



Report No: RES00014

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF THE

Sustainable Multiple Use Landscape Consortia in Brazil

APPROVED ON 04-Nov-2022

TO THE

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE - IICA

Agriculture and Food Global Practice  
Latin America And Caribbean Region

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## ABBREVIATIONS AND ACRONYMS

ATER	Technical Assistance and Rural Extension ( <i>Assistência Técnica e Extensão Rural</i> )
CPF	Country Partnership Framework
FMA	Financial Management Assessment
FM	Financial Management
GEF	Global Environmental Facility
GoB	Government of Brazil
IICA	Inter-American Institute for Cooperation on Agriculture ( <i>Instituto Interamericano de Cooperação para a Agricultura</i> )
MAPA	Ministry of Agriculture, Livestock and Supply ( <i>Ministério da Agricultura e Pecuária</i> )
MMA	Ministry of Environment and Climate Change ( <i>Ministério do Meio Ambiente e Mudança do Clima</i> )
PDO	Project Development Objective
PIU	Project Implementation Unit
POM	Project Operation Manual
SENAR	National Rural Learning Service ( <i>Serviço Nacional de Aprendizagem Rural</i> )
SFB	Brazilian Forest Service ( <i>Serviço Florestal Brasileiro</i> )
SLM	Sustainable Landscape Management

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## BASIC DATA

### Product Information

Operation ID	Operation Name
P172497	Sustainable Multiple Use Landscape Consortia in Brazil
Product/Financing Instrument	Geographical Identifier
Investment Project Financing (IPF)	Brazil
Approval Date	Current Closing Date
04-Nov-2022	30-Nov-2027
Environmental and Social Risk Classification (ESRC)	
Moderate	

### Organizations

Borrower	Responsible Agency
IICA	Ministério da Agricultura, Pecuária e Abastecimento (MAPA), Ministério do Meio Ambiente (MMA)

## OPERATION STATUS

### Project Development Objective (DO)

#### Original Development Objective

To increase the area under sustainable land management and promote the integration of food systems and sustainable landscapes, conservation of biodiversity and recovery of degraded areas in selected beef cattle and soybean landscapes.

### Disbursement Summary (in USD million)

Source of Funds	Net Commitment	Disbursed	Balance	% Disbursed
IBRD	--	--	--	0



IDA	--	--	--	0
Grants	24.58	0.00	24.58	0.00
<b>Policy Waivers</b>				
Does this restructuring trigger the need for any policy waiver(s)?				No

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## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Introduction

1. This Restructuring Paper seeks the Board's approval for a Level 2 Restructuring of the Sustainable Multiple Use Landscape Consortia in Brazil (P172497). The proposed restructuring would comprise: (a) a transfer of the proposed Grant Recipient and executing agency from the *Serviço Nacional de Aprendizagem Rural* (SENAR) to the Inter-American Institute for Cooperation on Agriculture (IICA); (b) a new Grant Agreement closing date of October 31, 2029; and (c) inclusion of the Brazilian Forest Service (*Serviço Florestal Brasileiro*, SFB) as a Project Implementation Entity, to reflect the new Federal Government's organigram.
2. The Project Development Objective (PDO) is to increase the area under sustainable land management and promote the integration of food systems and sustainable landscapes, the conservation of biodiversity and recovery of degraded areas in selected Beef Cattle and Soybean Landscapes. The Project has four components: (a) Development of a Sustainable Land Management (SLM) approach; (b) Promotion of sustainable food production practices and responsible agrifood value chains; (c) Conservation and restoration of natural habitats and mainstreaming biodiversity practices; and (d) Project Management and Knowledge Management. The selected beef cattle and soybean landscapes are located across the Brazilian Cerrado (Goiás, Bahia, Minas Gerais, Mato Grosso do Sul, Mato Grosso and the Federal District), in an area of approximately 47.2 million hectares. It also aligns with the private sector investment and productivity goals of the 2022 Brazil's Performance and Learning Review, discussed by the Board on May 24, 2022, as it aims to induce beef and soybean producers to adopt low-carbon and sustainable environmental practices, reduce land degradation, and engage with private actors committed to pursuing sustainability and environmental benefits beyond business as usual. The Project is also consistent with the current Country Partnership Framework for Brazil (FY2024-FY2028). It is aligned to CPF's three focus areas: (a) Greater productivity and employment; (b) Greater inclusion of the poor and underserved populations; and (c) Greener economy with reduced vulnerability to climate shocks.

### B. Project Status

3. The Project, in the amount of US\$24.58 million, financed by the Global Environmental Facility (GEF) was first approved by the International Bank for Reconstruction and Development (IBRD) Board of Executive Directors on November 4, 2022, and the initial Grant Agreement was signed on November 28, 2022. The signing of the Technical Cooperation Agreement between the Ministries and SENAR, which is an effectiveness condition, is pending. With the withdrawal of SENAR as Grant Recipient, the Bank withdrew the original Grant offer.
4. Since the Government of Brazil (GoB) has appointed IICA as the Project's Grant Recipient and executing agency, both IICA and the GoB have confirmed their agreement with the current project design and structure, and are fully aware of their responsibilities. All project documents have been revised and updated to reflect the new partner, including the Operational Manual. Additionally, the Implementation Entities and IICA have started preparing the Cooperation Agreement, which will be cleared by the Bank and the Legal teams in each institution.
5. **Integrated Fiduciary Risk Rating.** Both Procurement and Financial Management have been duly assessed for the new executing agency (IICA) and the integrated fiduciary risk rating remains Moderate.
6. **Financial Management.** The Project financial management risk is Moderate. The Financial Management Assessment (FMA) was carried out in accordance with Bank Policy: Investment Project Financing and Bank Directive: Investment Project Financing and the Financial Management in Bank-Financed Operations and Other Operational Matters (effective on March 10, 2023). The scope of the FMA included: (a) an evaluation of existing FM systems to be used for



Project monitoring, accounting, and reporting; (b) a review of staffing arrangements; (c) a review of the flow of funds arrangements; (d) a review of internal control mechanisms in place, including internal audit; (e) a discussion with regards to reporting requirements; and (f) a confirmation of the external audit arrangements.

7. The overall conclusion of the FMA is that: (a) the FM arrangements for the new proposed Project Executing Agency are considered adequate; (b) the funds flow, disbursements, monitoring, auditing, and supervision arrangements have been designed in a way to respond to the Project's implementation arrangements; and (c) the residual FM risk associated with the Project is rated as Moderate.
8. **Procurement.** The Project procurement risk is Moderate. The capacity assessment in May 2024 revealed that the procurement policy framework, regulation, procedures, and documents in use at the new executing agency (IICA) are documented and publicly available and are designed to meet the core procurement principles of value for money, economy, efficiency, effectiveness, integrity, transparency, fairness, and accountability. IICA produces and adequately maintains written records of all procurement and contract documents, and its complaint-handling system works well and effectively. IICA is not impacted by fraud and corruption risks. The procurement methods chosen are appropriate and consistent with the legal framework.
9. **Environmental and Social Compliance.** The screening of the environmental and social risks and impacts of the proposed list of activities agreed with the Client remains the same and indicates that this is currently considered a moderate-risk project under the Bank's Environmental and Social Framework, where both environmental and social risks are Moderate. Documents will be revised accordingly to reflect the new institutional arrangement and each partners' responsibilities.
10. The Project's overall risk rating continues to be assessed as Moderate.

## II. DESCRIPTION OF PROPOSED CHANGES

11. The Level 2 restructuring will consist of the following: (a) a transfer of the proposed Grant Recipient and executing agency from the *Serviço Nacional de Aprendizagem Rural* (SENAR) to the Inter-American Institute for Cooperation on Agriculture (IICA); (b) a new Grant Agreement closing date of October 31, 2029; and (c) inclusion of the Brazilian Forest Service (*Serviço Florestal Brasileiro*, SFB) as a Project Implementation Entity, to reflect the new Federal Government's organigram.
12. With the inclusion of IICA as the Grant Agreement recipient and executing agency of the Project, along with the SFB as an Implementing Entity, the initially proposed design for governance and management needs to be adjusted to the new set of institutions through agreements to be established between IICA, and the GoB; this will be done through a new Technical Cooperation Agreement to be signed by all agencies, which will also serve as an effectiveness condition of the new Grant Agreement. It will comprise the governance, management, and implementation structure of the project, notably: the Ministry of Agriculture and Livestock (MAPA), the Ministry of the Environment and Climate Change (MMA), and the Brazilian Forest Service (SFB).
13. The Bank task team assessed the choice of IICA as the new Grant Recipient and found it Satisfactory, given: (a) its solid track-record in implementation of agriculture projects in Brazil relevant to this Project, in particular the beef and soybean value chains, as well as conservation of natural ecosystems and recovery of degraded lands; (b) its experience as an implementing partner of large and complex projects financed by international organizations, including the World Bank; (c) its credentials as a leader of projects originating from the private sector, governmental and



intergovernmental organizations and civil society alike; and (d) its technical and fiduciary skills needed to adequately implement the Project.

- 14. **Technical coordination and supervision.** The technical coordination and supervision will continue to be the responsibility of the GoB, as originally established. MAPA, MMA, and SFB are the GoB institutions designated for this coordination. The technical execution of the project should be defined and negotiated in light of the new governance and management structure and regional and local management and ATER strategy, as indicated earlier.
- 15. **Process and Results Management.** The management of processes and results will now be the responsibility of IICA (the new executing agency).
- 16. The new Closing Date is being proposed to compensate for the 21-month delay in launching the project and to ensure the achievement of the PDO, thereby maintaining the original implementation timeframe.
- 17. No changes to project scope or activities are proposed. Since no new activities are proposed, this Restructuring does not require an assessment for Paris Alignment.

**III. PROPOSED CHANGES**

Operation Information	Proposed Changes	Operation Information	Proposed Changes
Disbursements Estimates	Yes	Loan Closing Date Extension	Yes
Disbursements Arrangements	Yes	Financial Management	Yes
Development Objective	No	Procurement	Yes
Summary Description (Operation Abstract)	No	Institutional Arrangement	Yes
Legal Operational Policies	No	Implementation Schedule	Yes
MFD/PCE	No	Loan Cancellations	No
Results	No	Reallocations	No
Risks	No	Reliance on Alternate Procurement Arrangement	No
Legal Covenants	No		
Conditions	No		
Implementation Modalities	No		
DDO	No		



Clients	No		
Appraisal Summary	No		
Components	No		

**IV. DETAILED CHANGE(S)**

**COSTS & FINANCING**

**Private Capital Facilitation**

**Is this an MFD-Enabling Project (MFD-EP)?**

**Is this project Private Capital Enabling (PCE)?**

**LOANS**

**Loan Closing**

Loan/Credit/Trust Fund	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-B9662-001	Not Effective	30-Nov-2027	30-Nov-2027	31-Oct-2029	28-Feb-2030

**DISBURSEMENTS**

**Operation Dates & Projection Details**

Reasons to change the full Disbursement date and/or the projection

Implementation Start Date	Operation Closing Date
04-Nov-2022	30-Nov-2027
Projected Date for Full Disbursement	
31-Mar-2030	

**Expected Disbursements (in US \$) (Absolute)**





Year	Original Estimation at Preparation (Approval Package – 04 Nov 2022)	Revised Estimation	Actual
FY2023	910,615.26	0.00	0.00
FY2024	2,231,102.02	0.00	0.00
FY2025	3,834,012.98	2,230,100.00	0.00
FY2026	6,990,035.82	3,850,000.00	0.00
FY2027	9,877,522.16	6,991,000.00	0.00
FY2028	675,507.56	9,878,000.00	0.00
FY2029	0.00	1,000,000.00	0.00
FY2030	0.00	628,882.00	0.00

**ENVIRONMENTAL & SOCIAL**

**Environmental & Social Assessment**

According to the E/S Specialist are there changes proposed to the operation’s design that would impact the Bank’s E&S assessment?”

Yes