

## Ex-Ante Evaluation

Private Sector Partnership and Finance Department, JICA

### 1. Name of the Project

Country : The Federative Republic of Brazil

Project : Agriculture Supply Chain Enhancement Project

Loan Agreement : September 12, 2018

Borrower : Amaggi Exportação e Importação Ltda. (“Amaggi”)

### 2. Background and Necessity of the Project

Brazil traditionally boasts a thriving agricultural sector in the southern part of the country, which enjoys favorable natural conditions. In the second half of the 1970s, the Brazilian government launched a project to transform shrubberies in the Central-West Region into farmland of grains such as soybeans and corn. As a result, the region has become a huge grain belt that accounts for some 80% of Brazil’s grain production, making the country one of the world’s major grain exporters. Currently, Brazil is the world’s No. 1 exporter of soybeans and No. 2 exporter of corn, accounting for some 40% and 20% of total exports, respectively, and thus it plays a vital role in global food security. Now that the development of farmland across the Central-West Region has been largely completed, the pressing issue is to achieve agricultural development in northeastern Brazil, including the eastern part of Mato Grosso State, in the context of increased agricultural production and balanced regional economic development.

In its Multiple-Year Plan (PPA) for 2016-19, established in 2015, the Brazilian government identified the development of the North and Northeast regions--which lag behind other regions in agricultural productivity and economic development--as one of the national priorities. Regarding the agriculture sector as a pillar of development in these two regions, the government has been promoting agricultural development and developing a logistical infrastructure network for grains under the third Growth Acceleration Program (PAC3), established in 2015. Yet two challenges have remained: (i) slow progress in the development of grain warehouses and other terminal facilities, and (ii) a large proportion of less-capitalized small/medium farmers.

Japan’s Country Assistance Policy for the Federative Republic of Brazil of December 2012 states that Japan’s assistance will focus on sectors that support the stable supply of food resources in light of PAC3, as part of its efforts to support sustainable development in Brazil and promote a mutually beneficial partnership with the country. Agricultural development in northeastern Brazil was also on the agenda of both bilateral policy talks that were held within the framework of Japan-Brazil Dialogue on

Agriculture and Food--which was launched following the Japan-Brazil Summit Meeting in August 2014--and the Wise Men Group on the Japan-Brazil Strategic Economic Partnership. For its part, JICA plans to focus on helping to boost the productivity of those grains that are of special benefit to Japan, for the purpose of Japan's food security.

The Project contributes to the implementation of the policy of the Brazilian government mentioned above. Under the Project, Amaggi, a Brazil-based major grain company that exports grains to Asia including Japan, aims to promote agricultural development and expand the grain collection network in northeastern Brazil, including the eastern part of Mato Grosso State, which provides a promising source of grains. Project components include developing agricultural infrastructure, lending cultivation funds that support management stabilization for less capitalized farmers, and scaling up extension services designed to increase unit crop production. The Project also contributes to Goal 2 of the SDGs (sustainable agriculture among other targets), as it benefits industrial development and sustainable agriculture in the country.

### 3. Project Description

#### (1) Project Objective

The Project is designed to improve farm production logistics and improve agricultural productivity in northeastern Brazil through (i) the development of grain transport infrastructure aimed at coping with increasing production and shipments, (ii) offering cultivation funds and extension services to farmers for improving their agricultural productivity, and (iii) providing integrated assistance in buying and gathering grains, thereby contributing to the promotion of agricultural development in the region.

#### (2) Project Site/Target Area

Northeastern part of the Federative Republic of Brazil, including the eastern part of Mato Grosso State

#### (3) Project Component

Development of grain logistics infrastructure, the lending for grain farmers, and the purchase of grains

#### (4) Schedule

September 2018: Signing the loan agreement

From 2018: Developing grain logistics infrastructure, Lending funds for farmers and purchasing grains

#### (5) Environmental and Social Consideration/Poverty Reduction/Social Development

## 1) Environmental and Social Consideration

① Category: FI

② Reason for Categorization: In light of the JICA Guidelines for Environmental and Social Considerations (JGESG), announced in April 2010, sub-projects cannot be specified prior to JICA's approval of funding of the Project, and such sub-projects are expected to have a potential impact on the environment. In accordance with Brazil's domestic law and JGESG, Amaggi classifies each sub-project and takes necessary measures according to the category thus identified. Any sub-project of Category A will be exempt from this project.

2) Promotion of Poverty Reduction: None

3) Promotion of Social Development: None

(6) Collaboration with Other Donors: Co-financing with a private financial institution

(7) Other Important Issues: None

## 4. Targeted Outcomes

The facility usage in grain logistics infrastructure and the volume of grains gathered by Amaggi from the area covered by the Project are subject to monitoring, among other quantitative effects of the Project. The expected qualitative effects of the Project include progress in agricultural development and economic development in the region.

## 5. External Factors and Risk Control

None

## 6. Lessons Learned from Past Projects

Lessons learned from the past agricultural infrastructure projects and the like include the importance of appropriate operation and management (O&M) planning by the executing agency, financial backing, and steady implementation monitoring for sustained project outcomes. There is no significant concern about sustained outcomes of the Project. Amaggi practices appropriate O&M of logistics infrastructure, including the existing grain warehouses, and as a result boasts a high facility usage rate. For the infrastructure to be developed under the Project, the company secures a budget that covers O&M as well. Also, it practices regular monitoring through its local branches.

## 7. Plan for Future Evaluation

(1) Indicators to be used

As shown in Section 4 above.

(2) Timing

2023 (2 years after the completion of loan disbursement)

END