotic fruit trees. It will also promote integrated pest and disease management.		
Project vulnerability to climate change impacts	***Moderate***	***Moderate***
Risk: Due to climate change, and particularly the El Niño Southern Oscillation (ENSO), a decline in rainfall and an increase in the frequency of dry spells and droughts are expected in the southeast of Bahia. Combined with extreme heat events, these climate projections pose a risk to cocoa production in the region, as they could exceed the limits of cocoa's physiological tolerance. Unless concrete efforts are made to combat deforestation and prioritise the restoration of river headwaters and banks, the frequency of ENSO-associated flooding will also increase, posing a risk due to disruption along the cocoa value chain (production, storage and transport) and the livelihoods of project participants.	Moderate	Moderate
Mitigations: Mitigations: At the start of the project, the OCT carries out an assessment of the land uses and infrastructure of the entire property or territory. For this project, the assessment will include the identification of environmental, climatic and social risks and measures to mitigate them. The OCT already sends alerts to the producers it works with in advance of extreme weather events, advising on specific management practices to be adopted or avoided to reduce the risk of losses. It will continue this practice during the implementation of this project. By diversifying the agroforestry systems with native trees, several varieties of cocoa and fruit trees, they will be more resilient to periods of extreme heat and the risk will be distributed among several crops. As explained in more detail in SECAP, cabruca agroforestry systems are more resistant to climate change compared to plantations with intermediate shading and no shading, because the upper canopy creates a microclimate that reduces understory temperatures, decreasing water loss through plant transpiration and soil evaporation. Accompanied by soil management practices, such as mulching with organic material that increases water retention capacity and soil moisture, and with proper planning to reduce competition for water between trees, this can reduce the vulnerability of cocoa trees and the wider production system to drought stress. Therefore, promoting the cabruca system is in itself a mitigation strategy in the face of climate change impacts.		
Project Scope	**Moderate**	**Moderate**
Project Relevance	***Low***	***Low***

Risk: The project is aligned with both IFAD's and the government's priorities. In January 2021, the federal government approved a law on payment for environmental services that aims to establish the regulatory framework for PES and guide initiatives across the country. This reflects the importance the government is giving to this mechanism as a strategy to promote the conservation and restoration of ecosystems and related services. At the same time, IFAD recently approved its first Biodiversity Strategy 2022-2025, which, among other things, aims to increase recognition of the role that farmers and indigenous and traditional communities play in biodiversity conservation. Although IFAD has had relatively little experience with PES, there is significant interest in testing these innovative approaches and the Compensation Programme.ÃO with projects in three countries, is an excellent opportunity to do so. One limitation of the project is that it is not integrated into a wider project and 80 per cent of the costs must take the form of PES. This limits the project's ability to fulfil the requirements of IFAD's mainstreaming themes.	Low	Low
Mitigations: The risks of misalignment with IFAD's and the government's objectives are non-existent, as the project is being designed to be fully aligned with the strategies and regulatory framework of both. With regard to the project's limitations related to integration issues, the project has been designed to provide monetary PES and non-monetary PES in the form of technical assistance and inputs. In this way, the project meets the needs of project participants to receive important guidance on how to improve their agroforestry systems, as well as inputs to support this transition. Although it is not able to meet IFAD's integration requirements, the project is sensitive to gender, youth, nutrition, the environment and climate change. The technicians will receive in-depth training on these topics before starting their work. In addition, the target group will include 50 per cent women, 15 per cent young people, 20 per cent traditional communities and 30 per cent land reform settlers. In terms of nutrition, the diversification of cabrucas and other agroforestry systems, including through the promotion of a variety of fruit trees, will increase the diversity of the family diet.		
Technical Soundness	***Moderate***	***Moderate***
Risk: Originally, the project had very high targets in terms of the number of families and hectares to be reached. This was due to the fact that the targets were set before the in-depth elaboration of the project during the negotiation of the agreement with the German government. IFAD also has limited experience with PES and the lessons learnt are not well documented. In particular, it has not previously developed a PES fund or had a project dedicated solely to PES.	Moderate	Moderate
Mitigations: In light of the research done during design, the project goals were adjusted to manage the level of ambition. In terms of IFAD's limited experience in PES and the lack of PES experience in Brazil, the PDT commissioned a study on PES experiences in Brazil in order to identify success factors and understand what potential challenges and risks needed to be considered and adequately mitigated during project design. The study's conclusions were integrated into the project. For example, the study found that, due to the specific characteristics of indigenous peoples' worldviews and organisational structures, the PES needs to be designed in such a way as to adapt to and respect their realities. As OCT has limited experience and expertise in working with indigenous peoples and community-based PES, as opposed to family-based PES, and funding is limited, it was decided that the project would not implement PES with indigenous peoples. Finally, a PES expert formed part of the design team, ensuring the technical quality and feasibility of the project.		
Institutional Capacity for Implementation and Sustainability	**Substantial**	**Moderate**
Implementation Arrangements	***Moderate***	***Low***

Risk: Experience in setting up and managing PES funds in the Atlantic Forest region is limited to initiatives of limited scope and magnitude. The scope proposed by the Agreement with Germany is ambitious and represents a considerable challenge for medium-sized non-governmental institutions working with PES in the region. Furthermore, there are no successful examples of sustainability of PES funds implemented by NGOs beyond the period in which donor funds are available.	Moderate	Low
Mitigations: As the organisation selected to implement the proposal, OCT underwent a rigorous selection process in which institutional capacity was a significant criterion. As well as submitting an excellent technical proposal, OCT obtained the highest score in terms of institutional capacity and experience in implementing PES. The concept note presented demonstrated an adequate level of analysis of the regional reality and the possibilities of implementing the proposal in relation to its scope. During the planning phase, OCT's ability to establish and maintain strategic partnerships that will provide benefits throughout the project's implementation was observed. In order to boost the sustainability of the PES fund, it is essential to establish strategies and partnerships. The integration of support between public and non-governmental organisations, which is being incorporated into the project, especially in component 2, represents a promising alternative to guarantee the continuity of payments and the renewal of PES contracts. This approach seeks to ensure the long-term sustainability of the initiatives, making it possible to renew commitments beyond the initial funding period. It will also be important to explore opportunities to diversify funding sources, such as partnerships with the private sector and the search for other sources of financial support during project implementation.		
Monitoring and Evaluation Arrangements	***Substantial***	***Moderate***
Risk: The OCT has no experience in monitoring, following up and evaluating projects with a large number of beneficiaries.	Substantial	Moderate
Mitigations: OCT has an M&A specialist, who will work at CompensACTION. To meet M&A demands, it is planned to hire university fellow(s) to help carry out the M&E tasks. The M&E Plan, which will be drawn up at the start of the project, will highlight the obligations, means and procedural flows with the aim of mapping out all the M&E obligations. There are resources for the acquisition of an M&E System, which is capable of storing a significant volume of information, both tabular and geographical, as well as the inclusion of the questionnaire for carrying out the baseline study and final evaluation.		
Project Financial Management	**Substantial**	**Substantial**
Project Organization and Staffing	***Substantial***	***Moderate***
Risk: OCT does not have sufficient financial staff to manage the additional funding for this project. The OCT's financial team does not have professional accounting qualifications	Substantial	Moderate
Mitigations: Hiring of a part-time consultant dedicated to the financial management of the project with professional qualifications and experience in the financial management of international project funding based on TDR with No objection IFAD as condition for first disbursement		
Project Budgeting	***Moderate***	***Moderate***

Risk: OCT does not have experience with the preparation of IFADs AWPB Format.	Moderate	Moderate
Mitigations: IFAD team to provide guidance and training on the use of the IFAD AWPB format		
Project Funds Flow/Disbursement Arrangements	***Substantial***	***Moderate***
Risk: A dedicated bank account will be opened for the project to be used for receipt of disbursements and paymen tof project expenditure The project includes cash payments to farmers for environmental services to farmers to personal accounts once a year. OCT will provide counterpart funding primarily in the form of time dedicated by permanent staff and office space	Substantial	Moderate
Mitigations: Include clear procedures in the PIM to establish verification of compliance with the provision of environmental services as a condition for payments to framers. A PIM with No Objection IFAD to be included in conditions for first disbursement.		
Project Internal Controls	***High***	***Substantial***
Risk: OCT does not have a complete and approved set of financial/administrative policies and procedures in place. Draft procedures are pending approval OCT decision making bodies	High	Substantial
Mitigations: Approval before start date of project of policies for travel expenses (per diem and other travel), Assets, fleet management and anti-corruption and anti-fraud policy. . If Internal Regulations will not be approved in time the same topics to be included in the PIM for No objection IFAD and condition for first disbursement.		
Project Accounting and Financial Reporting	***Moderate***	***Moderate***
Risk: IFAD funding will be tracked in the Sapiens accounting system by using a separate cost centre. The accounting standard required by law for public interest civil society organisations is the CPC for small and medium-sized enterprises (SMEs), which is not an accounting standard accepted by IFAD. The IFR will be prepared in Excel on the basis of the reports generated by the Sapiens accounting system.	Moderate	Moderate
Mitigations: An assessment is pending to determine whether the CPC for Small and Medium-sized Enterprises (SMEs) is aligned with acceptable accounting standards, according to the IFAD Financial Reporting and Audit Manual for Funded Projects. The OCT will check whether the reporting function in the system can be adapted to generate IFRS in the format required by IFAD.		
Project External Audit	***Substantial***	***Substantial***
Risk: Based on its legal status as a Civil Society Organisation of Public Interest (OSCIP), OCT is not obliged to have t its institutional financial statements audited	Substantial	Substantial

Mitigations: OCT will submit a complete set of audited financial statements for the project for each fiscal year, in full compliance with the requirements for investment projects, as per Financial Reporting and Audit Manual for IFAD-financed projects.		
Project Procurement	**Substantial**	**Substantial**
Legal and Regulatory Framework	***Substantial***	***Substantial***
Risk: The OCT uses its own rules of procedure called the "Internal Regulations for Purchases and Contracts", which were structured on the basis of various principles and best practices for making purchases. Article 4, Chapter II of these Internal Regulations stipulates that procurement and contracting procedures must comply with the principles of morality, probity, impersonality, economy, isonomy, publicity, legality, reasonableness, advantage of the acquisition and efficiency. However, there are no clear indications of prevention to combat Fraud and Corruption and Sexual Harassment, Exploitation and Abuse, and there is no provision for a selection process based on defining qualitative evaluation criteria.	Substantial	Substantial
Mitigations: The OCT team will have to comply with the Project Operationalisation Manual, which will provide guidelines for carrying out tenders in accordance with the IFAD Tendering and Contracting Policy.		
Accountability and Transparency	***Substantial***	***Substantial***
Risk: The "Internal Regulations for Purchasing and Contracting" do not provide for compliance with the principle of transparency and do not describe the responsibilities of procurement professionals. There is no mention of auditing procurement processes.	Substantial	Substantial
Mitigations: The Project Operationalisation Manual will define responsibilities and other principles to be complied with, as set out in the IFAD Policy for Tenders and Contracts, as well as providing for the hiring of an independent audit for the project, in accordance with IFAD regulations, and recording the frequency of the supervisions that will be carried out by IFAD on the project's tenders.		
Capability in Public Procurement	***Substantial***	***Substantial***
Risk: OCT does not have extensive experience in tendering, but rather in simple purchases, which it prioritises over compliance with its Internal Regulations.	Substantial	Substantial
Mitigations: The Project Operational Manual will detail the stages of the methods and procedures required to comply with IFAD's policy on bidding and contracting.		
Public Procurement Processes	***Substantial***	***Substantial***
Risk: The purchases made by the OCT are based on budgets, prioritising at least three different suppliers, as long as the regional market allows, but from the point of view of purchasing and not the bidding procedure. They do not select consultancies based on qualitative criteria.	Substantial	Substantial

Mitigations: IFAD will provide training on tenders and contracts for the OCT team, on the tendering methods they will use and on the IFAD Policy for selections and contracting.		
Environment, Social and Climate Impact	**Low**	**Low**
Biodiversity Conservation	***Moderate***	***Low***
Risk: As early as the 1990s, the potential contribution of the traditional cabruca agroforestry system to Atlantic Forest conservation efforts was highlighted by civil society and environmental institutions. Although it is a simplified version of the Atlantic Rainforest due to the thinning of the sub-canopy, cabrucas are known to harbour a wide variety of rare and endangered flora and fauna and act as biological corridors between forest remnants. Through the PES mechanism, which will reward small traditional and agroecological farmers for the role they are playing in conserving natural habitats and sustainable agroecosystems, thus maintaining a wide range of important ecosystem services, the project aims to reduce deforestation and contribute to the conservation of the Atlantic Forest and the biodiversity it harbours. By improving the economic viability of cabrucas thanks to increased productivity, diversification and the possibility of accessing premium prices for agroecological/organic production, the project aims to guarantee the sustainability of these systems after the end of the PES. Although the project aims to promote biodiversity by enriching cabrucas and agroforestry systems with native and exotic tree species, possible unintended risks could include the introduction of invasive exotic species and the displacement of deforestation to other areas (so-called leakage, such as the conversion of native forest to form new cabrucas).	Moderate	Low
Mitigations: In order to prevent the introduction of invasive alien species into the cabrucas and agroforestry systems, a list of invasive alien species compiled by the Bahia Environment Secretariat has been included in the SECAP in Annex 5. These species will not be promoted as part of the inputs to restore and enrich the systems. Priority will be given to native species that are important to the local fauna. To prevent leakage and the conversion of new areas, producers undertake not to clear existing forest areas on their properties in PES contracts. This will be monitored regularly through OCT's integrated property plans, which are prepared for each project participant and include a diagnosis of current land uses within the property.		
Resource Efficiency and Pollution Prevention	***Moderate***	***Low***
Risk: Unsustainable agricultural practices, such as the intensive use of herbicides, pesticides, fungicides and synthetic fertilisers, which are also practised by several small farmers in cabruca systems, are affecting water and soil quality in the project area. In addition, many rural families do not have adequate sanitation infrastructure, which represents an additional source of possible pollution. The project, however, will not support the purchase of synthetic agrochemicals and will invest in ecological septic tanks to combat localised pollution. Many farmers use inefficient fire-based cocoa drying systems, which require large amounts of firewood. An increase in cocoa production thanks to the improved management practices introduced by the project could lead to a greater demand for firewood and consequent deforestation.	Moderate	Low

Mitigations: By providing technical assistance and inputs, the project aims to transition farmers from the use of agrochemicals to agroecological and organic production methods, with a gradual reduction in the use of agrochemicals on the farms where they are being used. This will include workshops on the production of organic compost, biofertilisers and integrated disease and pest management. Although no financial investments will be made in cocoa processing, the technical assistance will also include guidance on accessible and low-cost solar drying options that are already available and being implemented in the region. The clauses of the PES contract will commit farmers to reducing and eliminating the use of agrochemicals, as well as not deforesting an area equivalent to that for which they received their PES payment. Finally, as part of the social PES, the project will also invest in several ecological septic tanks for black and grey water, thus contributing to reducing the pollution risks associated with inadequate sanitation infrastructure.		
Cultural Heritage	***Low***	***Low***
Risk: The Project will not cause significant degradation of cultural or physical resources, including threats to or loss of resources of historical, religious or cultural importance. There is a risk of the Project working in communal land rights areas with tangible and intangible cultural elements for traditional peoples and communities.	Low	Low
Mitigations: The project will seek the promotion of social inclusion, cultural heritage preservation, environmental sustainability, and recovery of natural resources of the territories occupied by traditional communities. It will also ensure that cultural considerations are made during the design and implementation of project activities.		
Indigenous People	***Moderate***	***Low***
Risk: The profile of the socio-political organisation of the Tupinambá people shows well-defined traits in terms of the movements to build unity and preserve autonomy. These movements are permeated by socio-cultural aspects of the Tupinambá. The sense of unity of the word people is constituted when the agenda is the struggle for territory or the preservation of its integrity. When dealing with other issues, the communities preserve a high degree of autonomy among themselves. This characteristic calls for specific strategies to build broader articulations. This is necessary for implementing projects that require the application of FPIC, for example. Still in this context, it is worth pointing out that internally the Tupinambá understand their territory in three regions: "mountains, beach and middle region", referring to the communities that live closest to the coast, those in the mountains and those in the transition zone. These regions have distinct phytophysiognomic characteristics. OCT has no experience of working directly with indigenous peoples. The interaction with the Tupinambá came about through the interest of a chief from the coastal region, who took part in some of the project activities developed by the organisation. However, PES projects aimed at indigenous peoples must take into account the entire territory inhabited by them, if not in the valuation in the constitution of the internal articulation. Because there is a diverse range of risks, such as poor understanding of the PES mechanism, lack of adherence and the impossibility of applying FPIC, the option was to not include indigenous peoples in the actions of Component 1, which are those involving the implementation of the PES project. With regard to traditional peoples (terreiro communities, quilombolas and extractivists), we believe that the risk is low. Considering OCT's experience with this audience and the profile of these communities in terms of social organisation, we believe that there are small risks in terms of: low adherence, difficulties in communication and technical appropriation of the issues to be dealt with in the project.	Moderate	Low

Mitigations: Given the importance of creating a regional agenda on PES, the relevance of the Tupinambá and their territory in this context and the socio-political characteristics of the indigenous people, it is important to deepen the dialogue with this group, offering opportunities to multiply information on the subject, with a view to the Tupinambá's future participation in projects with this theme. As such, activities under component 2 of the Compensation Project should be used to enable a training process for the indigenous people, with the participation of at least two representatives from each of the three regions of the territory, in specific events that can contribute to the multiplication of knowledge and political articulation around issues related to PES. Mitigation actions for traditional peoples should focus on strengthening dialogue with communities, paying special attention to choosing the right language and communication tools for this audience. It is recommended that the first activity in each community include a detailed presentation of the project and the work plan, as a way of sharing responsibilities and giving transparency to the processes.		
Labour and Working Conditions	***Moderate***	***Moderate***
Risk: Employment conditions in impoverished rural areas of Brazil may not fully comply with national regulations. This can lead to risks of payment below the minimum wage, unsafe conditions, or excessive hours, among others	Moderate	Moderate
Mitigations: Mitigations: 1) All contracts with contractors, suppliers and third parties to be financed with IFAD resources will include provisions prohibiting child labor and promoting decent working conditions. 2) The PMU will establish a mechanism to supervise and follow up on the actions established in the agreement signed with IFAD and the PES beneficiaries, considering working condition issues. 3) Through the Project's complaints and grievances mechanism, stakeholders or society in general will be able to submit anonymous complaints regarding abusive labor practices (e.g., forced or child labor), cases of gender-based violence, discriminatory working conditions and unsafe/unsanitary working conditions, which will be addressed and resolved as indicated in the mechanism. Therefore, the Project will lead to an improvement in labor and working conditions		
Community Health and Safety	***Low***	***Low***
Risk: There is no risk the Project will have significant adverse effects on the health and safety of the community.	Low	Low
Mitigations: The Project will contribute to improving the health and diets of rural populations by promoting agroecological practices, improving production diversification in Agroforestry systems and conserving fundamental ecosystem services, such as water.		
Physical and Economic Resettlement	***Low***	***Low***
Risk: Project interventions should not cause the physical resettlement of families or significant adverse economic impacts, especially for marginalized groups	Low	Low
Mitigations: The Project presents a solid targeting strategy and will promote positive social, physical, cultural and economic impacts, especially for marginalized groups		
Greenhouse Gas Emissions	***Low***	***Low***

Risk: The design team carried out an analysis of the greenhouse gas emissions sequestration and avoided emissions potential of the project using the NEXT tool. It was concluded that the project will contribute to avoid and sequester 342,463 tCO2e of greenhouse gases after 20 years compared to a without project scenario. The activity that provides the highest GHG sequestration and avoided emissions potential is the planting of cocoa trees and larger trees in the cabruca and SAF systems. Activities that will contribute to GHG emissions include application of organic fertiliser from other regions, application of limestone, gypsum and rock dust, and fuel used for technical visits.	Low	Low
Mitigations: One of the most important pillars of the project will be the transition from the use of chemical fertilisers to organic fertilisers, and the encouragement of the production of organic fertilisers on farms, such as compost and biofertilisers. The project will also encourage the planting of leguminous trees in agroforestry systems, with the aim of reducing the input of organic fertilisers from other regions.		
Vulnerability of target populations and ecosystems to climate variability and hazards	***Low***	***Low***
Risk: The project area faces a number of hazards including flooding, landslides, extreme heat and wildfires (more frequent in drier transition zones). Projections suggest an increase in temperatures and days of extreme heat. Regarding precipitation, an overall reduction is foreseen with an increase in dry periods and droughts, as well as higher concentration of rain in short spells increasing the risk of flooding. There is a potential exposure of the cocoa value chain linked to extreme climate events such as drought and flooding. However, these risks are not likely to be increased by the project.	Low	Low
Mitigations: The project will promote diversified agroforestry models that are more resilient in the face of climate-related risks, conserving ecosystems services. It will also promote drought-resistant cocoa varieties and the restoration of riparian forests, headwaters, slopes, hilltops, springs and riverbanks to reduce sedimentation linked to soil erosion caused by heavy rains. An analysis of the climate hazards and mitigation measures faced by project participants will be integrated in the social, environmental diagnosis and PES contracts.		
Stakeholders	**Moderate**	**Low**
Stakeholder Engagement/Coordination	***Low***	***Low***
Risk: There is a low risk that the key stakeholders invited to take part in the project will show little interest in or commitment to the project's objectives and activities. The buy-in and active involvement of stakeholders is essential to the success of the project.	Low	Low
Mitigations: The OCT coordinates the participation of stakeholders during the design and implementation of the Project. At the community and family level, the Project will implement a participatory process in defining activities that meet the needs and aspirations of the beneficiaries. The project will also establish ongoing communication, awareness-raising and coordination with the various partners at all levels (local, regional and state), starting at the Project design stage, and will foster visibility activities with the aim of publicising and clarifying doubts about the results of the Project's activities, both for the target groups and for the partners involved in implementation. It is essential to promote the awareness and participation of local communities, farmers and other key players in order to ensure adherence and commitment to the proposed activities.		

Stakeholder Grievances	*Moderate*	*Low*
Risk: The risk that the Project has ineffective grievance redress processes (including in relation to allegations of non-compliance with IFAD's E,S,C standards, fraud, corruption or SEA), leading to unaddressed stakeholder grievances that could jeopardise Project implementation and the achievement of the Project's development objectives.	Moderate	Low
Mitigations: The project will develop its own complaints and grievances system and sensitise stakeholders to the mechanisms available. It will also include this information as part of IFAD missions, as well as part of the training of the technical assistance teams that will work with the beneficiaries.		

Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 10: Exit Strategy

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
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Latin America and the Caribbean
Programme Management Department

Annex 10: Exit Strategy

1. The sustainability of the transformation supported by the project will be inherent in its design, monitored and adjusted throughout implementation, during supervision missions, thus avoiding the risk of addressing it only at the conclusion of the project. A document presenting the project's sustainability strategy with an operational plan will be drawn up and regularly updated by the PMU, in particular during support and supervision missions. The sustainability of the project is based on the aspects presented below.

2. **Partnership with SEMA**: The strong alignment of the project with the state of Bahia's PES law and plan, coupled with OCT's excellent partnership with SEMA, should ensure strong integration and ownership of the project's actions during and after its implementation. The state law approved in 2015 is being implemented and SEMA is in the process of publicising and supporting the definition of laws in various municipalities in the state. As the RCSB and the municipality of Ibirapitanga are the pioneering municipalities, SEMA is paying particular attention to this region, which has accumulated a lot of work.u long experience in PES and thus becomes a strategic partner, which should contribute to the sustainability of Compensação's actions.

3. **The strengthening of the capacities of the municipal teams** enabled by the actions of the 3 components aims to strengthen the capacities of the teams from the main departments involved, through training and consultancy in order to leave teams at the end of the project with greater capacities to prepare PES laws and their implementation, who will be able to continue working in the state on the basis of consolidated knowledge. The development of teaching materials on the topics of preparing and drafting municipal PES laws and decrees, produced in the first year and updated throughout the project, will have the main objective of ensuring the sustainability of the actions of the municipalities. This didactic material and the training courses will be aimed at the 12 municipalities in the core area as well as the other municipalities in the project area that are willing to move forward in implementing PES mechanisms.

4. **The construction of the regional PES network,** which is underway and will receive support from the project, should bring together regional public and private actors, research institutes, universities, family farmers and cocoa producers involved in implementing PES mechanisms in the RCSB. The institutionalisation and creation of an organisation of this magnitude will be aimed at finding a collective dynamic to discuss common issues, seek innovations and create references around PES, with a view to valuing the advantages of a network approach that mitigates interruptions between one project and the next, and allows for greater continuity.

5. **Support for the creation of a regional fund**

The aim of the project is to contribute to the creation of a fund or financing mechanism for PES by raising funds. With reference to other experiences of creating a fund for other types of initiative, the OCT is aware that this is highly complex and takes time. However, through the regional network and the integration of new partners, particularly from the private sector, the project will make progress in this regard. The solutions proposed and built around this goal

6. **Strengthening the capacity of community organisations with an emphasis on women and young people**: A fundamental premise of the project is the empowerment of its target audience so that they can transform their realities. The project provides for intensive training

and strengthening of community organisations, complemented by a programme of knowledge exchanges, demonstration units of good practices with the aim of strengthening the capacities of the beneficiaries and their organisations, adding technical-scientific and traditional knowledge. Capacity building will take place through planning and implementation at family and community level. By preparing and implementing PIPs that include activities on the farms and in partnership with the municipalities, there will be strong ownership on the part of the beneficiaries, a key factor in the sustainability of the actions introduced by the project.

7. In addition, the project will develop activities with the Rural Family Houses and the Agroforestry Family House, seeking to implement PES mechanisms with students in their families, and presenting PES principles in schools. It is also planned that students who have recently graduated from these establishments will be prioritised for selection to provide TA services, thus helping to involve young people in the dynamics of the project.

8. **Access to markets for agroecological and socio-biodiversity products**: The project envisages that TA will strengthen the capacities of families and their organisations to improve market access, both at local level, at local fairs and shops, and to access institutional markets such as the PAA and PNAE. The diversification of SAF production and the application of good production practices should lead to an increase in production and productivity, which will increase the volumes marketed. The increase in income and the beneficiaries' food and nutritional security will strengthen their determination to maintain the activities.

9. **Technical advice**: all the activities in components 1 and 2 will be carried out with the support of TA services, with professionals trained by the project to work on the implementation of PES mechanisms. These professionals will be trained throughout the project and will develop and consolidate their experience over the 4 years, and will be able to continue accompanying activities of this nature in the region after the project has ended.

10. **Agro-ecological practices** will form the basis of the activities developed in each component, with reference to the use of native species and seeds, the establishment of nurseries, the regeneration of areas with native species, the limited use of commercial and external inputs. These are practices that add value to the products and flows within the properties and will make a significant contribution to continuing after the end of the project.

11. The Integrated Farm Plans (PIP) will be drawn up on the basis of a participatory diagnosis in which the demands of the beneficiaries will be taken into account. The project's investments will be made on the basis of proposals validated with the beneficiaries, which is another factor in the ownership and continuity of the activities when you also consider that capacity-building work will be carried out by the TA team.

12. Taking into account and respecting local culture, and in particular traditional communities, when defining the activities and the type of PES, will be another key factor in guaranteeing the continuity of the actions once the project is finished, as they will be aligned with the socio-cultural organisation.

13. Finally, Component 4 of the project provides for the production of a significant number of knowledge management products stemming from the project's experience. As well as sharing the experience, these documents will be important support for the sustainability of the actions carried out by the project.

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Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex 11: Mainstreaming themes – Eligibility criteria checklist

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Latin America and the Caribbean
Programme Management Department

Mainstreaming themes – Eligibility criteria checklist						
	☐ **Be gender transformative**	☐ **Be youth sensitive**	☐ **Be nutrition sensitive**	☐ **Prioritize persons with disabilities**	☐ **Prioritize indigenous peoples**	☐ **Include climate finance** ☐ **Build adaptive capacity**
Situation analysis	☐ National gender policies, strategies and actors ☐ Gender roles and exclusion/discrimination ☐ Key livelihood problems and opportunities, by gender	☐ National youth policies, strategies and actors ☐ Main youth groups ☐ Challenges and opportunities by youth group	☐ National nutrition policies, strategies and actors ☐ Key nutrition problems and underlying causes, by group ☐ Nutritionally vulnerable beneficiaries, by group	☐ National policies, strategies and actors ☐ Main groupings among PwDs ☐ Context-based barriers and opportunities for PwDs	☐ International standards, national policies, strategies and key IPs' organizations ☐ Main IPs communities, demographic, social, cultural and political characteristics ☐ Important livelihoods constraints and opportunities for IPs and their cultural heritage	
Theory of change	☐ Gender policy objectives (empowerment, voice, workload) ☐ Gender transformative pathways ☐ Policy engagement on GEWE	☐ Pathways to youth socioeconomic empowerment ☐ Youth employment included in project objectives/activities	☐ Nutrition pathways ☐ Causal linkage between problems, outcomes and impacts	☐ Pathways to PwDs' socioeconomic empowerment using a twin-track approach	☐ Pathways to IPs' socioeconomic empowerment	
Logframe indicators	☐ Outreach disaggregated by sex, youth and IPs (if appropriate) ☐ Women are > 40% of outreach beneficiaries ☐ IFAD empowerment index (IE.2.1)	☐ Outreach disaggregated by sex, youth and IPs (if appropriate) ☐ Persons with new jobs/employment opportunities (CI 2.2.1)	☐ Outreach disaggregated by sex, youth and IPs (if appropriate) ☐ Targeted support to improve nutrition (CI 1.1.8) **Outcome level CIs** ☐ CI 1.2.8 MDDW ☐ CI 1.2.9 KAP	☐ Outreach disaggregated by sex, youth, disability and IPs (if appropriate)	☐ Outreach indicator disaggregated by sex, youth and IPs ☐ IPs are > 30% of target beneficiaries	
Human and financial resources	☐ Staff with gender TORs ☐ Funds for gender activities ☐ Funds for IFAD empowerment index in M&E budget	☐ Staff with youth TORs ☐ Funds for youth activities	☐ Staff or partner with nutrition TORs ☐ Funds for nutrition activities	☐ Staff with disability inclusion-specific TORs ☐ Funds for disability inclusion-related activities (including accessibility)	☐ Staff with IPs-specific TORs ☐ Funds for IPs related activities, including FPIC	IFAD Adaptation Finance $0 IFAD Mitigation Finance $0 Total IFAD Climate-focused Finance $0
ECG Remarks	**Gender** **Nutrition** **Youth** **Persons with Disabilities** **Indigenous Peoples** ☐ No social inclusion themes					

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Project Design Report

Annex: Annex 12 Indigenous People S Plan En

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Annex 12: Indigenous People's Plan

Project to Promote Payments for Environmental Services linked to deforestation-free production chains - Compensation

Plan for Indigenous Peoples (PPI)

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CLPI	Free Prior and Informed Consultation.
CR	Regional Coordination/FUNAI.
CTL	Local Technical Coordination/FUNAI.
DSEI	Special Indigenous Health District.
FIDA	International Fund for Agricultural Development.
FUNAI	National Foundation for Indigenous Peoples.
MPF	Federal Public Prosecutor's Office.
OCT	Earth Conservation Organisation.
ILO	International Labour Organisation.
UN	United Nations Organisation.
IT	Indigenous land.
SESAI	Special Secretariat for Indigenous Health.

1. introduction

The approach to the Indigenous Peoples Plan (IPP) for the Project to Promote Payments for Environmental Services linked to deforestation-free production chains - Compensation - sought to relate the information in IFAD's guiding documents to the reality of the indigenous peoples who make up the proposal's target group. During this process, it came to the conclusion that some of the assumptions needed to move forward with the full inclusion of indigenous peoples - in all of the project's components - were lacking.

Considering the living conditions of indigenous peoples in the regional context, the importance of promoting PES projects as a development alternative for indigenous peoples and the importance of maintaining the integrity of Indigenous Territories, not only in terms of environmental preservation, but above all as a guarantee of the physical and cultural survival of these societies, we came to the conclusion that it is important to bring indigenous peoples closer to discussions on PES. For this reason, we will continue with the document in order to clearly highlight the reasons that prevented us from moving forward at this time with the inclusion of PES activities for indigenous peoples in component 1, and what possible perspectives and strategies look like for the future. As a result, some of the usual topics in the IPP will not be covered, and only those that will be applicable given our initial clarifications will be kept.

In the case of the Tupinambá, who already have a previous relationship with the OCT and the manifestation of the community of just one village, there is a starting point for deepening dialogue and relations. However, it is not feasible to consider the participation of just one community in component 1, for two reasons: incompatibility with the PES instruments and the impossibility of applying FPIC, since not all, or at least most, of the villages in the Indigenous Land have joined. As far as the Pataxó Hãhãhãe are concerned, we see no immediate prospects for establishing a dialogue front. Since the OCT has no experience with indigenous peoples and the Tupinambá are unfamiliar with PES mechanisms, this could be a good opportunity to exchange knowledge and, from there, lay the foundations for the OCT's broader work with indigenous peoples.

2. Background and rationale

IFAD has come a long way in its involvement with indigenous peoples. In line with the agreements adopted at international level to recognise the rights of indigenous peoples, IFAD has established institutional instruments and participatory processes to ensure the full and effective participation of indigenous peoples in its programmes and projects. In particular:

- In 2009, the Policy on Engagement with Indigenous Peoples was approved by IFAD's Executive Board: the Policy established the principles and instruments for IFAD to engage with indigenous and tribal peoples and ethnic minorities.

- Within this policy framework, all IFAD investments (loans and grants) involving indigenous peoples must adopt free, prior and informed consent (FPIC) as an

operational principle. FPIC must be sought before any action is taken in areas that are home to indigenous peoples or that could directly affect indigenous communities. As a result of the consultative process, an FPIC Implementation Plan needs to be prepared if the project/programme directly involves indigenous peoples. The Plan includes documentation of the consultation process leading to FPIC of indigenous peoples' communities and any agreement resulting from the consultation process and consent for project activities.

- The FPIC principle is also established in IFAD's Policy on Environment and Natural Resource Management (2011) and in IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) (2017).

3. Project to Promote Payments for Environmental Services linked to deforestation-free production chains - Compensation

3.1. Project development objectives and segmentation

I - Project goal

The aim of the project is to reduce rural poverty while recovering degraded environments and ecosystem services.

II - Development Objective.

The development objective is to promote the agroforestry transition of cocoa growing areas towards production arrangements that are less dependent on external inputs, more profitable and with greater potential for providing ecosystem services, favouring an increase in production and income and mitigating forest degradation and deforestation processes in the Southern Bahia Cocoa Region.

III - Project beneficiaries and selection criteria

Indigenous peoples represent a priority group, as they are the main actors in the process of protecting, conserving and restoring the protected areas where they live and, at the same time, the first victims of socio-environmental conflicts. The PES has the potential to directly favour indigenous families with the development of environmental restoration and conservation practices in Indigenous Lands, integrated with sustainable production activities.

In the area covered by Compensação, there are two[1] Indigenous Reserves: RI Fazenda Bahiana - Nova Vida, and RI Caramuru - Paraguassu (Pataxó Hãhãhãe people). There is also one Indigenous Land (TI Tupinambá de Olivença - Tupinambá people). The estimated population of these three

[1] These are lands donated by third parties, acquired or expropriated by the Federal Government and intended for the permanent possession of indigenous peoples. These are lands that also belong to the federal government, but are not to be confused with lands of traditional occupation. Source: https://www.gov.br/funai/pt-br/atuacao/terras-indigenas/demarcacao-de-terras-indigenas

territories is around 8,316 people (approximately 1600 families) Source: Sesai/2014. These areas are in different land tenure situations, but all are recognised.

IV - The main criteria for identifying project beneficiaries / communities

Indigenous peoples, like other traditional communities, are the most exposed to social vulnerability, especially in terms of food security and health, and because they are more exposed to violence and socio-environmental crimes, their situation is even worse. For the indigenous peoples of the Northeast, the process of conquering territories is relatively recent. In some cases, these conquests were the result of the retaking of sites previously occupied[2] by non-indigenous people, which generates a demand for forest recovery actions associated with sustainable development activities.

3.2 Components[3] , results and activities of the project.

COMPONENT 1: Implementation of the PES mechanism in the core area

Activities related to the PSA will be carried out under the following two sub-components:

Subcomponent 1.1: **Selection for participation in the PES mechanism and capacity building**.
Subcomponent 2.1: Implementation of the PES mechanism.

Component 2: Support for municipal and regional PES policies

The aim of the Component is to strengthen the institutional arrangement around a participatory governance process to promote municipal PES policies in the Southern Bahia Cocoa Region (RCSB).
The component will operate at the level of the project area and the core area, with distinct and complementary strategies orientated in line with the dynamics promoted by SEMA, among other opportunities identified regionally and structured on the basis of the State PES Policy and Municipal Policies.
This innovative initiative will be an important contribution of the project, which could materialise through studies, the organisation of events and in particular to implement a communication strategy at the service of the actors involved.
It was also established that the network's work, by giving greater visibility to PES actions around a process of territorial governance, should make it possible to identify and mobilise new partners, particularly investors, to expand, consolidate and make PES processes more sustainable. The OCT is part of a broad network of partnerships, which could contribute to this, as well as seeking greater integration of private actors involved at different levels of the cocoa chain.

The component is structured around two sub-components.

Subcomponent 2.1: **Promotion of Municipal** PES **Programmes**

[2] In these areas there are cocoa plantations that used to be part of farms, which gave way to indigenous territories.

[3] The components will be summarised. The full text can be found in the RDP.

Considering that there is a dynamic in the development of actions and projects in the RCSB with a focus on or interest in PES devices, evidenced by the increase in interventions (GEF Cabruca - FAO, Forest Partners Project - IFAD-IDB-Government of Bahia - initiatives led by other entities such as the Arapyau Institute, the Forest Peoples network, Casas Família Agrícola and Casa Família Agroflorestal, Bahia Rural Development Secretariat - SDR, Ministry of Agriculture and Livestock - MAPA, Secretariat of Innovation, Sustainable Development, Irrigation and Cooperativism - SDI/Executive Commission of the Cocoa Farming Plan - Ceplac, inter-municipal consortia and the Food and Agriculture Organisation of the United Nations - FAO), the need to consolidate and organise interventions is becoming increasingly evident.

Subcomponent 2.2: **Development of the Regional** PES **Plan and Network**

In order to structure and guide the work of the network, a Regional PES Plan will be drawn up at RCSB level. Given that there is no organised information at the level of this area of coverage and this specific theme, a document of this profile is necessary. The OCT will coordinate this development, which will be conducted in a participatory manner with the network's actors. To this end, it will be necessary to carry out socio-environmental and economic studies, with primary data collection in the field, which should characterise the region, identify opportunities and limiting factors in order to define and implement a governance process geared towards landscape and forest restoration. These studies will be carried out in partnership with the University of Santa Cruz (UESC) and local institutions that will be identified as having the potential to contribute.

3.2.1 Indigenous Peoples and Component 2.

As we presented in the introduction, although at the moment the existing links with indigenous peoples do not allow us to consider their participation in Component 1, in view of the objectives of Component 2, it is important to consider the participation of indigenous peoples in the formation of the PES Network, including as a strategy for achieving the expected results. Since a network will be created and the aim is to promote regional initiatives aimed at PES, this is an ideal opportunity to strengthen ties between the OCT and the Tupinambá people of Olivença.

Interaction with development agencies, government bodies, organised civil society institutions and universities will allow the Tupinambá to develop their knowledge of PES and at the same time promote internal discussions about the relevance of applying this mechanism in the TI.

4. Characterisation of the indigenous lands and peoples in the Compensation area

4.1. The general context and survival strategies of the indigenous people of the Northeast

In the historiography of the indigenous people of the Northeast, threats to their physical and cultural integrity are permanent. The way to exist as an indigenous person has been to deny this identity in order to ensure physical survival. At the same time, this movement allowed the idea

to circulate for a long time in the common sense of the Brazilian population that there were no indigenous people in the Northeast. We can consider that this idea was driven by a phrase that became an adage among landowners in the Northeast: "Where there are no Indians, there are no Indigenous Lands".

Taking the period from the 1950s as a reference point, the survival of indigenous peoples in a social context where conflicts over land almost all resulted in armed conflict, depended on their ability to remain "invisible". By claiming to be indigenous, a community or group ran the risk of being targeted for extermination by landowners in the region. On the same model as the "punitive expeditions" that took place in the Amazon region, these actions aimed to ensure that there was no possibility of claiming territory based on indigenous identity.

This helps us understand why it was only in the second half of the 1990s that many communities in the Northeast began to recognise themselves as belonging to indigenous peoples. With the promulgation of the Constitution of the Federative Republic of 1988 (CF-1988), these communities began to have their rights guaranteed by law. In the midst of this, the process of opening up[4] Brazil's democracy boosted popular participation. At this time, minorities were given their first voice and visibility, creating an environment favourable to the struggle for recognition, but not much less hostile than before. *"In the 1950s, the list of indigenous peoples in the Northeast included ten ethnic groups; forty years later, in 1994, that list totalled 23.*" (Oliveira, João Pacheco: 1998). One of the consequences of this process of identity concealment can be seen in the fact that among the indigenous peoples of the Northeast there are no speakers of native languages.

Anthropology has produced different theories on how the indigenous peoples of the Northeast have constituted their identities in the way they present themselves today. We won't go into the specifics of each of them, but we will consider the main objects of analysis of different researchers. These theories on identity processes are mainly based on the relationship between these peoples and their territories and religious practices, specifically the Toré.

The Toré is practised by different peoples of the north-east, including the Tupinambá and the Pataxó-Hãhãhãe. It was originally a ritual to evoke creatures from the spirit world, through chants and a circular dance in rows or pairs. Each community has its own unique Toré, with variations in songs, rhythms and expressions. During the dance, one of the participants, wearing a straw garment that covers his entire body, takes on the role of the physical representation of the enchanted. In the religiosity of these peoples, the person becomes the enchanted one. In the process of fighting for territory and other rights, this dance has also become a political instrument for ethnic affirmation, and is common during protests or demonstrations.

Despite the socio-cultural variations between the ethnic groups in this region, there are links between them based on the spiritual beings (the enchanted) and the way they structure their genealogical lineages, dividing the groups into old trunks (the ancestral lineages) and new branches (the more recent lineages). These categories, which we present here in simplified form, also have as parameters the relationship with the territory (who has been there the longest) and with the enchanted (who has the most songs and, as a result, relationships with the greatest number of spiritual beings). These issues define the socio-political organisation and

[4] Between 1964 and 1995, Brazil did not have direct elections and was ruled by the military, who established a dictatorship in the country.

internal role of these groups. In general, these elements are present in the socio-cultural life of the indigenous peoples of the Northeast.

Also, as an effect of the historical process, the process of territorial occupation and conquest of territories has its own characteristics. One of these is the existence of various indigenous reserves, the result of decisions with the aim of guaranteeing the right to land, without this implying the expropriation of areas already integrated into the national production system (farms). This strategy is also defended as a way of circumventing potential conflicts. On the other hand, in the political process of autonomous retaking, the indigenous occupied farms in territories claimed as traditional and ended up establishing political conditions for the expropriation of these areas, through FUNAI.

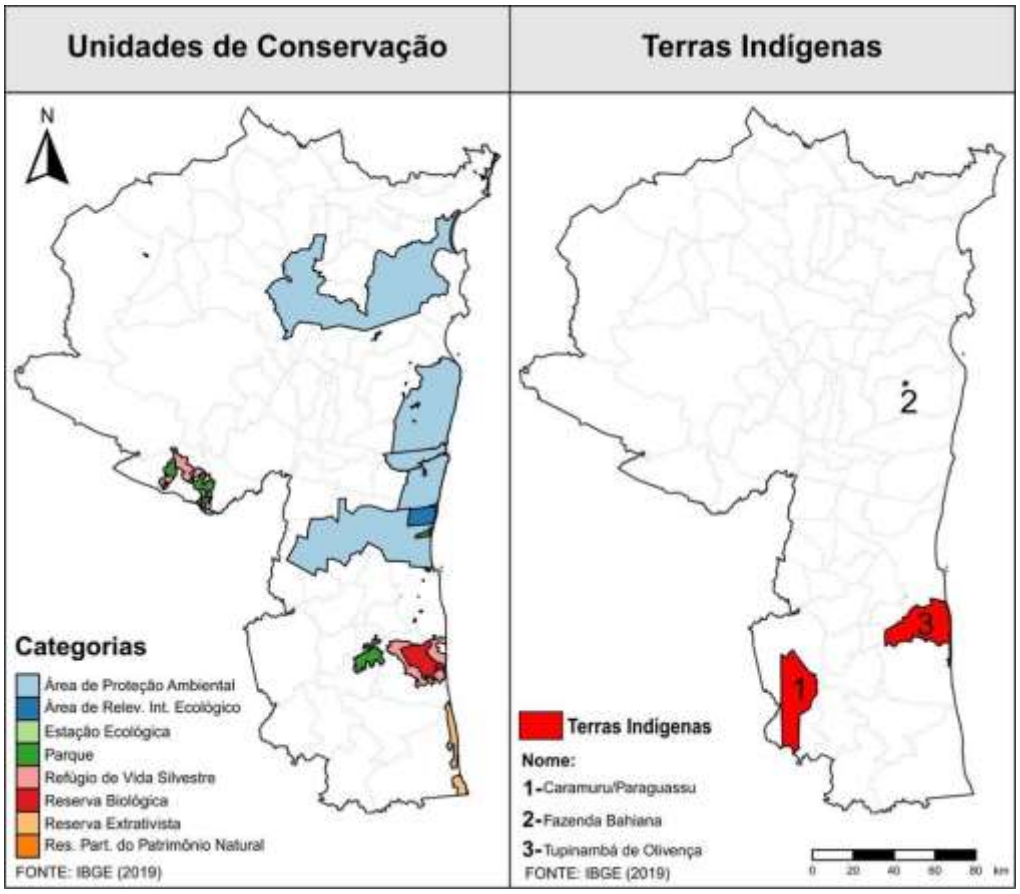
Although the movement for self-recognition and ethnic affirmation has taken place through the emergence of some spaces for speech, based on guarantees provided by legislation, this does not mean that the general picture has been reversed. These peoples still live with conflicts over land, pressure from the environment surrounding their territories, threats and attacks on their lives. The "Atlas of Violence", a report by the Institute of Applied Economic Research (IPEA), published in 2021, pointed out that in Brazil, the murder rate of indigenous people increased by 21.6 per cent in ten years (2009 - 2019) while the homicide rate in general in the country decreased by 20 per cent in the same period.

The lack of income-generating alternatives based on sustainable development increases the vulnerability of these peoples to external harassment, leading them in some cases to share in the illegal activities linked to the exploitation of natural resources that are committed in their territories.

Table 1 - List of indigenous peoples in the Compensation area.

INDIGENOUS TERRITORY	INDIGENOUS PEOPLES	AREA (ha)	LAND SITUATION	MUNICIPALITIES COVERED	POPULATION	LANGUAGE	LAND COVER
TI Tupinambá de Olivença	Tupinambá	47.376	Delimited	Buerarema, Ilheus and Una	4631	Portuguese	Savannah-Omber Forest Contact (2.71%) Dense Ombrophilous Forest (97.29%)
Caramuru-Paraguassu IR	Pataxó Hã, Hã, Hãe	54.105	Regularised	Pau Brasil, Itaju do Colônia, Camacan	2801	Portuguese	Semideciduous Seasonal Forest (16%) Dense Ombrophilous Forest (83.47%)
RI Fazenda Bahiana	Pataxó Hã, Hã, Hãe	305,95	Regularised	Camamu	84	Portuguese	Dense Ombrophilous Forest (100%)
Total	2	**7.685,95**		7	8.316		

Information on the land situation (Funai/2023). Population information (SESAI/2014)



Map of protected areas and indigenous territories in the Compensation coverage area

Municipality	TI area in the municipality (ha)	Percentage of IT
Buerarema	6.068,72	12,81
Ilhéus	30.684,35	64,77
Una	10.503,46 22,17	22,17

4.1.1 TIs, their inhabitants and forms of organisation.

As mentioned in the presentation, in the process of drawing up the PPI it was realised that certain situations prevented us from recommending the full inclusion of indigenous peoples in Compensação, particularly in component 1 of the project. The first of these situations concerns the level of coordination between the OCT and the peoples of the territories in question. There was no prior liaison with the Pataxó HãHãHãe people, which makes it impossible to include the two IRs.

The connection with the Tupinambá people came about through the interest of a chief, who took part in some of the OCT's activities as a guest. This fact, which does not support the idea of broad participation by all indigenous communities, also points to the prospect of an interesting

path. Bearing in mind the importance of encouraging the participation of indigenous peoples in PES projects and the socio-cultural and political characteristics of the Tupinambá, the opportunity to take part in training and political empowerment activities could encourage the interest of a group of indigenous people, making it possible to define a collective agenda on PES (the formation of a regional PES network envisaged in the component). Considering other experiences with indigenous peoples, we believe that this process of gradual rapprochement tends to produce good results.

We understand that at the moment the same conditions do not exist for the inclusion of the Pataxó Hãhãhãe, since there are no connections between representatives of these peoples and the OCT.

4.2 T.I. Tupinambá de Olivença.

The Tupinambá Indigenous Land is still in the middle of the demarcation process. At the moment, the TI has been delimited, but there are still three stages to go before it can be regularised: declaration, homologation and registration of the TI with the Federal Patrimony Secretariat. This means that the descriptive report already exists, with the boundaries of the area to be demarcated. The next step is when the boundaries are made public by the Ministry of Justice (MJ), so that interested parties can comment in good faith. The delimited territory is 47,376 ha and overlaps the area of three municipalities in Compensação's area of operation, in the following percentage: Buerarema (12.81%), Ilhéus (64.77%) and Una (22.17%). The main threats to the territory's integrity consist of illegal logging and sand extraction.

There is an overlap between a area and other protected areas. In many of these cases, government agencies take administrative measures to discuss ways of sharing use of the areas in question and there are experiences where indigenous people have been recruited as park rangers. Below is a table of the areas in question.

Areas of Conservation Units overlapping the Tupinambá de Olivença Indigenous Land

Conservation Unit	Area overlapping the TI (ha)	Percentage
Una Biological Reserve	108.81 ha	0,23%
Uma Wildlife Refuge (RVS)	2,432.65 ha	5,11%
Serra das Lontras National Park	17.27 ha	0,04%

Source: Brazil's Indigenous Lands - Instituto Socioambiental

4.2.1 Demographics.

The population data available from official sources is from 2014 and indicates a population of 4,631 people (source SESAI). However, the Tupinambá leaders we spoke to told us that the current figure is around 6,500 people. The TI is inhabited exclusively by the Tupinambá.

4.2.2 Subsistence.

The Tupinambá practise swidden cultivation[5] , making use of capoeiras[6] . Among the crops grown are pumpkin, cassava, beans, watermelon, fava beans, yams, corn and sweet potatoes. Most of this is for subsistence and small surpluses are sold in the region. In the villages close to the coast, which also have mangrove areas and waterways, fish is an important product in the diet and in marketing.

4.2.3 Health.

O health care for the Tupinambá is the responsibility of the DSEI/Bahia, through the Ilhéus Base Centre..

4.2.4 Organisational and institutional capacity.

The information we've been able to gather points to some unsuccessful experiences with larger projects, which have ended up generating distrust towards this format. As a result, most communities prefer to form alliances and partnerships on their own. On the other hand, on several occasions the Tupinambá have shown unity in defence of their territory, and have been capable of promoting large-scale mobilisations.

INDIGENOUS ORGANISATIONS OPERATING IN TI TUPINAMBÁ DE OLIVENÇA

ASSOCIATION	SIGLA	PEOPLE
Beneficent and Cultural Association of the Tupinambás Indians of Olivença	ABCITO	Tupinambá
Kãkỹ Association Cultural and Environmental Association of the Tupinambá Indians	TUPINAMBÁ ACTION	Tupinambá
Tupinambá Indian Association of Serra do Padeiro	AITSP	Tupinambá
Tupinambá Indigenous Association of Acuipe de Cima	AITAC	Tupinambá
Indigenous Federation of the Pataxó and Tupinambá Nations of the Far South of Bahia	FINPAT	Tupinambá and Pataxó Hãhãhãe

Source: Brazil's Indigenous Lands - Instituto Socioambiental

[5] Technique where burning precedes planting.

[6] The so-called capoeiras are made up of secondary vegetation that springs up after the first clearing. The rotational use of these areas is part of the traditional farming techniques of different indigenous peoples and allows crops to be maintained without the need for new clearings.

4.2.5 Access to public land and environmental protection policies.

With regard to territorial protection services and other FUNAI services, the Tupinambá are served by the Eunápolis CR, through two CTLs: CTL Serra do Padeiro (exclusively serves the communities in this region) and CTL Tupinambá (serves the rest of the territory).

4.2.6 - T.I. Socio-cultural aspects of the Tupinambá

This section will refer to the available bibliography and the meeting held with José Carlos Tupinambá on 21 June 2023. The purpose of the meeting was to obtain a general overview of the socio-political dynamics of the Tupinambá. Originally from the village of Gravatá, in the Tupinambá Indigenous Land of Olivença, José Carlos worked for the Bahia State Secretary of Education. As the Coordinator of Indigenous Education, he dealt with all the communities, which gave him significant knowledge of the territory and its particularities. He has a Master's degree in Anthropology and currently works for the Institute for Society, Population and Nature (ISPN), in the Indigenous Programme for Permanence and Opportunities at University (PIPOU), and was willing to talk to us after the team's initial contact. Alexandra Teixeira, a gender and social inclusion specialist at IFAD, also took part in the dialogue.

4.2.7 Socio-political and organisational aspects of spatiality

The TI's population is currently divided into 22 villages. SESAI data from 2014 indicates 4,631 people. According to FUNAI, the area of the TI is 47,000 hectares. Spatial distribution across the territory is not a factor in separating the communities, as it is intertwined with kinship relations. *"Someone who is from one region always has relatives who live in another, this creates a dynamic of interaction between the different regions*" (JRT). When it comes to issues related to any threat to the territory, there are coordinated actions by the different communities, which end up forming a unity: the Tupinambá people.

However, in practical matters of "community management", the villages are fairly autonomous. When it comes to making decisions, such as setting up partnerships or proposing projects, for example, they tend to focus on local/regional mobilisation, without forming large groups involving all the communities in the territory. It is not uncommon for a village to try to deal with its own issues independently.

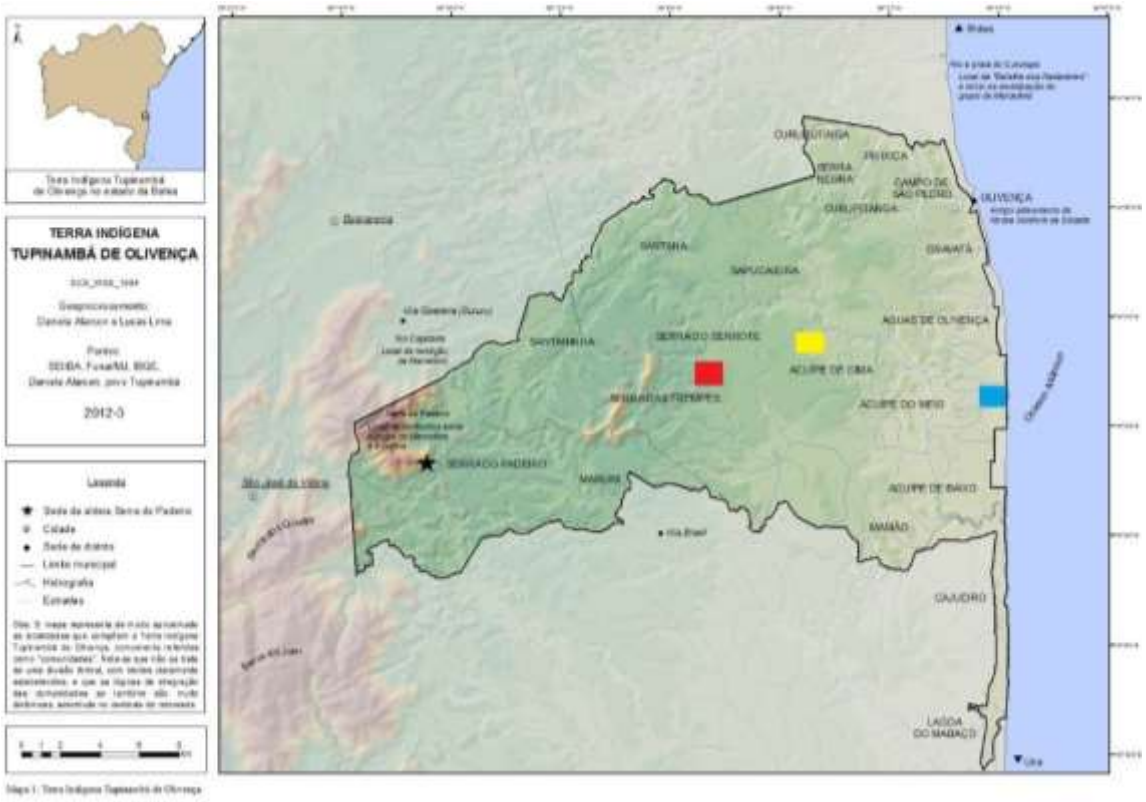
In this sense, we highlight a statement by José Carlos on the development of collective projects or activities.

> *"When an initiative like this comes from a chief, if he calls the others, there's often a lot of suspicion. They'll say, 'This is Ramon's doing*[7] *, and they're trying to put our name on it just to get more money'. It's possible to do a pilot project involving just one community, but there's never been a project like this involving*

[7] Chief of Tucum village.

everyone, and there have been problems with projects involving more communities, which is why people are suspicious."

Among the reasons why we considered another way of involving the Tupinambá in Compensação activities was the fact that it would be a very high risk to apply the FPIC tool in a context of lack of clarity on the subject and distrust of the search for articulation, which is already geared towards actions that would involve financial gains and benefit sharing. In fact, only one community fully adhered to the proposal, which would also make it impossible to carry out FPIC, despite their internal autonomy to formalise partnerships and propose projects. It is mandatory for FPIC to relate to one or more peoples inhabiting a specific territory, and it is not possible to split the consultation or carry out a partial consultation.



Map of the Tupinambá de Olivença Indigenous Land with reference markers of the regions.

José Carlos explained to us that there are three regions, considering geographical, phytophysiognomic and occupation aspects: the one closest to the coast, the transition region and the mountain range. The region with the largest "forest area" is the mountains. On the map above the area between the blue and yellow squares corresponds to the coastal region; between the yellow and red squares is the intermediate region and from the red square to the TI boundary is the mountain region.

One category that caught José Carlos' attention was "retaken areas". These areas are made up of non-indigenous occupations that predate the demarcation process, in other words: despite the name, they are within the demarcated territory. The use of the expression "retaken" is

related to the fact that these areas are farms that were cleared during the demarcation process. Some of them have improvements or crops[8] that are currently used by the Tupinambá.

These three regions differ in terms of the characteristics of the vegetation cover and the hydrographic system, as well as the maritime factor. This means that the configuration of access to resources, fishing and extraction, as well as arable land is different between them, which is reflected in eating habits and possibilities for sustainable development.

In the process of concealing their identity, the people of the Northeast lost many of their diacritical markers, especially the external markers of identity, such as their native languages. However, other markers, of a more veiled or intimate nature, have been maintained, among them what we can consider to be the strongest is religion. It was very much from religion that the process of bricolage and transmutation of cultural aspects began, allowing the redefinition of an indigenous identity for these peoples.

Between the differences in the territory's physiognomy and geography, there is the world of the enchanted, who together with Tupã, the main demiurge, influence the relationships and lives of the Tupinambá. For a long time, this universe was kept hidden from the outside world. Inside the houses and celebrated in a veiled way, knowledge about these beings continued to be passed down from generation to generation.

Many of the indigenous people of the Northeast, including the Tupinambá, used their relationship with these beings and their analogy with plant species to recompose aspects of their culture and reorganise themselves as a people. In the case of the Tupinambá, more specifically, the plant species in question is the jurema[9] . In a very simplified way, this social reorganisation divided the groups into "old trunks" and "new branches".

This ranking is related to the degree to which the memory of family genealogy and knowledge of the enchanted is maintained. The old trunks are the groups considered to be the oldest and most traditional, because they come from lineages perceived as ancestral and because of the amount of religious and cultural capital they have accumulated. Because "owning" the enchanted means knowing the prayers and songs related to them, owning the historical right to evoke them, because this knowledge has been passed down through the generations of the same families. The new branches are groups that in this process of identity concealment have lost their relationship with the enchanted or with their regions of origin, returning to them with the emergence of struggles for recognition. It is through marriages with members of the "old trunks" that these groups recompose their collection of knowledge and religious and spiritual relationships. The kinship relations that unite these communities from different regions are intertwined with two other factors: the construction of indigenous identity and religiosity.

It is worth noting that the field of religiosity among the Tupinambá has recently undergone some transformations caused by external agents. The main one has been the work of indigenous pastors and evangelical missionaries.

[8] Among them cocoa.

[9] Mimosa tenuiflora Jurema is a plant from the legume family, common in the north-east of Brazil, some of which have psychoactive effects. The legume family has important species that are cultivated for food, including in the Northeast.

Considering these factors, we return to José Carlos' comments about the relationship with larger-scale projects. We have to interpret it taking into account that, beyond what can be understood as political rivalry, there is a social fabric with hierarchical components between the groups. It's not just about individualism in its simple, concrete form. It's also, or above all, about the way of understanding the world and forming relationships, which has been moulded by this process of remaining in existence, dispersed throughout the territory, in an autonomous way (not identifying as a people), but preserving their relationship with the spiritual world.

The socio-political characteristics of the Tupinambá are not an impediment in themselves, but as in other cases, when dealing with the specificities of indigenous peoples, it is necessary to understand them in order to take them into account when formulating action strategies. The ideal way forward in this case is to encourage discussion of issues related to PES, starting from more than one front of articulation, considering the three regions of the territory and potential multipliers of information from different groups. This could begin with the participation of the Tupinambá in **Component 2 of** CompensAÇÃO.

4.2.8. Female protagonism

José Carlos emphasised how fierce and participative the Tupinambá women are in the different activities and issues that involve their communities. He emphasised the important role they play as guardians of traditional therapeutic itineraries (medicines from the forest, prayers and other healing processes). There are midwives in the different regions of the territory. He highlighted the names of Maria Val, Maria Jesuína and Ivonete as examples of women who have taken a strong leading role in their communities, performing the role of cacique.

4.2.9 Institutional representativeness

When talking about associations, José Carlos pointed out that associations are often created but their existence is not publicised. He also considered that, in some cases, associations are created but not kept regularised, given the lack of projects and the cost of fees and taxes levied on this type of organisation. As a positive example, he mentioned the Santaninha village association, which has already developed a project in partnership with o Government of the State of Bahia aimed at valuing and preserving traditional knowledge, with a focus on women's health. This association is not listed in the table in section 4.2.1.

4.2.10. Relations with public authorities

During the conversation, he told us that the Tupinambá receive health care from the DSEI/Bahia, through the Ilhéus Base Centre. With regard to territorial protection services and other FUNAI services, the Tupinambá are served by the Eunápolis CR, through two CTLs: CTL Serra do Padeiro (exclusively serves the communities in this region) and CTL Tupinambá (serves the rest of the territory).

José Carlos said that despite the existence of FUNAI's official representation, the lack of structure for the work extremely limits the operational conditions of the civil servants and, consequently, of the organisation itself. According to him: "*Most of the time, there are no*

resources for activities. Often when a leader calls a meeting in the village, it only happens if the community provides the fuel."

There is an IBAMA office in Ilhéus, but the evaluation of the relationship is not positive, given the lack of resolution of complaints forwarded by the indigenous people. One of the environmental threats to the territory comes from "sand pits". Invasions with the aim of removing sand for commercialisation are recurrent in some regions. José Carlos says that IBAMA's actions are ineffective, given that despite numerous complaints, the occurrences do not stop.

As a result of this inefficiency in monitoring and territorial protection, whether on the part of the environmental agency or the indigenist agency, on several occasions the Tupinambá have taken these responsibilities upon themselves. We heard about an action of this nature carried out by the Serra do Padeiro community, which closed down two illegal sand harbours inside the Indigenous Land. As is the case in other regions of the country, the lack of effective action by the state exposes the indigenous people to the following risks to risks their physical integrity when they challenge invaders without proper support.

4.3 The Caramuru - Paraguassu IR

In their entirety, the Indians known under the umbrella ethnonym Pataxó Hãhãhãe today include the Baenã, Pataxó Hãhãhãe, Kamakã, Tupinambá, Kariri-Sapuyá and Gueren ethnic groups. Inhabitants of the southern region of Bahia, the history of contact between these groups and non-indigenous people has been characterised by expropriation, forced displacement, disease transmission and murder. The land set aside for them by the state in 1926 was invaded and largely converted into private farms. Only since the 1980s has there been a slow and tortuous process of reclaiming these lands. The TI covers an area of 54,105 ha and stretches between the municipalities of Pau Brasil (48.29%), Itaju do Colônia (48.63%), Camacan (4.69%)

Municipality	**TI area in the municipality (ha)**	**Percentage of IT**
Camacan	2.531,42	4,69
Itaju do Colônia	26.258,62	48, 63
Pau Brasil	26.079,69	48,29

4.3.1 Demographics.

The population data available from official sources is from 2014 and indicates a population of 2,801 people (source SESAI/2014).

4.3.2 Subsistence.

Most of the area - which is covered in capoeiras, part of which is used for pasture and part for planting gardens - is difficult to mechanise and suffers from a lack of water during dry periods, making it more suitable for pastoral and agricultural activities. Anthropisation has led to the emergence of many fruit trees (mango, jackfruit, guava, acerola, coconut, cajazeira and banana) which are scattered throughout the area and provide an important source of food supplementation.

At the same time, subsistence farming, part of which is sold at the open markets in the municipalities of Pau-Brasil and Camacã, is their main productive activity (beans, corn, pumpkin...), watermelon), followed by cattle breeding and commercial cocoa farming. In general, the larger plots are shared by producers from the same extended family. Cattle, raised on communal pastures, are the most important economic source for some groups in the form of milk production, which is sold in the region's dairies, and fertiliser, the only input used, while cocoa cultivation is very recent, resulting from the repossession of the farms and their improvements, established in the indigenous territory. The cocoa-producing areas are of great economic value, which is why they are the most coveted and eventually the target of fierce territorial disputes.

Fishing takes place in dammed waters and complements cereal and vegetable farming. Hunting is also a very incipient activity, practised using rifles and dogs. The most commonly killed animals are the sarigüê, paca, armadillo, caititu, jabuti, sloth, turtledove, guriatã and bem-te-vi (Wanderley 2003: 35).

4.3.3 Health.

The health care of the Pataxó Hãhãhãe is the responsibility of the DSEI/Bahia, through the Pau Brasil Base Centre.

4.3.4 Organisational and institutional capacity.

INDIGENOUS ORGANISATIONS WORKING ON THE CARAMURU-PARAGUASSU RIVER

ASSOCIATION	SIGLA	PEOPLE
AIMAMN Association Pataxó Hã, Hã, Hãe Indigenous Reserve	AIMAMN	Pataxó Hãhãhãe
Caramuru Indigenous Association of Água Vermelha	A C I A V	Pataxó Hãhãhãe
Pataxó Hã-Hã-Hãe Indigenous Community Association of Caramuru Village	ALPAC	Pataxó Hãhãhãe
Indigenous Sustainable Rural Development Association of Mundo Novo	ADERSIM	Pataxó Hãhãhãe
Indigenous Women's Association	AMI	Pataxó Hãhãhãe
Hã Hã Hãe Indigenous Association of Água Vermelha	AHIAV	Pataxó Hãhãhãe

Source: Brazil's Indigenous Lands - Instituto Socioambiental

4.3.5. Access to public land and environmental protection policies.

With regard to territorial protection services and other FUNAI assistance, the Pataxó HãHãHãe of the Caramuru - Paraguassu IR are served by the Southern Bahia CR, through the Pau Brasil CTL.

4.3.6 - T.I. Socio-cultural aspects of the Pataxó Hãhãhãe

It's important to note that, despite being affected by the violent historical contact experienced by the various ethnic groups established in the Caramuru-Paraguaçu reserve, cosmological conceptions, mythology and rituals are still alive and kicking under certain circumstances, especially by the elders. In any case, in the public sphere, it is the Toré that today constitutes their most important ritual expression. It is a ritual of possession, through which enchantments - or enchanted ones, enchanted masters, supernatural entities considered beneficial - manifest themselves, and which is generally performed to introduce any activity considered socially significant. It is attended by men and women, who use smoke through pipes, but not jurema (Mimosa nigra, Hub.; Acacia hostilis, Mart.) - a small tree typical of the northeastern sertão, from whose bark indigenous peoples in the ethnographic context of the Northeast prepare a wine with slightly hallucinogenic properties - which is only evoked by the chants sung.

With regard to matrimonial alliances between the Hãhãe and the other ethnic groups found in the Reserve, there has also only been one marriage between a Hãhãe and a Kariri-Sapuyá. In the Hãhãhãe ethnic group, and specifically in its new generation, there is a significant number of marriages with non-Indians, perhaps due to the fact that the area occupied by this ethnic group (Bahetá village) is very close - about 2 kilometres - to the town of Itajú do Colônia. In addition to their homes within the Reserve, some Indians have small houses in a neighbourhood of the town (Parquinho), which they can occupy alternatively and occasionally.

4.4 RI Fazenda Bahiana (Nova Vida)

The Fazenda Bahiana Indigenous Reserve is an area acquired by FUNAI in 1990 for the settlement of a group of Pataxó HãHãHãe. Its profile reflects that of other indigenous occupations in the north-east, with an area of just over 300 ha. It was a farm before it became an Indigenous Reserve. In socio-cultural terms, they have the same characteristics as the inhabitants of the Caramuru-Paraguassu IR.

Municipality	TI area in the municipality (ha)	Percentage of IT
Camamu	305,95	100

4.4.1 Demographics.

Sesai data from 2014 indicates a population of 84 people.

4.4.2 Subsistence.

They have manioc, maize, pumpkin and bean fields. They raise cattle on a small scale, as well as medium and small animals (goats, pigs and chickens).

4.4.3 Health.

Health care for the Pataxó HãHãHãe community living in the Bahiana IR is provided by DSEI Bahia, through the Camamu Base Centre.

4.4.4 Organisational and institutional capacity.

INDIGENOUS ORGANISATIONS WORKING ON THE CARAMURU-PARAGUASSU RIVER		
ASSOCIATION	**SIGLA**	**PEOPLE**
New Life Association of the Atikum Indians of Rodelas - BA	ANVIA	Atikum

4.4.5. Access to public land and environmental protection policies.

With regard to territorial protection services and other FUNAI assistance, the Pataxó HãHãHãe are served by the CR Sul da Bahia, through the CTL in Ilhéus.

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IFAD
Investing in rural people

Brazil

Promotion of PES for deforestation-free supply chains in Brazil

Project Design Report

Annex: Annex 12 A Plano De Clpi

Mission Dates:	27/6-5/7/23
Document Date:	15/02/2024
Project No.	2000004380
Report No.	6613-BR

Latin America and the Caribbean
Programme Management Department

Annex 12A

Compensation Project

Guide to Obtaining the Consent of Traditional Communities

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1 Introduction.

When we talk about traditional peoples, the first step is to understand who we are referring to. To do this, we will use the definition contained in the National Policy for the Sustainable Development of Traditional Peoples and Communities.

> "Traditional peoples and communities are culturally differentiated groups who recognise themselves as such, who have their own forms of social organisation, who occupy and use territories and natural resources as a condition for their cultural, social, religious, ancestral and economic reproduction, using knowledge, innovations and practices generated and transmitted by tradition" (item I Art. 3 Decree 6.040/2007).

For traditional peoples (quilombolas, terreiro communities, extractivists, river dwellers, fishermen, gypsies, etc.) the right to be consulted on the implementation of state policies, government interventions or any actions by third parties that affect their territories and ways of life is an achievement. Ensuring participatory processes that take into account the characteristics of these groups when seeking consent on anything that affects their lives, even in a positive way, is fundamental if the expected objectives of giving traditional peoples a voice and a leading role are to be fully met.

The rights of these peoples have been recognised in Brazilian legislation since the 1988 Federal Constitution. The right to be consulted came through Convention 169 of the International Labour Organisation (ILO), to which Brazil is a signatory. This convention, which focuses on the rights of indigenous and tribal peoples, extends to traditional peoples and communities, as conceived in Decree 6.040/2007.

The instrument for this is the Free Prior and Informed Consultation (FPIC). This guide should be seen as a set of references to get you started on the road to drawing up a consultation plan. The first step in this direction should be the participation of the communities to be consulted in all phases of the process, from planning to project implementation. Having these communities actively participate in all stages of this journey is a mandatory condition for their rights to be respected.

It's important to realise that the CLPI should provide for a monitoring and evaluation process evaluation throughout the life of the Compensation Programme. Appropriate mechanisms will be put in place for this control, as well as a robust complaints and redress mechanism for the project, in line with IFAD recommendations and instruments. During the execution of the project, at any time that it is realised that there is a need for improvement or that the communities declare dissatisfaction with the terms established, the agreements should be promptly reviewed. Likewise, if the traditional peoples served by Compensación create a Consultation Protocol (CP), these documents will determine the parameters for future consultations.

2. The right to be consulted.

Recognition of the right of traditional peoples, including quilombola communities, to be consulted began with ILO Convention 169 of 07/06/1989, which was the legal framework from which the parameters that gave rise to the other regulations on this issue were established. Brazil signed up to ILO Convention 169 by means of Presidential Decree 5051 of 19 April 2004.

ILO Convention 169 and the right to consultation

Article 6

1. In applying the provisions of this Convention, governments shall:
a) consult the peoples concerned, through appropriate procedures and particularly through their representative institutions, whenever legislative or administrative measures are envisaged that are likely to affect them directly;
b) establish the means by which the peoples concerned can freely participate, at least to the same extent as other sectors of the population and at all levels, in the adoption of decisions in effective institutions or administrative and other bodies responsible for policies and programmes concerning them;
c) establish the means for the full development of peoples' institutions and initiatives and, in appropriate cases, provide the necessary resources to this end.
2. Consultations carried out in application of this Convention must be carried out in good faith and in a manner appropriate to the circumstances, with the aim of reaching agreement and obtaining consent to the proposed measures.

Article 7

1. The peoples concerned should have the right to choose their own priorities with regard to the development process, insofar as it affects their lives, beliefs, institutions and spiritual well-being, as well as the lands they occupy or otherwise use, and to control, to the extent possible, their own economic, social and cultural development. In addition, these peoples should participate in the formulation, implementation and evaluation of national and regional development plans and programmes likely to affect them directly.

3. Understanding Key Concepts.

Free, prior and informed consent (FPIC) derives from traditional peoples' right to self-determination and other human rights guarantees. It acts as a fundamental safeguard of their collective rights. It arises whenever their substantive rights may be affected by a particular plan or action, and is a key element in forging a new relationship between traditional peoples, the state and society in general.

Consent in this context is understood according to the simple meaning of the term (i.e. the ability to say yes or no, including conditionally). It refers to a decision taken by traditional peoples after consultation and participation in which they are able to genuinely influence the process.

With regard to the other terms, the Office of the United Nations High Commissioner for Human Rights (OHCHR) describes that:

Free implies that there is no coercion, intimidation or manipulation.

Prior implies that consent must be sought sufficiently in advance of any authorisation or start of activities, respecting the time requirements of the consultation and consensus-building processes between the communities consulted.

Informed implies that the information provided covers a range of aspects, including the nature, size, pace, reversibility and scope of any proposed project or activity; the objective of the project, as well as its duration; locality and affected areas; a preliminary assessment of the likely economic, social, cultural and environmental impact, including potential risks; personnel likely to be involved in carrying out the project; and procedures that the project may entail.

3.1 Consultation Protocol.

Some traditional communities have already drawn up their own documents establishing their Consultation Protocols.[1] These protocols are built in a participatory way, with autonomous management and the leading role of the communities. They can be drawn up with the help of partners, if the communities so wish. It is a developed process, with different stages of construction and detailing of rules, methodologies and conditions that must be followed in order to carry out a consultation with a given group. These documents fully represent a traditional community's perspective on the concepts of Free, Prior and Informed Consultation expressed in ILO 169.

They are manuals on the consultation processes of each community or traditional people. Some detail the different paths depending on the purpose of the consultation (academic research, public policy, undertakings, for example). They also explain how the dialogue should be prepared, which bodies should be involved, what kind of logistics will be needed to follow the recommendations made and how many days the timetable should be. In short, they deal with all the details of this type of process and determine exactly how the traditional people or community expects it to be done.

[1] During the preparation of this guide, we identified the existence of CP in only one community served, in the municipality of Taperoá-BA. (See section 7).

IMPORTANT:

During the implementation of Compensação, FPIC must be guaranteed through a continuous and inclusive process of consultation and participation by quilombola communities. The hope is to build a relationship of respect and trust with the communities, their organisations and their own decision-making and governance spaces. Should any of the communities draw up their Consultation Protocol during the term of CompensAÇÃO, this will become the guideline for the project's consultation processes.

3.2 What FPIC is not.

It must be clear that FPIC is a process. In this sense, we would like to highlight some activities or characteristics that should not be confused or used to define an FPIC.

Newsletter.

FPIC is not simply about informing traditional peoples about something that affects them. The process must be structured in a dialogical way, guaranteeing space for the construction of agreements, proposal adjustments and other instruments that include the communities' perspective.

Event.

FPIC is not just a meeting. These activities may be steps or tools for achieving FPIC, but they do not comprise it, summarise it or define it. **FPIC is a process**.

Signing a document.

At the end of a proper FPIC process, the aim is to have signed documents ratifying consent. However, obtaining a signed document does not necessarily mean carrying out adequate FPIC. Nor should it be seen as the central objective of the process. Signing an agreement should be the consequence of carrying out a participatory process, during which communities have received clear information and have had adequate time to reflect and deliberate on the issues under consultation.

Permanent and immutable agreement.

The CPLI is not permanent. When carried out properly, it allows the participants to position themselves securely with regard to acceptance, refusal or conditions for acceptance. While it is in force, there must be mechanisms in place to allow quilombola communities tos review their positions. It is therefore necessary to understand FPIC as a dynamic agreement. It is drawn up on a clear basis, but with the means to accommodate changes.

4. Planning and implementation of FPIC/Compensation.

There is no specific format in legislation or regulations to serve as a reference. However, based on the practical experience of traditional peoples who have built their CPs, many of them with the direct collaboration of the Federal Public Prosecutor's Office (MPF), some steps have been defined that we can understand as the best for this process.

a) Meetings to draw up the Consultation Plan.
These are the meetings at which the format of the consultation will be devised, its timetable defined, the logistical needs listed and the budget for carrying out the consultation.

b) Information meetings.
This is the stage in which the communities will be informed by the OCT in a clear and detailed manner about the project, its objectives and implications. This stage is what gives the consultation its bona fide character, making it possible for traditional peoples to fully understand the issue on which they will be deliberating.

c) Internal meetings.
This is when the traditional peoples debate the issues and make their decisions. In the consultation plan, it will be defined who participates, but we note that it is recommended that OCT teams not be present. This is because participants should feel free to express their opinions or mention internal issues, which is not always possible in the presence of third parties.

d) Negotiation meeting.
This is the last stage of FPIC. At these meetings, the traditional peoples will present their answers, which can be: no, yes or yes with reservations. Hence the word negotiation, because if there are reservations, they will have to be discussed and ways of meeting them negotiated.

4.1 Setting up the Compensation team for FPIC

The first step is to establish the team to carry out the FPIC, taking into account the project team and the collaboration of other teams from the OCT itself. If necessary, we suggest seeking support from universities and/or the Federal Public Prosecutor's Office (MPF).[2]

4.2 Team roles.

It will be up to the team to systematise in a simple, clear and accessible way the information on the different components of CompensAÇÃO, their objectives and the activities related to them. This basic material will have to be worked on at a later stage, with the

[2] The MPF has supported and supervised consultation processes, so it has expertise in the subject.

participation of community representatives, with a view to assessing whether the language is appropriate.

All logistical activities, the preparation of budgets, consultations and requests for support from government bodies and local partners will be the responsibility of the FPIC team. The representatives of the traditional peoples will be able to take part if they wish, but everything related to providing the means and support needed to make the consultation viable is the responsibility of the Compensación and OCT teams. It must be ensured that the consultation does not generate any kind of burden or expense for the communities that will be consulted.

4.3 Community participation in planning.

As soon as the Compensation team that will be responsible for implementing FPIC has been defined, a group of representatives of the traditional peoples who will be consulted must be defined. These representatives will be responsible for pointing out cultural aspects and the social dynamics of their communities, as well as logistical and geographical issues in their regions that could interfere with the consultation process. They will also have to contribute to the preparation of presentation materials for the communities, providing information on the most appropriate formats, type of language and necessary resources.

Also at this stage, community representatives should contribute by pointing out what the internal decision-making processes are like and who the groups are that should be consulted. This information will be important for defining the consultation strategy and timetable. It is worth emphasising that these two factors should ensure that the consultation is carried out in the way that is most comfortable for the communities in terms of the format and methodology of the meetings. They will also allow the ideal pace of work with each group to be established, in order to ensure adequate time for reflection and internal discussion before deliberating on consent.

ATTENTION:
The most sensitive point for FPIC is precisely time. Considering the reason for holding FPIC and its history as a traditional right. **Under no circumstances should ways be sought to speed up the processes during the implementation of the consultation**. When drawing up the timetables, as well as listening to community representatives about the ideal periods, an extra margin of time should be included to deal with any complications, without jeopardising the communities' time for listening, speaking and deliberating.

4.4 Preparation of logistics and consultation strategies.

Once the representatives of the traditional peoples who will take part in the planning for the consultation have been defined, this group must be given due prominence. Participatory construction should provide space for representatives to contribute the details needed to carry out FPIC in a way that suits each community.

The information they provide should be used as parameters when drawing up the methodologies and strategies for implementing FPIC. It is very important to seek as much information as possible to understand the dynamics of the communities, in order to avoid creating or aggravating any conflict in the application of FPIC, as well as in the other stages of Compensation.

The table below has been put together as a reference of questions that may be important in order to ensure socio-cultural adequacy, guarantee means of full and effective participation for the different groups, as well as efficiency in the exchange of information The table is a starting point for dialogue, not a closed script of questions, and should be completed with the support of the representatives of the traditional peoples.

1. How do internal community meetings take place? (Who takes part? In what form? How long do they usually last? Is there a more suitable time to hold them?)
2. Are there any traditional bodies that must be consulted (e.g. council of elders or spiritual leaders)?
3. How comfortable are the communities with the Portuguese language, which is generally spoken at meetings? What should be avoided in this communication?
5. How well do you read and write Portuguese?
6. Are there specific dynamics for consulting specific groups (elders, women and young people)?
7. Does women's participation normally take place in general meetings or is it more appropriate to provide specific spaces for women's participation?
8. What type of composition do you think is most suitable for holding meetings?
9. What is the infrastructure like for meetings at each location? Are there adequate or easily adaptable spaces for meetings? Is the electricity mains or does it rely on a generator?
10. What are the logistical details for moving the groups within the territory (if necessary) type of transport, distances, amount of fuel needed.
11. How should the times be organised during the implementation of FPIC to take account of its different phases? **Example**: **1.** Presentation to the community - morning; **2.** Clarification of doubts - afternoon; **3.** Reflections/internal meetings - evening and morning of the following day; **4.** Clarification of remaining doubts and deliberation - afternoon. **This distribution only serves as an example**. Special attention needs to be paid to this distribution of time to guarantee the quality of the consultation, respecting the communities' time absolutely, according to the information passed on by their representatives.
12. If food is provided for all participants during the activities (lunch, snacks), how should this be organised at each location? What is the appropriate menu? Are there cooks/waitresses who could be hired locally to support this activity?
13. Is there any kind of tension or internal conflict that could be aggravated by the methodology defined for FPIC, because it brings together groups that are currently estranged?
14. Are there any conflicts or tensions around the communities that could cause problems or risks for possible displacement?
15. How do you suggest FPIC be evaluated and monitored during the term of Compensation? (Suggestions for validation in the local stages).
16. How do communities access telephone and Internet services?

4.5 Preparation of presentation material for the communities.

Also in the preparatory stage, representatives of traditional peoples should be involved in drawing up presentation materials for their communities. In defining the formats and type of material best suited to each context. The indications given by the representatives should be taken as a guideline. The hope is that this will enable the communities to understand the proposal and its aims.

It should be included in presentations:

1. **Framework of actors** (Who are the institutions involved in Compensation, what are their objectives and why do they believe it is important to support the communities in their actions);
2. **General Objective** (As proposed by Compensation);
3. **Specific Objectives** (the components of the project);
4. **Activities** (outline of proposed actions);
5. **On image rights** (clarify that when carrying out the activities, images will be taken for reports and publicity materials for non-commercial or profit-making purposes).

These suggestions are the points we consider indispensable for the presentations. Questions raised by representatives of traditional peoples during the planning process could complement these items.

5. Drawing up the Consent Form.

The consent form should be drawn up in a participatory manner. It should make it clear who the parties involved are, what the objectives of the agreement are, how the consultation took place (methodology[3] , place and date), the communities' indication of who will represent them when they sign the document (association, leader or community members). And finally, the signing of the document describing what has been agreed between the parties.

6. Internalisation of FPIC in Compensation.

Once FPIC has been carried out with the communities, the information resulting from this process should be incorporated into the Monitoring and Evaluation mechanisms of Compensation, as well as the Grievance Redress Mechanisms (GRM). The aim is to ensure that FPIC is monitored so that adaptations that are necessary to meet the demands of quilombola communities.

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[3] Objectively. Example: after presenting the objectives "on such and such a day", from time "X" to "Y", the community met "for a certain time" to deliberate on the consultation.

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Project Design Report

Annex: Annex 14 Summary

Mission Dates:	27/6-5/7/23
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Annex 14: Summary of consultations and Framework for Stakeholder Engagement

Project Promoting Payments for Environmental Services linked to deforestation-free production chains (Compensation)

Stakeholder Engagement Plan

1. introduction

(1) This Stakeholder Engagement Plan details the consultations held with stakeholders during the Project preparation phase and establishes a process to ensure stakeholder engagement during Project implementation.

2. Brief summary of previous stakeholder engagement activities

2. Before the design of CompensAÇÃO began, a consultant specialising in Payments for Environmental Services was hired to prepare a study on the subject, which mapped 16 Non-Governmental Organisations (NGOs) with demonstrated experience and capacity to manage PES programmes in Brazil. In April 2023, these organisations were invited to submit proposals for a Concept Note to IFAD. Among them, the NGO OCT (Organização de Conservação da Terra) was selected as the project's executing entity due to its outstanding institutional and technical capacity.

3. The design of the project itself began in June 2023 with the formation of a team made up of consultants and several members of IFAD. This team carried out the first stage of the face-to-face mission to design Compensation between 26 June and 5 July 2023. The mission's activities involved visits to 11 municipalities[1] , dialogue and consultation with the NGO OCT, the Project's implementing entity, with government agents such as the municipal consortium, with other potential institutional partners such as SENAR and FAO, and with representatives of the Project's communities and target audiences, including indigenous communities, quilombola communities and land reform settlements.

4. In addition, the mission agenda included a meeting with the team from the Regional Development and Action Company (CAR), which is responsible for implementing the Pro-Semiarid Project (PSA), implemented by IFAD in the state of Bahia, as well as discussions with the players involved in designing the new IFAD investment project in the state - the Forest Partners Project. There was also a meeting with the Bahia State Environment Secretariat (SEMA).

3. Identifying stakeholders

5. The Project categorises "stakeholders" into two subgroups: (i) stakeholders directly or indirectly affected by the Project; and (ii) others (not affected by the Project) who can be classified as "broader stakeholders". In the first category, although it is important to define the roles of each social actor, the distinction between "directly affected stakeholders" and "indirectly affected stakeholders" will be outlined at the start of the proposed implementation process. A methodology will be constructed together with the stakeholders who have been identified as possible partners to understand their level of affinity with the Project and to build a consensus on their degree of participation in the planned actions.

6. As directly affected stakeholders, the following organisations should be active participants: the Agricultural Family Houses in the project area, the Bahia State Secretariat for the Environment (SEMA), the Regional Development and Action Company (CAR), the Bahia PES Network, CIAPRA, civil society organisations representing the target groups (family farmers,

[1] Olivença, Ibirapitanga, Uruçuca, Presidente Tancredo Neves, Wenceslau Guimarães, Igrapiúna, Piraí do Norte, Teolândia, Guandu, Ituberá and Nilo Peçanha.

women, young people and traditional peoples and communities), the municipalities in the intervention area (in particular the 12 that make up the core area).

7. The "broader stakeholders" category includes agents who are not directly involved, but who can contribute to research into essential activities and the development of activities. These include: inter-municipal consortia, the Executive Commission of the Cocoa Farming Plan (CEPLAC), universities and research institutions (such as the State University of Santa Cruz and the Federal University of Recôncavo da Bahia), the National Rural Apprenticeship Service (SENAR) and the Food and Agriculture Organisation of the United Nations (FAO), which will implement the Cabruca Cocoa Project with GEF funds and in partnership with CEPLAC.

4. Approaches for socially vulnerable groups

8. Compensation's target groups are family farmers living in poverty, rural youth, rural women and traditional peoples and communities (PCTs). Measures will be taken during implementation to incorporate the perspective of these groups based on their local reality, needs and specific demands. The project envisages four ways of doing this.

9. Firstly, special attention will be paid to ensuring that the specific needs and priorities of women, youth and PCTs are identified and taken into account during various important moments of the Project, such as carrying out the baseline survey and developing the Integrated Property Plans. The main tools for doing this include, among others, focus groups, key informant interviews and participatory planning.

10. With traditional peoples, the first step to be taken, where applicable[2] , should be to carry out FPIC in accordance with the FPIC Plan, which includes guidelines for this purpose. In non-applicable cases, The conditions must be created for establishing a clear dialogue that respects the characteristics of the communities and ensures commitment to the project with this target group (particularly in component 2), formalised by commitment agreements between the communities and the NGO. The second step should take place when building the project's baseline. At this point, following the agreements made with the communities, a diagnosis should be carried out that points out relevant socio-cultural aspects for each target group that could influence the effectiveness of the planned activities. This information should be used to train the NGO's agents and its technical assistance team to develop responsive and adapted intervention methodologies.

11. Secondly, the target groups will be involved in monitoring progress in the delivery of project-supported interventions and their immediate outcomes. They will also be able to influence decisions to improve the quality, timeliness and reach of the service. Tools for doing this include, among others, outcome surveys and micro feedback and/or thematic surveys.

12. Thirdly, measures will be taken to ensure that target groups can easily voice their complaints and report irregularities in relation to the interventions supported by the Project. This will be made possible through CompensationAid's complaints resolution mechanism, which must be publicised to interested parties on an ongoing basis.

[2] The purpose of the FPIC provision is to ensure that government projects, especially infrastructure projects, are not implemented without prior discussion with the peoples who will suffer the negative impacts of these projects. The Compensation Project is not a government action and will not have negative impacts on the communities. However, considering the primacy of law, an FPIC plan has been drawn up.

13. Fourthly, the target groups will be involved in evaluating the results, including their satisfaction with the interventions supported by the Project, and in generating lessons and insights for scaling up and sustainability. The tools for doing this include, among others, surveys of basic results indicators.

Opportunities to engage target groups during the life of the project.

Project design / initial implementation	Delivery of project interventions		Key evaluation moments (completion of the project)
Identifying needs and priorities	Monitoring progress	Complaints handling	Evaluating results

5. Stakeholder engagement programme

5.1 Social control mechanisms during project implementation

14. Implementing the project will require a high level of coordination between the OCT and different partners associated with the needs and challenges of the target groups. The PMU will be formally created at the OCT headquarters (at the Papuã Nucleus in Ibirapitanga), with a team dedicated exclusively to Compensation and with clear attributions. According to the agreed institutional arrangement, the project will have a Project Consultative Committee (CCP), made up of the OCT, the State Secretariat for the Environment (SEMA) and the Regional Development and Action Company (CAR), whose function will be to provide strategic guidance and maintain the coherence of the actions carried out with the regional development objectives of the PES in Bahia. The CCP will also identify possible synergies and opportunities for scaling up and complementing the project's activities with Parceiros da Mata, an IFAD-funded investment project that will include a PES component, as well as with other related projects working with Bahia's Payment for Environmental Services Programme (PEPSA). The OCT may invite representatives of institutions to contribute their technical expertise on various aspects of the implementation and sustainability of the PES fund.

5.2 IFAD's complaints and redress mechanism (GRM)

15. Following IFAD's environmental and social policies, a public and accessible complaint and redress mechanism (GRM) for individuals, authorities or community representatives affected by the implementation of Compensation will be made available to the Project's target groups. The Project will set up a system for receiving and handling complaints and denunciations with the adoption of an Ombudsman channel. The Project will implement an ongoing programme to disseminate integrity policies, as well as offering training and guidance on the use of whistleblowing tools to the communities and beneficiaries of the Project. All people potentially affected by the Project's activities will be informed and given clear instructions on what procedures should be followed to file complaints and grievances. This information will be made available in plain language.

16. Complaints can also be submitted through IFAD's Complaints Procedure, which allows individuals and communities to contact IFAD directly and lodge a complaint if they believe they are or may be adversely affected by an IFAD-funded project/programme that does not comply with the Environmental Social and Policy Standards and their mandatory aspects.

17. In line with IFAD's Policy on Preventing and Responding to Sexual Exploitation and Sexual Abuse (SEA 2020), PAGES will ensure that adequate safeguards are in place for a safe working environment free from harassment, including sexual harassment, sexual exploitation and sexual abuse in its activities and operations[3] .

5.3 Action Plan: planned activities and budget

18. The activities in this Action Plan that directly involve stakeholders include:

- Consultations with traditional communities on strategies and actions to ensure the establishment of working agreements, collect suggestions and proposals;
- Analysis with stakeholders considered socially vulnerable (women, young people and traditional peoples) to understand their specific circumstances and concerns related to socio-environmental practices and traditions;
- Regular meetings with project management bodies and the Project Advisory Committee;
- Periodic meetings with stakeholders to evaluate the project's actions, openly communicate any complaints about the operation and suggest modifications and adaptations;
- Territorial meetings with stakeholders working at local and regional level within the framework of the project to assess the M&E processes of strategies and actions;
- Design and conduct a baseline study, the results of which will be shared with stakeholders;
- Impact assessments: review studies presented to key stakeholders;
- Sharing exchanges and other SSTC events involving the most vulnerable stakeholders (representatives of traditional communities, women and young people).
- Workshops, training and exchanges that encourage learning about sustainability and resilient practices for young people, women and traditional communities;
- Train the Technical Assistance team in ethnic/racial/gender perspectives to integrate the approaches and methodologies applied in traditional communities;
- Organise and record case studies on initiatives carried out by the most vulnerable stakeholders (women, young people and traditional communities).

The costs for implementing all the planned stakeholder engagement activities are included in the project budget and will be part of the activities already planned (see details in Annex 3 of the RDP - Project costs and financing).

5.4 Timetable

(*Note: the number of "x"s refers to the frequency of the activity)

Activity	Year 1	Year 2	Year 3	Year 4
Consult[4] traditional communities to establish working agreements.	x			

[3] IFAD policy to preventing and responding to sexual harassment, sexual exploitation and abuse available at: https://www.ifad.org/documents/38711624/42415556/SEA_e_web.pdf/85275c4d-8e3f-4df0-9ed8-cebaacfab128?t=1611326846000.

[4] In order to optimise budget resources, this activity will not be carried out with specificfunds. They will have to be methodologically adjusted to be carried out during the first visit to the communities, with resources already earmarked for the project's activities.

Implement the baseline study and share its results with stakeholders	x	x		
Analysing the socio-environmental practices and traditions of the most vulnerable stakeholders	x			
Train the technical assistance team in specific factors associated with the most vulnerable stakeholders (e.g. gender and ethnic-racial sensitisation)	x	x	x	
Promote meetings of management bodies	xxx	xxx	xxx	xxx
Promote meetings of the Project Advisory Committee	xxx	xxx	xxx	xxx
Promote evaluative meetings with stakeholders (some with a focus on GRM)	xx	xx	xx	xx
Promote territorial M&E meetings with stakeholders	x	x	x	x
Share outcome/impact assessments with stakeholders s				x
Promote South-South and triangular cooperation events, including the most vulnerable stakeholders			x	x
Organise/record case studies of initiatives carried out by vulnerable stakeholders			x	x