



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
BR DGM FOR INDIGENOUS PEOPLE AND TRADITIONAL COMMUNITIES  
APPROVED ON MARCH 3, 2015  
TO  
CENTRO DE AGRICULTURA ALTERNATIVA DO NORTE DE MINAS - CAA/NM

ENVIRONMENT, NATURAL RESOURCES & THE BLUE ECONOMY

LATIN AMERICA AND CARIBBEAN

Regional Vice President:	Carlos Felipe Jaramillo
Country Director:	Paloma Anos Casero
Regional Director:	Anna Wellenstein
Practice Manager/Manager:	Valerie Hickey
Task Team Leader(s):	Maria Bernadete Ribas Lange, Alberto Coelho Gomes Costa



## ABBREVIATIONS AND ACRONYMS

CAA/NM	Centro de Agricultura Alternativa do Norte de Minas (Center of Alternative Agriculture from the North of Minas)
CBO	Community-based Organizations
CIF	Climate Investment Funds
DGM	Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities
FIP	Forest Investment Program
IPLCs	Indigenous Peoples and Local Communities
NEA	National Executing Agency
NSC	National Steering Committee
PDO	Project Development Objective
REDD+	Reducing emissions from deforestation and forest degradation; and the role of conservation, sustainable forest management and enhancement of forest carbon stocks
SCF	Strategic Climate Fund



**BASIC DATA**

**Product Information**

Project ID P143492	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 03-Mar-2015	Current Closing Date 31-Jul-2021

**Organizations**

Borrower Centro de Agricultura Alternativa do Norte de Minas - CAA/NM	Responsible Agency Centro de Agricultura Alternativa do Norte de Minas
--	---

**Project Development Objective (PDO)**

Original PDO

(i) to strengthen the engagement of Cerrado Biome's indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, and (ii) to contribute toward improving livelihoods, land use and sustainable forest management in their territories.

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-18765	03-Mar-2015	29-Apr-2015	29-Jun-2015	31-Jul-2021	6.50	5.97	.53

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities Project (P143492) is part of the Global Dedicated Grant Mechanism (DGM) that was established at the request of Indigenous Peoples and Local Communities (IPLCs) to support their participation in the Forest Investment Program (FIP). FIP provides financing for reducing emissions from deforestation and forest degradation; and the role of conservation, sustainable forest management and enhancement of forest carbon stocks (REDD+) efforts in developing countries in order to address key drivers of deforestation and forest degradation with a focus on transformational change. The FIP is one of the three programs under the Strategic Climate Fund (SCF), a multi-donor Trust Fund established in 2009 under the Climate Investment Funds (CIF) partnership to provide fast-track climate financing to reduce deforestation and forest degradation in tropical countries.
2. The Project is a grant in the total amount of US\$ 6.5 million. The Project Development Objectives are (i) to strengthen the engagement of Cerrado Biome's indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, and (ii) to contribute toward improving livelihoods, land use and sustainable forest management in their territories. The main beneficiaries of the Project are Indigenous Peoples and Traditional Communities<sup>1</sup> and their representative organizations in the Cerrado Biome. A National Steering Committee (NSC) composed by representatives of the beneficiaries and the federal government is the decision-making body of the project, which is implemented National Executing Agency (NEA) – the Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) – that was competitively selected among non-governmental and non-profit organizations.
3. The Project comprises three components. Component 1 – Sustainable and Adaptive Community Initiatives aims to support indigenous peoples and local communities and organizations in developing community activities in order to promote sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and adaptation to climate-related changes, by providing subgrants to community-based organizations (CBO) and CBO networks under three grant windows: (i) the Natural Resource Management Subproject Window, (ii) the Immediate Threat Response Subproject Window and (iii) the Market-Oriented Productive Subproject Window. Component 2 – Capacity Building and Institutional Strengthening aims to fund activities that contribute toward increasing managerial and technical capacities, access to financing sources for forest/land use and sustainable natural resources management, and participation in FIP, REDD+ and climate change-related decision-making processes. Component 3 – Project Management, Monitoring and Evaluation.
4. Despite some delay at the beginning of the subprojects' implementation, overall implementation has progressed well, main procurement gaps were overcome, and to date the PDO remained achievable under the original closing date, until the advent of the pandemic. As of today, disbursement had reached 91.85%.
5. A proposed fourth restructuring, aims to extend the Closing Date of the project, reallocate Grant proceeds among categories and revised Components' cost; these restructuring is being sought since then the pandemic situation has worsened and mobility and social restrictions remain, preventing some subprojects from concluding its activities in time, and the NEA from properly handling the closing monitoring and evaluation field visits that cannot be done remotely. This proposed six-month extension will add to an overall cumulative extension of 22 months from the original closing date. The first extension occurred in February 2019, a nine-month extension of the closing date was granted to compensate for the time spent after project effectiveness, while the Brazilian Government issued the Inter-Ministerial Ordinance nominating its members in the National Steering Committee a pre-condition that prevented the project to effectively start. The second extension of Closing Date occurred in February 2021, for another 7 more months, until the end of July 2021, adding 16 months to the original project closing date, to compensate for the delay imposed by the pandemic.

---

<sup>1</sup> I.e., social groups who self-assert a distinctive cultural identity, maintain knowledge and practices transferred from one generation to the next by means of tradition, maintain distinctive forms of social organization and cultural beliefs and norms, and rely on distinctive productive systems and low-impact forest/land use management systems for their cultural, social, religious, ancestral and economic survival.



6. Financial Management (FM) of subprojects improved and the NEA has been diligent ensuring all financial reporting is done properly for all subprojects, and responded quickly to any issues raised. The Project submitted all required audit reports and they have been all considered acceptable to the Bank.
7. Procurement. Over the years, the implementing agency has gained familiarity and has strengthened its maturity level regarding the application of the Bank's procurement procedures. The enhanced experience of the NEA has positively contributed to optimizing the pace of the procurement transactions in the project.
8. Safeguards. The performance is satisfactory, and no significant environmental and social impacts have been observed to date. The NEA has established adequate processes and procedures for screening community subprojects as described in the Project's Environmental and Social Management Framework. All community proposals are screened before selection and approval to ensure compliance with safeguard policies and define measures to reduce or mitigate potentially unavoidable environmental and social impacts.
9. Since the onset of the COVID-19 pandemic, the NEA has met on a regular basis with the NSC to discuss how to best respond to the needs of project beneficiaries during this time, and also to evaluate how to respond to new public restrictions in place to support the health security of Indigenous Peoples and Traditional Communities remain in place. These restrictions include not being allowed to leave the community, or do it only when strictly necessary, not allowing others from outside the community to come inside. Nevertheless, the pandemic has had an impact on implementation progress, especially as the pandemic continues to be a challenge into 2021 across Brazil. As a result of the pandemic and the restrictions on in-person activities (consultations, works), and given the lack of IT penetration among many of the project's beneficiary communities, the project has been slower than expected to finalize all approved subprojects, especially because it has not been possible to simply replace in-person trainings and consultations with virtual events. To date, out of the 64 subprojects, 50 have finalized their activities, and the remaining 14 are expected to be completed by September 2021.
10. In addition to the delays in implementation progress due to the pandemic, there have been real savings in project funds due to the large depreciation of the Brazilian Real during the past year. These savings, with an extended closing date, would be available to address some of the emergency needs of these communities, add additional activities within subprojects and strengthen the support to the networks of Indigenous Peoples and Traditional Communities, which are relevant to support the achievement of the PDO.
11. As a result of delays associated with the pandemic and savings from currency depreciation, this restructuring proposes a six-month extension from July 31, 2021 to January 31, 2021. With this extension, the NEA would support additional activities under component 2 to address the impact of COVID19 outbreak on the implementation, strengthen the subprojects institutional capacity and guarantee the sustainability of the subprojects' outcomes, allowing the project to achieve its PDO and full disbursement.
12. Due to the mobility restrictions imposed by the pandemic, a fraction of the originally planned on-the-ground technical assistance to community subprojects have been suspended or cancelled and there are funds available under subcomponent (1(b)), which will be reallocated to component 2 - Institutional Strengthening with two objectives: (a) to provide additional resources to the subprojects and networks of Indigenous Peoples and Traditional Communities to guarantee the sustainability of the subproject interventions and (b) to strengthen the communities' food security and their ability to respond to the pandemic.

## **II. DESCRIPTION OF PROPOSED CHANGES**

13. This Restructuring Paper proposes changes that: (a) extend the project closing date by 6 months to January 31, 2022 (resulting in cumulative extensions of 22 months); (b) reallocate grant proceeds among expenditure categories; and (c) revise Components costs. This proposed Level 2 restructuring does not include any change to the PDO, or to the Bank's Safeguards policies as they apply to this Project.



14. Extension of the closing date. The restructuring would extend the grant closing date by 6 months, from July 31, 2021 to January 31, 2022, as requested by the NEA through Oficio CAA/DGM N°03/2021, dated March 16, 2021.

15. Reallocation of Grant Proceeds. This restructuring also proposes to reallocate grant proceeds from Category 1 to Category 2, as detailed in the table below, in order to meet the needs of beneficiary communities and shift funding from technical assistance and consulting services, which is less possible during the pandemic, to the provision of goods that can help subprojects’ achievement and sustainability:

<b>Disbursement Category</b>	<b>Current Allocation (USD)</b>	<b>Proposed Allocation (USD)</b>
(1)(a) Goods, works, non-consulting services, consultants’ services, Training and Operating Costs for Subprojects, under Part 1(a) of the Project;	2,715,000	2,616,778
(1)(b) Non-consulting services, In-House Costs and Training under Part 1(b) of the Project;	1,445,000	1,182,117
(1)(c) COVID-19 Support Grants and Operating Costs under Part 1 (c) of the Project	210,000	186,000
(2)Goods, non-consulting services, consultants’ services, Training, In-House Costs, and Scholarships required for Part 2 of the Project	800,000	1,331,626
(3)Goods, non-consulting services, consultants’ services and Training required for Part 3 of the Project	418,475	271,954
(4)Operating Costs under the Project (except for Parts 1(a) and 1(c))	911,525	911,525
<b>Total:</b>	<b>6,500,000</b>	<b>6,500,000</b>

16. Components Cost. Finally, the restructuring also proposes change in the Components costs of the project, since the NEA team was prevented to implement part of the originally planned field visits due to the pandemic, the revision of Components will guarantee a more robust support to the institutions being supported by the project, strengthening their institutional capacity, as detailed in the table below:

<b>Component Name</b>	<b>Original Cost (US\$M)</b>	<b>Proposed Cost (US\$M)</b>
Component 1: Sustainable and Adaptive Community Initiatives	4.37	3.99
Component 2: Capacity Building and Institutional Strengthening	0.80	1.33
Component 3: Project Management, Monitoring and Evaluation	1.33	1.18
Total	6.50	6.50



### III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

### IV. DETAILED CHANGE(S)



COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: Sustainable and Adaptive Community Initiatives	4.37	Revised	Component 1: Sustainable and Adaptive Community Initiatives	3.99
Component 2: Capacity Building and Institutional Strengthening	0.80	Revised	Component 2: Capacity Building and Institutional Strengthening	1.33
Component 3: Project Management, Monitoring and Evaluation	1.33	Revised	Component 3: Project Management, Monitoring and Evaluation	1.18
<b>TOTAL</b>	<b>6.50</b>			<b>6.50</b>

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-18765	Effective	30-Mar-2020	31-Dec-2020, 31-Jul-2021	31-Jan-2022	31-May-2022

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
TF-18765-001   Currency: USD				
iLap Category Sequence No: 1A	Current Expenditure Category: GO,CW,NCS,CS,TRG,OP for subprojects Part 1(a)			
2,715,000.00	2,325,552.37	2,616,778.00	100.00	100.00
iLap Category Sequence No: 1B	Current Expenditure Category: NCS, In-House Costs, TRG Part 1(b)			
1,445,000.00	1,020,099.53	1,182,117.00	100.00	100.00
iLap Category Sequence No: 1C	Current Expenditure Category: COVID-19 Support Grants & OP Part 1 (c)			





	210,000.00	142,412.48	186,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: GO,NCS,CS,TRG, In-House Costs, Scholarships Part 2			
	800,000.00	658,241.02	1,331,626.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: GO, NCS, CS, TRG Part 3			
	418,475.00	199,413.84	271,954.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: OP (except for Parts 1(a) and 1(c))			
	911,525.00	828,367.78	911,525.00	100.00	100.00
<b>Total</b>	<b>6,500,000.00</b>	<b>5,174,087.02</b>	<b>6,500,000.00</b>		

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2015	0.00	0.00
2016	472,987.00	472,987.48
2017	515,216.00	515,216.64
2018	995,421.00	995,421.07
2019	1,200,741.00	1,200,741.18
2020	2,088,754.00	2,088,754.20
2021	1,226,881.00	696,856.36
2022	0.00	530,023.07

**Note to Task Teams:** End of system generated content, document is editable from here. *Please delete this note when finalizing the document*



**The World Bank**

BR DGM for Indigenous People and Traditional Communities (P143492)

---