## Annual Review Template

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| **Title:** Low-carbon Agriculture for avoided deforestation and poverty reduction Phase II (Rural Sustentavel) | | |  |
| **Programme Value £ (full life): 37.42** | | **Review date: November 2023** |  |
| **Programme Code:** GB-GOV-7-ICF-PO013-LCP2 | **Start date:** December 2016 | **End date:** April 2026 |  |

**Summary of Programme Performance**

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| --- | --- | --- | --- | --- | --- | --- |
| Year | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| Overall Output Score | **No annual review** | **No annual review** | **B** | **No annual review** | **No annual review** | **A** |
| Risk Rating | **Moderate** | **Moderate** | **Moderate** | **Major** | **Major** | **Major** |

|  |  |
| --- | --- |
| DevTracker Link to Business Case: | [DevTracker Programme GB-GOV-7-ICF-PO013-LCP2 Documents (fcdo.gov.uk)](https://devtracker.fcdo.gov.uk/projects/GB-GOV-7-ICF-PO013-LCP2/documents) |
| DevTracker Link to results framework: | [DevTracker Programme GB-GOV-7-ICF-PO013-LCP2 Documents (fcdo.gov.uk)](https://devtracker.fcdo.gov.uk/projects/GB-GOV-7-ICF-PO013-LCP2/documents) |

**A. SUMMARY AND OVERVIEW** [1-1 ½ pages]

This is the fourth Annual Review (AR) of the £37.42 million Defra-funded International Climate Finance (ICF) programme ***“Low-carbon Agriculture for avoided deforestation and poverty reduction Phase II” (“LCA Phase II”)*** in Brazil**,** or “*Rural Sustentavel”* to use its Brazilian name*.* This Annual Review covers activities carried out by the programme between 1st January 2022 and 31st December 2022.

**A1. Description of programme** [1-2 paragraphs]

Rural Sustentavel’s primary purpose is to: support the promotion of low-carbon agriculture (LCA) in small and medium-scale farms to reduce greenhouse gases (GHG) through avoided deforestation, increase producers’ income and quality of life, increase the number of producers adopting sustainable practices, and lead to policy replications in Brazil and overseas.

The following activities are delivered by the project in order to promote the adoption of LCA technologies:

* **Training** for local producers to build their capacity to apply LCA technologies (online introductory and advanced courses and funding of master's degrees).
* **Technical Assistance** for local producers to help make the transition to LCA technologies and low-carbon production systems.
* **Technical Assistance** for farmer organisations to target collected benefits and strengthen LCA value chains.
* **Capacity building** aimed at the general public and public sector professionals to increase awareness about the role of LCA in mitigating GHG emissions.
* **Policy Engagement** aimed at government officials to encourage more policies on sustainable and productive agriculture.

The programme has three projects operating in different biomes in Brazil: PRS Amazon, PRS Cerrado and PRS Caatinga. Each project has separate budgets, implementing agencies, timelines and activities, seen in Figure 1. All three projects share the same overarching theory of change: that providing small- and medium-scale farmers and landowners with alternative means of production and income generation reduces the rate of deforestation.

*Figure 1: Description of the three biomes where programme activities occur.*

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| --- | --- | --- | --- |
| Biome name | Description | Implementing agency | Key components |
| Cerrado | Tropical savanna | The Brazilian Institute of Development and Sustainability (IABS) | 1. Strengthening local capacities in low-carbon agriculture  2. Promotion of low-carbon technologies and practices  3. Development of value chains and access to markets |
| Caatinga | Dry tropical forest | The Brazilian Foundation for Sustainable Development (FBDS) | 1. Knowledge generation of the Caatinga biome  2. Promoting low-carbon sustainable productive arrangements  3. Creation of a sustainable legacy in the Caatinga |
| Amazon | Tropical rainforest | The Brazilian Institute of Development and Sustainability (IABS) | 1. Developing sustainable business models  2. Market development  3. Knowledge sharing |

**A2. Summary supporting narrative for the overall score in this review** [1-2 paragraphs]

The overall score for the 2022 Annual Review for Rural Sustentavel is an **A** as the programme was delivering outputs and making progress towards outcomes in line with expectations.

In 2022, Rural Sustentavel activities were reported against two outcomes. These were Outcome 2 (Number of people with improved livelihoods) which was under target and Outcome 5 (Number of farm adopting LCA technologies) which was over target.

The score for this AR is based on the results of the four outputs with nine indicators, seen in Figure 2. Of the nine output indicators the majority exceeded expectations. Although three were not met, two were less than 10% from achieving the 2022 target (Output Indicators 1.4 and 2.1).

*Figure 2: Rural Sustentavel performance indicators for 2022*



Overall, this year saw an increase in the implementation of field-based activities. Whilst the prolonged effects of the pandemic made achieving some targets a challenge, it also provided the opportunity for useful innovations, such as the use of virtual platforms for engaging with farmers, technical agents and schools which allowed progress to be made towards meeting and exceeding targets.

**A3. Major lessons and recommendations for the year ahead** [1/2 page]

The following lessons were identified during the reporting period:

* In Cerrado, landowners with smaller than anticipated farms participated in the programme; and the technology favoured by most farmers was ‘recovery of degraded pastures’ rather than integrated crop-livestock-forestry systems, which has fewer environmental benefits. Taken together, this meant that the environmental benefits delivered in Cerrado were 70-80% lower than anticipated. The revision of targets for PRS Cerrado raised questions as to whether the project and overall programme was still delivering value for money (VfM) and to what extent.
* Whilst there has been success in the delivery of many outcome and output indicators, there is a lack of evidence that these will achieve the long-term programme goals. There is concern that programme activities such as the delivery of training, will not lead to on-farm implementation and that the current log frame indicators do not allow this to be adequately monitored.
* Whilst the programme ran field days focused on gender specific issues, overall, the programme does not have enough consideration for the Gender Equality and Social Inclusion (GESI) of project activities nor does it consistently track the work already being conducted. Some output indicators do provide disaggregated data for gender (1.1 for example), but others are due to report on these statistics at the end of the programme.
* The delivery partner for the programme has strict environmental and safeguarding policies. However, in 2022, the safeguarding information in key communication materials such as the Annual and Quarterly reports were not sufficient.

Based on these lessons, this review makes the following recommendations to ensure continued progress. A summary of all recommendations in this Annual Review is included in Annex D.

* To provide confidence that the programme is still delivering value for money despite the revision of targets for PRS Cerrado, it is recommended a benefit-cost ratio be carried out by Defra.
* To ensure the programme design can deliver the long-term changes, we recommend that IDB work with the Defra programme team to revise the log frame and where necessary, update and realign programme activities and monitoring methods. This should be completed in the first half of 2024.
* To ensure programme activities are properly targeting and addressing issues related to gender, equality and social inclusion, we recommend a review into which output data sets can be disaggregated by these fields, an evaluation of the Caatinga project to understand how gender equality and social inclusion was considered in the project design and delivery, and the creation of a gender quality and social inclusion workplan to improve and monitor the promotion of promote gender equality and social inclusion through the programme. This should be delivered in the first half of 2024.
* We recommend that going forward the quarterly and annual reports contain project level safeguarding updates/issues which also reflect Defra’s safeguarding standards. We recommend that these reports provide a dedicated section on how safeguarding policies are being reflected in each project to understand how this complies with Defra’s ICF safeguarding standards. This should be completed by Q2 2024.

## B: THEORY OF CHANGE AND PROGRESS TOWARDS OUTCOMES [1-2 pages]

**B1. Summarise the programme’s** [**theory of change**](https://defra.sharepoint.com/:b:/t/Team569/EYKsnu69tPRGn-MDZaT7oTwBubyk9q4_JSeyjlktmKmhhg?e=qALZ5m)**, including any changes to outcome and impact indicators from the original business case.** [1/2 page]

Overall, the Theory of Change remains the same (Annex A). The programme still aims for transformational change in the agriculture and land use sector across key biomes in Brazil by supporting the adoption of sustainable LCA practises. Through technical assistance and capacity building, Rural Sustentavel increases the number of farmers using LCA, contributes to climate and biodiversity objectives through avoided deforestation and improves economic resilience of small and medium farms by reducing the pressure to clear standing forest to expand agricultural or grazing activities. Overall, this provides a reduction in GHG emissions whilst improving the quality of life for farmers and farm businesses.

Observations from 2022 resulted in a significant revision of some targets for PRS Cerrado (Figure 3) as part of a no-cost extension to overcome Covid-19 delays. The revised targets call into question how impactful the changes will be for the overall achievement of GHG reductions (KPI 6) and hectares of deforestation avoided (KPI 8).

Rationale for target revisions:

We believe the programme still delivers effective behaviour change, considering the revision of targets in PRS Cerrado. There were two key factors for the revision of these targets.

Observation 1

The original programme design estimated the average area per farm to implement LCA would be 100 hectares (of the 500 average landholding), resulting in the 300,000-hectare initial goal. However, the programme’s intervention area has many smallholder producers (77%) with an average property size of 135 hectares. As GHG emission reductions are related to the size of properties and its natural vegetation cover (ACN) area, smaller properties have, less absolute values of area (in ha) covered by natural vegetation, affecting the expected results.

Observation 2

The amount of GHG emission mitigated is also closely related to the type of LCA tech implemented. Systems which involve forestry components have higher tCO2 avoided than the recovery of degraded pastures. IDB’s review of PRS Cerrado targets estimated that 70% of the producers decided to work with Recovery of Degraded Pastures which has affected results.

Conclusion

Despite the significant reduction in expected outcomes for PRS Cerrado, the programme is still expected to deliver strong VfM. Even if the project were to deliver no reductions in GHG emissions, it is still estimated to deliver a benefit cost ratio above 1, meaning it incurs more benefits than costs over the lifetime of the project (ecosystem services and livelihood impacts). While the estimated reduction in GHG emissions has decreased significantly, they remain one of the core outcomes and consequent benefits of the project. Including even these revised GHG reductions therefore greatly increases the value of the project benefits and the VfM of the project.

The value placed on reductions in GHG emissions has also significantly increased since the original investment in 2016 and extension in 2020, which offsets the lower-than-expected reduction in GHG emissions. Overall, the project is still considered to deliver VfM.

Figure 3 - Revised targets for PRS Cerrado with re-adjusted funds

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| --- | --- | --- | --- | --- | --- |
|  | Period | Original targets from start of programme | **CURRENT SITUATION** | **WITH NO-COST EXTENSION** | Predicted change from original target |
| *(with existing resources $23M)* | **(i.e., with the final instalment of $5.5M***)* |
| LCA tech area implemented (ha) | 4 years | 300,000 | **55,855** | 63,634 | -79% |
| Avoided GHG emission through LCA tech (tCO2e) | 4 years | 6,048,000 | **544,382** | 844,756 | -86% |
| Avoided deforestation (ha) | 4 years | 25,960 | **6,525** | 7,859 | -70% |
| 20 years | 129,800 | 32,624 | 31,436 | -76% |
| Avoided deforestation GHG emission reduction (tCO2e) | 4 years | 5,711,200 | **1,435,461** | 1,729,064 | -70% |
| 20 years | 28,556,000 | 7,177,305 | 8,645,320 | -70% |
| **TOTAL GHG emission mitigated (tCO2e)** | **4 years** | **11,759,200** | **1,979,843** | **2,573,820** | **-78%** |
| **20 years\*** | **34,604,000** | **7,721,687** | **9,490,076** | **-73%** |

\*Considering that the LCA area implemented and as consequence the mitigated GHG emission is maintained for 20 years.

**B2. Describe where the programme is on/off track to contribute to the expected outcomes and impact. What action is planned in the year ahead?** [1/2 page]

The programme produced mixed results in 2022. Whilst most output indicators (67% of those measured) met or exceeded targets, there were some areas which were off target, attributable to pandemic delays and original PRS Cerrado projections, all of which are being addressed.

The no-cost extension for PRS Cerrado was designed to include around 500 new producers and achieve 63,634 hectares of LCA tech implemented. It is expected to target MUs which are defined as rural properties that will adopt low-carbon agriculture technologies as a result of support through this programme.

**Outcome Indicators**

Of the seven other outcome indicators, six will be reported against from 2023 and one from 2025. This is in line with the conclusion of the projects and delivery of outputs.

The aim of Outcome 2 is to help improve the livelihoods of beneficiaries who adopt low carbon agriculture technologies. This will include farmers, farmers' family members, technical agents, students and other people who benefit from the programme. An ‘improved livelihood’ is measured as individuals who have better market access, increased production or increased income as a result of attendance in Rural Sustentavel activities.

Whilst progress towards this outcome was lagging behind the 2022 indicator (by c.26%), the expected results at the end of the project will be higher. Currently only the head of the family is captured in the data, however, the livelihoods of the whole family will improve even if only the head of the household incorporates LCA practises as. This data is due to be produced by Q4 2023. Also, activities aimed at improving livelihoods such as increased sustainable supply chains are not due to take place until 2023 onwards, after farmers have been trained on LCA practises.

Outcome 5 seeks to increase the awareness of LCA methods amongst small and medium-sized farms. This indicator is measured by the executing agencies, and it refers to the number of MUs implemented by this programme. The use of virtual platforms helped to exceed this outcome target by 68% in 2022.

Figure 4: 2022 Outcome indicator results

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| --- | --- | --- | --- |
| **Outcome Level Results** | | | |
| **Indicator(s)** | **Milestone (2022)** | **Achieved (2022)** | **Progress** |
| Outcome 2 [Number of people with livelihood benefits protected or improved as a result of Rural Sustentavel] | **Total: 12,703**  PRS Cerrado: 8,703  PRS Caatinga: 4,000  PRS Amazon: 0 | **Total: 9,428**  PRS Cerrado: 7,921  PRS Caatinga: 1,507  PRS Amazon: 0 | Under Target |
| Outcome 5 [ Number of farms adopting LCA technologies as a result increased capacities and/or awareness] | **Total: 1,000**  PRS Cerrado: 0  PRS Caatinga: 1000  PRS Amazon: 0 | **Total: 1,680**  PRS Cerrado: 324  PRS Caatinga: 1,356  PRS Amazon: 0 | Exceeded Target |

**B3. Justify whether the programme should continue, based on its own merits and in the context of the wider portfolio** [1 paragraph]

The VfM review conducted in 2023, concluded that despite the significant reduction in targets for PRS Cerrado, overall, the programme still delivers effective change as well as VfM (see section E2).

The programme contributes to the UK Government’s international climate objectives and is aligned with the recent Integrated Review. It also supports commitments made under Defra’s 25-Year Environment Plan to protect international forests by supporting sustainable agriculture. It aligns with the government’s COP26 Sustainable Agriculture campaign and is also complementary to the government’s COP26 Forests, Agriculture and Commodity Trade (FACT) dialogues on shifting global markets in internationally traded commodities. The programme supports Brazil in achieving its Nationally Determined Contribution (NDC).

Defra’s investment in Rural Sustentavel (totalling £67 million over ten years and two phases) has demonstrated to Brazil the UK’s willingness to support their LCA transition. The programme also increases engagement with important institutions and government bodies such as MAPA, EMBRAPA and IDB, which whilst difficult to quantify in terms of value, offers a constructive means of UK-Brazilian collaboration on sustainable land management and supports continued investment in the programme. In 2022, the Defra team met with officials from MAPA (the Brazilian agricultural ministry) who expressed their thanks for the support that Defra’s funding provides to the roll-out of their primary LCA policy (Plano ABC+). The programme gives the UK a platform to engage with Brazil as it steps up global climate leadership through the G20 Presidency and COP30 in 2025.

In addition to the measurable outcomes and outputs that the programme will achieve (e.g. Improving farmer’s livelihoods and reducing emissions), the programme is a useful way of demonstrating the UK’s commitment to working in partnership with Brazil. It is also providing useful insights into the sustainable agricultural transition that can be replicated in other countries or other programmes. Rural Sustentavel is Defra’s largest investment in sustainable agriculture and fills a programming gap that is not met through FCDO’s portfolio of agricultural investments. Agriculture and land use change is a leading cause of deforestation and biodiversity loss, Rural Sustentavel is an initiative aiming to reverse that trend.

## C. DETAILED OUTPUT SCORING [aim for 1 page per output]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output Title** | Strengthened capacity of farmers, technical assistants and stakeholders in low carbon agriculture. | | | |
| Output number: | | 1 | Output Score: | ***A*** |
| Impact weighting (%): | | 25% | Weighting revised since last AR? | [If Yes, up or down?] |

Gender and Age distribution statistics below:

* 60% of farmers trained on LCA were men, and 40% women. The age breakdown was as follows: under 15 (0.5%), 15-29 (9%), 30-44 (23%) 45-59 (42%) and over 60 (25%).
* 71% of technical agents trained on LCA were men and 29% were women. The age breakdown was as follows: under 15 (0%), 15-29 (22%), 30-44 (44%) 45-59 (24%) and over 60 (7%).
* 58% of field days and LCA workshops were held with men and 42% with women. The age breakdown was as follows: under 15 (10%), 15-29 (24%), 30-44 (21%) 45-59 (26%) and over 60 (14%), however some participants did not indicate their age.
* 53% of students and young people trained on low carbon agriculture were men and 47% women. The age breakdown was under 15 (33%), 15-29 (53%), 30-44 (3%) 45-59 (1%) and over 60 (0%).

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| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 1.1a Number of farmers trained on low carbon agriculture | Cerrado: 1057  Caatinga: 1450  Amazon: 200  **Total: 2707** | Cerrado: 3967  Caatinga: 1356  Amazon: 0  **Total: 5323 - Exceeded** |
| 1.2 Number of technical agents trained on low carbon agriculture | Cerrado: 1366  Caatinga: 59  Amazon: 75  Total: 1500 | Cerrado: 680  Caatinga: 151  Amazon: N/A  **Total: 831 – Under target** |
| 1.3 Field days and workshops delivered on low carbon agriculture | Cerrado: 272  Caatinga:12  Amazon: N/A  Total: 284 | Cerrado: 272  Caatinga: 81  Amazon: N/A  **Total: 353 - Exceeded** |
| 1.4 Number of young people trained on low carbon agriculture | Cerrado: 3316 | Cerrado: 3274 - **Under target** |

**C1. Briefly describe the output’s activities and provide supporting narrative for the score.** [1/2 page]

In 2022, there were four indicators which measured progress towards delivering Output 1 (Strengthened capacity of farmers, technical assistants, and stakeholders in low carbon agriculture). These indicators were assessed against activities undertaken in PRS Cerrado and PRS Caatinga, as PRS Amazon only entered implementation in late 2022. We expect early results for PRS Amazon in 2023.

Some of the training provided to farmers, technical agents and young people included:

* Introductory Distance Learning Course: Climate Change and Sustainable Rural Development in the Cerrado
* Professional master’s degree
* LCA training for youth
* Advanced Distance Online Learning Course

*1.1a Number of farmers trained on low carbon agriculture*

Most of the training provided to farmers was conducted through in-person field days which were prioritised in 2022, made possible through the easing of Covid-19 restrictions. The delivery of this activity exceeded expectations as almost four times more farmers participated in training activities than originally expected. This is in part due to utilising distance learning capacity for the introductory courses. By the end of 2022, the introductory Cerrado course alone had 966 registered participants, of which 441 had already completed the course and received a certificate. PRS Caatinga also produced relatively high numbers of farmers trained despite the results being under-target by less than 7%.

*1.2 Number of technical agents trained on low carbon agriculture.*

For technical assistance agents (ATECs), they made up the largest group of applicants (43%) to the online courses. Training for ATECs was prioritised in early 2022 as it was a mandatory requirement for those who would work for the project. It is important to highlight that the project suffered an estimated 18-month delay due to Covid-19 restrictions which meant that this indicator was affected by significantly less engagement with beneficiaries than expected. However, this challenge created an opportunity as it allowed the delivery partner to shift towards virtual platforms for some of the activities, helping to reach a larger audience. Recognising the challenge of meeting these targets, the executing agencies are scheduled to promote additional training events to maximise the agents trained.

*1.3 Field days and workshops delivered on low carbon agriculture.*

In 2022, 272 field days were held throughout all states involved in PRS Cerrado, with the participation of 12,226 people. Compared with 2021, this was a considerable increase. In 2021, only 12 field days took place because of the pandemic. In March 2022, to align with International Women’s Day, four gender-focused field days were run covering the role of women in agriculture. These field days were held on properties managed by women. An important discovery from PRS Caatinga was the importance of adopting an implementation strategy as this provided great support for the planning and implementation of the field days and helped to exceed the original target.

*1.4 Number of young people trained on low carbon agriculture.*

The interest from schools in the ‘Low Carbon Agriculture training for the youth’ was very high with 126 schools demonstrating interest in enrolment, and 44 being selected for participation. Training for young people was slightly under target by 42. This is due to a challenge in obtaining school enrolment data and removing duplicates during analysis. Due to the high interest and the previous challenge with data collection being identified at an early stage, we don’t foresee any further issues in achieving or exceeding this target.

Overall, the indicators for Outcome 1 were difficult to execute during the pandemic, however, 2022 allowed both PRS Cerrado and PRS Caatinga to implement the required field activities, contributing to the large increase in the number of farmers who received training in low-carbon technologies.

**C2. Describe any changes to this output during the past year, and any planned changes as a result of this review.** [1 paragraph]

It was observed that whilst targets were well exceeded in 2022, the overall progress is off track and there is a concern this training won’t translate to on-farm implementation. The 2022 increase is attributable to the ability to reach a wider base of participants because of the online capacity and so to address overall progress, the targets for PRS Caatinga have been increased for the following year.

* For PRS Caatinga, this output was largely impacted by the Covid-19 pandemic and the ability to hold face-to-face engagement. As such, more courses were made available online and throughout 2022, the online introductory courses continued to grow, serving as a valuable tool to reach more people. It is planned to keep utilising online capacity to continue maximising the current reach.
* For PRS Cerrado, there were challenges in meeting targets. Until the start of 2023, the executing agency calculated this indicator by counting the number of participants in training events, not recording the individuals trained. This led to some double-counting and skewed the results. Going forward, the agents trained will be recorded to ensure accuracy of the results.
* For PRS Amazon, the targets were revised specifically to capture indigenous farmers trained on LCA tech, as it is expected that indigenous communities will be important beneficiaries.

**C3. Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead** [1-2 paragraphs]

There are no recommendations from the previous AR.

As part of the effort to educate and inform perceptions of the benefits of LCA practises, one of the successes has been the master’s degree course. After the approval of the master’s degree programme, 26 people were selected from 174 pre-registered applicants. A second edition was then offered, which saw a significant increase in participants from the four states in the project, especially among the ATECs. The training of farmers on LCA tech also highlighted several key lessons learned which helped to exceed the target. Firstly, the delivery partners found increased participation in training activities when stakeholders who rural farmers trusted were involved. This included municipal secretariats, rural organisations and local productive arrangements. Secondly, allowing flexibility in the implementation process allowed PRS Caatinga to shift its focus towards organisations who had previous experience working within sustainable practises.

Whilst these indicators are effective at monitoring training participation, they don’t necessarily provide information relating to the effectiveness of the training or whether this training has supported the long-term goal of implementing LCA practices. This review recommends working with the Defra programme team to revise Output 1 indicators to ensure monitoring captures if capacity has been strengthened for participants of training events. This should include further monitoring to ensure the quality of training supports on-farm implementation such as '% of training participants who can identify how they have used the training 6 months later’.

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| **Output Title** | Increased agricultural productivity and areas with sustainable land use, through LCA implementation, in already deforested and degraded areas | | | |
| Output number: | | 2 | Output Score: | ***A*** |
| Impact weighting (%): | | 60% | Weighting revised since last AR? | [If Yes, up or down?] |

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| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 2.1 Hectares of land brought under sustainable management | Caatinga: 1000 | Caatinga: 939 – Under target |
| 2.3 Number of studies assessing the impact of low carbon technology in the environment and supply chains | Caatinga: 1 | Caatinga: 1 - On target |

**C1. Briefly describe the output’s activities, and provide supporting narrative for the score.**

In 2022, there were two indicators which measured progress towards delivering Output 2 (Increased agricultural productivity and areas with sustainable land use, through LCA implementation, in already deforested and degraded areas). These activities focused on restoring deforested areas or degraded pastures in PRS Caatinga. Activities were not due to be carried out in PRS Cerrado and PRS Amazon in 2022, so there were no targets to deliver against.

For indicator 2.1, the total area was an estimation of the MUs within the project. 939 hectares of land were brought under sustainable management, against a target of 1,000. Sustainably managed land is defined as the increase in the percentage of native or secondary forest within the project areas.

Due to Covid-19 delays, the project did not manage to start the implementation of low-carbon technologies in the chosen MUs until later than expected, meaning the target was not achieved. However, because of the relatively small discrepancy (6.1%) and its circumstances, we anticipate that this target will be met in future years.

For indicator 2.3, one study was delivered against a target of one. The study was titled “*Consolidating Professional Qualification of Technical Assistance and Rural Extension for Low Carbon Agriculture Technologies in the Semiarid Region”* andfocused on the impact of low carbon technology on the environment with specific reference to the unique socioeconomic context of the Caatinga biome. Through this process, IDB identified that rural access to technical assistance is very low, and this helped to explain the lack of knowledge about sustainable practices and subsequent low productivity amongst farmers. The results from this study helped to inform the preparation of project activities in PRS Caatinga by identifying knowledge gaps of the ATECs, which allowed training days to be tailored appropriately.

**C2. Describe any changes to this output during the past year, and any planned changes as a result of this review.**

Firstly, some of the approved Demonstrating Units (DU) previously included, decided to leave the project (sale or lease the property). The plan was to replace these DUs, but the project found it difficult to find replacement options. Secondly, although IDB started to help to improve capacity building in the area, the actual implementation of integrated systems was not possible in 2022. However, with the time extension, the targets will be postponed until 2025 to ensure this output is comprehensively delivered.

**C3. Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead**

There are no recommendations from the previous AR. For indicator 2.1, PRS Caatinga’s increased focus on delivering educational activities had a positive impact across other outputs. For example, the studies developed by PRS Caatinga allowed more effective training programme for ATECs, which was created after identifying knowledge gaps.

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| --- | --- | --- | --- | --- |
| **Output Title** | Market barriers for farmers reduced, through the development of value chains and increased access to markets | | | |
| Output number: | | 3 | Output Score: | ***A+*** |
| Impact weighting (%): | | 10% | Weighting revised since last AR? | [If Yes, up or down?] |

|  |  |  |
| --- | --- | --- |
| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 3.1 Number of farmer’s organisations strengthened through improved capacity and/or benefits | Caatinga: 10 | Caatinga: 20 - Exceeded |

**C1. Briefly describe the output’s activities and provide supporting narrative for the score.** [max 1/2 page]

In 2022, Rural Sustentavel delivered against Output Indicator 3.1 which looked to strengthen the capacity and/or collected benefits of farmers’ organisations in the Caatinga biome. A ‘strengthened’ organisation will be measured upon completion of the project, through several indicators, including:

* Increase in sales price.
* Increase in the number of products marketed through the organisation.
* Increase in institutional financial management (or profit margin).

Initially, workshops were organised with each of the 42 Productive Organisations (OSPs) to better understand the specific needs of the individual organisations and their affiliated properties (MUs). These workshops provided significant inputs for the creation of business plans and to identify the key collective benefits.

The field activities carried out with rural associations showed substantial progress in 2022. Against a log frame target of ten, IDB and the executing agencies managed to strengthen 20 farmers’ organisations. In addition to promoting the development and improvement of small producers, the Productive Local Arrangements (APLs) enabled them to provide better infrastructure for processing goods and improved market access for the community.

In September, six of the organisations that provide technical assistance and participated in the training process became members of the ABC Caatinga Network. This collective aims to promote research on LCA technologies in the Caatinga, helping to benefit students, researchers, family farmers and the surrounding community.

**C2. Describe any changes to this output during the past year, and any planned changes as a result of this review.** [1 paragraph]

Originally, this indicator had a target of 13 to be achieved in 2022 by PRS Cerrado, however, this had to be re-assigned to future years of the project. This was due to a delay which impacted the initiation of field activities.

This output is not scheduled to be reported on in PRS Cerrado and PRS Amazon until 2024 and 2025 respectively, and based on the success in 2022, we will review if the targets should be increased.

**C3. Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead** [1-2 paragraphs]

There are no recommendations from the previous AR, as this output was not being reported on in 2021. Going forward, we recommend working with the Defra programme team to revise the Output 3 indicator to ensure we can monitor progress towards reducing market barriers for farmers. This should be included in an updated the log frame in the first half of 2024.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Output Title** | Improved partnerships between project stakeholders (e.g. executing agencies, government) and strengthened dialogue on LCA | | | |
| Output number: | | 4 | Output Score: | ***A+*** |
| Impact weighting (%): | | 5% | Weighting revised since last AR? | [If Yes, up or down?] |

|  |  |  |
| --- | --- | --- |
| **Indicator(s)** | **Milestone(s) for this review** | **Progress** |
| 4.1 Number of workshops organised by Rural Sustentavel to promote policy dialogue | 25 | 26 - Exceeded |
| 4.2 Number of international stakeholders aware about Rural Sustentavel | N/A | 50 – Exceeded expectations but no official target to monitor against |

**C1. Briefly describe the output’s activities and provide supporting narrative for the score.** [max 1/2 page]

Output 4 is comprised of two output indicators, 4.1 and 4.2, that together determine progress towards strengthening stakeholder partnerships, the discourse of LCA and market access for sustainable agriculture products. They are measured at an overall programme level rather than being project specific.

For indicator 4.1, the objective of the workshops was to engage and share programme results with local stakeholders, whilst for indicator 4.2, the number of international stakeholders refers to an estimation of stakeholder participation at the launch of Amazonia project at COP27.

The executing agencies conducted nine policy workshops with public organisations at the federal, state and municipal levels to disseminate results, explore cooperation and funding opportunities. The first event was held in the House of Representatives which was titled: “Exhibition on the Caatinga Biome”. Workshops were also delivered by virtual webinars to public organisations, private companies and NGOs to disseminate knowledge about challenges and opportunities within each biome.

To engage international stakeholders, IDB, The Brazilian Ministry of Agriculture, Livestock and Food Supply (MAPA) and the Governor’s Legal Amazon Consortium jointly announced the launch of PRS Amazon at COP27 in Sharm El-Sheikh. This was delivered to at least 50 international stakeholders, despite this indicator not having an initial estimated target. A strategy on the objectives and target audience of the activities of PRS Amazon was developed, which will be used as a guide during the implementation of activities in the region.

**C2. Describe any changes to this output during the past year, and any planned changes as a result of this review.** [1 paragraph]

For indicator 4.1, the original objective of the programme was to organise eight seminars with policymakers (at federal, state, and municipal level) over the whole programme period. However, due to the restrictions imposed by Covid-19, these meetings started to be held in an online format. Attendance and discussions were good, and some face-to-face meetings were held in 2022 to maintain engagement.

**C3. Progress on recommendations from the previous AR (if completed), lessons learned this year and recommendations for the year ahead** [1-2 paragraphs]

There are no recommendations from the previous AR.

For indicator 4.1, the engagement with the Federal government (MAPA) has been essential for the development of all the activities mentioned. According to MAPA, the project execution and the information gathered during this process will allow a better alignment between national public policies, state plans and project activities, supporting the strengthening of the ABC+ plan as a whole and involving actors and initiatives that allow the creation of synergies.

With regards to indicator 4.2, the key recommendation is to develop a strategy on what the objectives and target audience of these activities should be, to help guide the efficient implementation target. An exercise should also be undertaken within the next year to map out future opportunities/events to engage with international stakeholders. Targets should then be devised based on this mapping exercise. This should be completed by the end of Q2 2024.

We recommend working with the Defra programme team to revise the Output 4 indicators to ensure we can monitor progress towards improved partnerships and strengthened dialogue, and long-term goal of policy replications. This should be included in an updated log frame in the first half of 2024.

**D: RISK** [½ to 1 page]

**Overview of risk management** [1/2 - 1 page]

Risks associated with impact and reaching milestones have been described in each output section. However overarching or notable risks have been summarised below. At the conclusion of this Annual Review, the programme is considered to have an overall risk rating of **Major.**

There are two primary levers for monitoring and managing programme risk. The first is through regular reporting from IDB. We use monthly checkpoint meetings, quarterly reports and an annual overview report to monitor project level progress, risks and mitigation strategies.

The second, is the 2021 risk register, which was created in response to a recommendation from AR19. This is a more detailed document used to inform and monitor mitigation efforts in response to some of the larger challenges such as Covid-19 related delays.

The main risks facing the programme during the 2022 reporting period were as follows:

* In 2022, programme activities were focussed on the delivery of workshops and training with the aim of strengthening capacity and understanding of LCA practices. Without considered targeting of training and follow-up monitoring to understand the effectiveness, there is a risk that training activities do not lead to implementation on-farm.
* If new farming techniques are implemented following the strengthening of capacity, there is a risk that livelihoods won’t be improved, or these farming practices won’t be economically sustainable if they don’t provide access to new markets and/or greater profits.
* Following delays to the delivery of the revised programme targets, there is a risk to the ability of the programme to deliver long-term environmental and social change.
* The revision of targets for PRS Cerrado raises questions as to whether the project and overall programme is still delivering VfM and to what extent. As the case for a no-cost extension for PRS Cerrado would be accompanied by a full Benefit-Cost-Ratio, we recommend a review of the VfM delivered by these revised targets. This should be carried out by the end of Q2 2023.
* All IDB financed operations adhere to environmental and safeguarding policies. The quarterly and annual reports should contain project level safeguarding updates/issues; however, detail has not been sufficient in 2022 reports. We recommend that these reports provide a dedicated section on how safeguarding policies are being reflected in each project, to understand how this complies with Defra’s ICF safeguarding standards. This should be completed by the end of Q2 2024. The safeguarding policies are as follows:
  + - Environmental and Safeguards Compliances Policy (OP-703)
    - Gender Equality in Development (OP-761)
    - Indigenous Peoples Policy (OP-765)
    - Involuntary Resettlement Policy (OP-710)
    - Disaster Risk Management Policy (OP-704)

**E: PROGRAMME MANAGEMENT:** **DELIVERY, COMMERCIAL & FINANCIAL PERFORMANCE** [1 ½ - 2 pages]

**Summarise the performance of partners and Defra, notably on commercial and financial issues.** [max 1 page]

The programme management has been mostly satisfactory over the last year. We meet with IDB on a monthly basis to discuss progress of the project. We receive quarterly reports which highlight the key achievements in delivering targets from the previous three months, as well as any challenges faced. The creation of the risk register and the consistent reporting through monthly checkpoint meetings, quarterly reports and the annual report, has allowed progress and any issues to be monitored more closely, although we recognise this can further improved as detailed above.

There was a senior official visit to Brazil in 2022, with visits to PRS Cerrado and PRS Amazon and meetings with government officials in Brazil. This was an opportunity to review the project and risk management of Rural Sustentavel and discuss how to enhance and improve monitoring and evaluation of the impacts of the programme.

Post is very active in the programme’s steering committee, which includes the delivery partner, executing agencies and Brazilian government officials, where they discuss individual project progress and project management. We have weekly discussion with post about the programme where we discuss key issues and key updates from the UK and Brazilian side.

The management of this programme from Defra’s side was under-resourced from late 2022. This caused minor issues for monitoring and resulted in the 2021 annual review not being completed, however the performance against output indicators was still submitted by IDB and overview of the programme performance from this year can be found in Annex B and C. These resourcing gaps have since been filled and increased monitoring and engagement with all programme partners is already underway.

**E2. Assess the VfM of this output compared to the proposition in the Business Case, based on performance over the past year** [max 1 page]

**Introduction:**

The Rural Sustentavel (LCA Phase II) programme is a pivotal initiative aimed at fostering LCA, mitigating GHG emissions, whilst increasing the income of producers and endorsing sustainable agricultural practices across Brazil. As per standard practice, VfM assessments compare current progress of the programme outputs against the approved programme targets. In addition, progress is assessed through consideration of Economy, Efficiency, Effectiveness, and Equity.

**This assessment is taken against the programme’s revised approved targets rather than original targets.** As set out in Section B1, despite the reductions in some targets from previous years, the project is still assessed to deliver VfM under the revised targets.

**Economy:**

The Rural Sustentavel programme is underpinned by a robust financial framework. As part of the agreement in December 2016, Defra contributed £30 million to IDB for the execution of Rural Sustentavel, in addition to the outstanding balance of £7.8 million from Rural Sustentavel Phase 1. This results in a total contribution from Defra of £39.2 million. This programme operates across diverse biomes in Brazil, with the programme delivering a tailored set of activities and budget for each biome to ensure that the funds are best utilised to achieve the desired outcomes.

The IDB have a wide-ranging background of providing financial and technical support to drive progress towards sustainable and inclusive development amongst other aims, dating back to 1959. The programme is managed by an IDB in-country team in Brazil and IDB has robust procurement policies in place to ensure activities and inputs are procured appropriately and able to function in the appropriate region.

Furthermore, the programme's alignment with various international climate objectives and Defra's 25-Year Environment Plan supports a strategic allocation of resources. The programme has also delineated clear targets associated with the existing budget and the potential additional resources, offering transparency in budgetary considerations.

**Efficiency:**

As set out above, the fund has so far received US$48m (£37.8 million) in contributions from Defra from 2017-2021. It has also generated US$1.2m (£947,000) in income from investments, with administrative expenses of US$2m (£1.57 million) over that period. Of this available resource, US$39.1m (£30.86 million) has been allocated to five approved projects, with two increases in these allocated funds set to be approved in 2023. Of this approved funding, c34% (US$13m) has been disbursed to date (c28% of Defra total programme funding), reduced by PRS Amazon which was only approved in late 2021.

PRS Cerrado and PRS Caatinga were approved in mid-2019 and have disbursed 41% and 66% of the approved funding respectively. Considering the delays to the projects caused by the Covid-19 pandemic, it appears likely the approved project funding will be utilised as planned by the end of 2024. Plans are also in place to utilise the unallocated funding to increase the funds available under PRS Cerrado ($5.5m) and PRS Amazon ($2.5m) for approval in 2023.

Table 1 - Rural Sustentavel project funding allocations and disbursement to date (2017-2022)[[1]](#footnote-2)

|  |  |  |  |
| --- | --- | --- | --- |
| **Project** | **Approved funding** | **Disbursed funding** | **Disbursed %** |
| MATOPIBA Kick off project | $0.2m | $0.2m | 100% |
| Caatinga | $5.0m | $3.3m | 66% |
| Cerrado | $23.0m | $9.4m | 41% |
| Amazon | $9.6m | $0.1m | 1% |
| Monitoring and evaluation | $1.2m | $0.3m | 27% |
| **Total allocated funding** | **$39.1m** | **$13.3m** | **34%** |
| **Unallocated** | **$9.2m** | **N/A** | **N/A** |

Through this disbursed funding, outputs are beginning to be delivered on the ground, particularly for PRS Caatinga and PRS Cerrado which commenced in 2019. As set out within the effectiveness section below and output overviews above, the projects are largely on track to deliver the desired outcomes of the overall programme. The delivery partner has taken steps to ensure strong data collection and analysis to tailor project design and delivery in order to ensure capacity and resource is being best directed to deliver on the objectives.

Despite the challenges posed by the Covid-19 pandemic, the programme adapted by shifting to virtual platforms for engagement, which not only maintained but, in some cases, exceeded target engagements. This demonstrates an ability to adjust operations to maintain efficiency under unforeseen circumstances.

**Effectiveness:**

The effectiveness of the Rural Sustentavel programme, i.e., how well outcomes are being achieved with the resources provided, is demonstrated by progress against its targets. Seven of the targets with estimated results under the output and outcome indicators have been met (one) or exceeded (six) in 2022. Although four were not met, two were less than 10% from achieving the 2022 target (Output Indicators 1.4 and 2.1).

The two indicators notably under their 2022 targets were Outcome Indicator 2a (26% below) and Output Indicator 1.2 (45% below). Both are closely linked, with the rationale for failing to deliver on their 2022 targets set out in the relevant sections of this review. Neither are expected to prevent the programme from achieving its overall targets at the end of the programme period, with the programme outputs effectively resulting in the intended impacts.

Table 2 - Summary table of programme performance against indicator targets[[2]](#footnote-3)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Output Indicators | Outcomes | Total |
| Number of Indicators delivered against | 1 | 0 | 1 |
| Number of indicators exceeded | 5 | 1 | 6 |
| Number of indicators not delivered | 3 | 1 | 4 |

**Equity:**

Equity remains at the forefront of the programme's objectives. Brazil’s 2017 Agricultural Census indicated that smallholders represent 77% of all farming establishments in Brazil, however, they only occupy 23% of all cropland. In the Caatinga and Cerrado specifically, it is estimated that 24 and 18% of smallholdings are women-led, 53% and 28% respectively are illiterate, and 68% in Caatinga and 44% of smallholder production in the Cerrado is produced for self-consumption rather than commercially sold.[[3]](#footnote-4) By targeting support at both small- and medium-sized farms, tailoring activities in each biome for the unique needs of those regions and communities, the programme promotes an inclusive approach to sustainable agriculture.

For example, the programme recognised that producers in the Caatinga regularly navigate water scarcity, unlike those in the Cerrado and Amazon biomes. This led to a partnership with EMBRAPA to research the most optimal LCA technologies for the region. The knowledge of local producers who have traditionally navigated water scarcity was included in the study. Furthermore, to ensure indigenous groups are included as beneficiaries in the Amazon, at least 20 of the 300 producers that receive improved credit from PRS Amazon must come from indigenous communities.

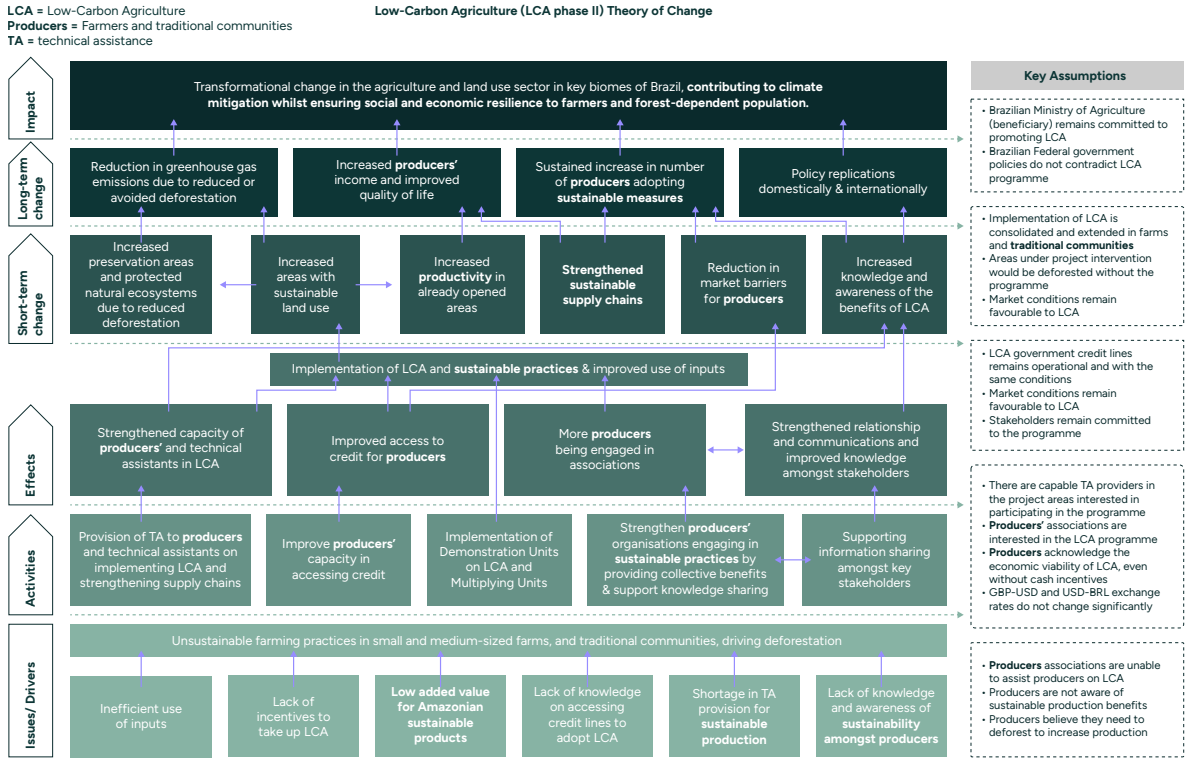
The programme has made efforts to engage a wide range of beneficiaries, from farmers to technical agents to young people. The focus on training and capacity-building ensures that these beneficiaries have the tools and knowledge they need to benefit from the programme. In March 2022, gender-focused field days were organised, some of which were tailored to empower women and highlight the role of women in agriculture and family farming. This demonstrates the programme's commitment to promoting gender equity in its operations. In order to improve the equality and accessibility to LCA technologies, Rural Sustentavel should start to collect data on the gender of those supported by each project.

**Conclusion:**

As per the VfM review in 2023, the Rural Sustentavel programme demonstrates good VfM across the four dimensions of Economy, Efficiency, Effectiveness, and Equity. While there are areas for improvement, especially in meeting certain targets and the need to rapidly scale up activities under PRS Amazon, the programme's adaptability, stakeholder engagement, and focus on equity position it well to deliver on its objectives. Many indicators have targets in place from 2023 onwards which will enable even greater scrutiny of the programme’s performance. The data-driven approach of the programme to assessing avoided deforestation and the detailed field surveys for sustainable agricultural practices give confidence in the estimates of the programme's impacts and subsequent recommendations for development.

|  |  |  |  |
| --- | --- | --- | --- |
| Date of last narrative financial report |  | Date of last audited annual statement |  |

**Annex A – Theory of Change**



**Annex B – Annual Review 2022 Recommendations**

***Recommendation 1*:** Establish and report baseline data for Outcome Indicators 1, 7 and 8 within the first half of 2024. As baseline data was not collected at the time, work with the Defra programme team and MEL supplier to agree an acceptable methodology for asking sampled beneficiaries to estimate change in income etc over time retrospectively, using appropriate techniques to anchor recollection of the baseline period.

***Recommendation 2*:** Work with the Defra programme team to revise Outcome Indicators to ensure they can demonstrate progress towards the long-term goal of reducing producer poverty and update the log frame accordingly in the first half of 2024. This should include the consideration of reporting numbers of people rather than percentage change.

***Recommendation 3*:** For Outcome and Output Indicators designed to monitor progress towards the long-term goal of reducing producer poverty, provide details on how programme activities are designed to target those in poverty status.

***Recommendation 4*:** Work with the Defra programme team to revise the monitoring methods for outcomes which support progress towards the long-term goal of reducing GHG emissions, to ensure efficient reporting, and update the log frame accordingly in the first half of 2024.

***Recommendation 5*:** Work with the Defra programme team to revise the Output 1 indicators to ensure monitoring captures whether capacity has been strengthened for participants of training events. This should include further monitoring to ensure the quality of training supports on-farm implementation such as '% of training participants who can identify how they have used the training 6 months later’.

***Recommendation 6*:** Work with the Defra programme team to revise Output 3 indicators to ensure they can monitor progress towards reducing market barriers for farmers and update the log frame accordingly in the first half of 2024.

***Recommendation 7*:** Work with the Defra programme team to revise the Output 4 indicators to ensure they can monitor progress towards improved partnerships and strengthened dialogue, and long-term goal of policy replications, and update the log frame accordingly in the first half of 2024.

***Recommendation 8:*** To ensure programme activities are properly targeting and addressing issues related to gender, equality and social inclusion, we recommend a review into which output data sets can be disaggregated by these fields, an evaluation of the Caatinga project to understand how gender equality and social inclusion was considered in the project design and delivery, and the creation of a gender quality and social inclusion workplan to improve and monitor the promotion of promote gender equality and social inclusion through the programme. This should be delivered in the first half of 2024.

***Recommendation 9:*** We recommend that going forward the quarterly and annual reports contain project level safeguarding updates/issues which also reflect Defra’s safeguarding standards. We recommend that these reports provide a dedicated section on how safeguarding policies are being reflected in each project to understand how this complies with Defra’s ICF safeguarding standards. This should be completed by Q2 2024.

**Annex E- Log Frame**



















1. 2022 Annual report [↑](#footnote-ref-2)
2. Note: this table only includes indicators for which data (milestone and planned results are available for and that have been estimated.) [↑](#footnote-ref-3)
3. <https://www.climatepolicyinitiative.org/publication/smallholders-in-the-caatinga-and-the-cerrado-a-baseline-analysis-for-a-rural-just-transition-in-brazil/#N2> [↑](#footnote-ref-4)