

## EXECUTING ENTITY CAPACITY ASSESSMENT CONFIRMATION LETTER

June 13, 2023

### Introduction

As Accredited Entity (AE), Fundación Avina is submitting a funding proposal for the project “Marajó Resiliente: Enhancing the resilience of smallholders to climate change impacts through adapting and scaling up diversified agroforestry systems in the Marajo Archipelago of Brazil”. This project has established three key components: - *Component 1: Implementation of Diversified Agroforestry Systems (DAS)*; - *Component 2: Local climate governance*; - *Component 3: Access to markets*.

Fundación Avina will act as Executing Entity (EE) for activities related to component 1 and 2 (sole EE for Component 2). Activities under component 1 and 3 will be co-implemented with the intervention and support of two EEs which has been duly assessed based on the eligibility criteria to evaluate their operating and technical capacity. Those EEs with the corresponding component to be implemented are as follows:

- **Component 1:** Implementation of Diversified Agroforestry Systems (DAS) under the responsibility of *Belterra Agroflorestas Ltda (Beltarra) as EE along with Fundación Avina*.
- **Component 3** – Access to Markets and Credit to be handled by *Instituto Conexões Sustentáveis (CONEXSUS) (sole EE for this component)*.

### EEs contact information

#### **Belterra Agroflorestas Ltda. (Beltarra)**

CNPJ 36.697.315/0001-87

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#### **Instituto Conexões Sustentáveis – (CONEXSUS)**

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## Executing Entity assessment criteria

### Component 1: Implementation of Diversified Agroforestry Systems (DAS) – implemented by Belterra Agroflorestas Ltda (Belterra)

#### Organization background

**Belterra Agroflorestas Ltda (Belterra)**, <https://www.belterra.com.br/en> is a private company that aims at promoting land and ecological restoration, focusing on smallholder and mid-size properties, by applying regenerative agricultural practices, such as agroforestry systems. This means that those low-productivity degraded lands can be turned into productive forests, positively impacting both society and environment. Producers can then benefit from their increased income generation while society benefits from the restored ecosystem services supply. Belterra's agroforestry system is scalable and modeled for generating high-value supply chains, always listening to market demands and the producer's interests.

Belterra is legally established in Curitiba, Brazil, under the Cadastro Nacional Da Pessoa Jurídica (CNPJ) 36.697.315/0001-87, and located at Avenida Vicente Machado, 2584, Centro, Curitiba/PR, 80440-020, Brazil.

#### Projects management/execution experience

- Evaluation of 2 major projects (2019-2022), jointly undertaken with 5 organizations which were responsible for implementing agroforestry systems, executing more than USD5MM received from private sector. By means of these projects, divided in two phases, it was possible to implement nearly 2,000 hectares in the Brazilian biomes: Amazon Forest, Atlantic Forest and Cerrado. Projects developed by Belterra contributed with the Funder's target to restore 100.000 hectares by 2030.
- Managing this funding range requires a high level of commitment and accountability not only with communities, but with funder. The renewal of this support clearly demonstrates Belterra's good standing.
- The focus of these projects, among others, is also relevant as Belterra will be considered to lead, in collaboration with Fundación Avina, Component 1 of the project Marajó Resiliente, which is related to the implementation of Diversified Agroforestry Systems (DAS).
- Belterra works in conjunction with Instituto Belterra. Both have executed funds from different grantors and awarded **grants** to:
  - o develop financial instrument to foster bioeconomy;
  - o develop common knowledge in agroforestry;
  - o foster planting of seedling; and
  - o develop local communities through income generating projects.
- Belterra has also developed and implemented other financing mechanisms (**capital markets** – agroforestry system plantations-, **debt instruments** – degraded land restoration-, and **warranties** – degraded land restoration)

#### Environmental and

Belterra has been exposed to executing processes that have reinforced its

<i>social risks</i>	operating capacity on environmental and social risks assessments. By means of the execution of projects financed by different funders, Belterra has been supported by one organization that leads procedures in the field of social and environmental certification.
<i>General management and administrative capacities</i>	<ul style="list-style-type: none"> <li>- Management and administrative capacities led by a governance body comprised of a Chief Executive Officer, Operational Managers, Chief Financial Officer, Human Resources Coordinator, and other key functions, demonstrates a robust structure with different levels of responsibilities.</li> <li>- Belterra has a Governance, Risks and Compliance Committee in place and the company is transforming into a corporation for which a Board of Shareholders will be appointed.</li> <li>- Its headcount is comprised of more than 200 employees who work in different locations established in: Camamu/BA ; Altamira/PA ; Porto Velho/RO ; Patos de Minas/MG.</li> </ul>
<i>Financial management and accounting</i>	<ul style="list-style-type: none"> <li>- Copy of the financial statements for 2020, 2021, and 2022 prepared by an external auditor have been provided. Starting 2020 as this was the year of establishment of the company.</li> <li>- Belterra uses the SAP ERP to manage purchasing processes. Accounting and tax information is prepared by a third-party specialized company, then submitted to the Company for approval. An adequate list of major reports prepared by Belterra on a weekly and monthly basis has been provided.</li> </ul>
<i>Internal and external audit</i>	<ul style="list-style-type: none"> <li>- Belterra uses an external specialized accounting firm which applies internationally recognized standards in Brazil ( BRGAAP).</li> <li>- Audit committee will be created in 2023 as part of the transformation of the Company into a corporation.</li> </ul>
<i>Control framework</i>	Verification of control framework implemented mainly focused on managing agroforestry systems, deploying different instruments and processes for the different stages of prospecting, planning, and implementation/maintenance.
<i>Procurement</i>	A brief Procurement policy has been submitted in which it is indicated that all purchases must be processed through Easy4ll Web Portal (SAP), the level of authorized approvals, number of offers required, and payment information. Flowchart is also presented to illustrate the process. This flowchart is easy to understand and facilitates the comprehension of the process.
<i>Code of ethics</i>	The Code of Ethics and Conduct has been provided and it clearly demonstrates Belterra's commitment on this core area.
<i>Preventing financial mismanagement</i>	<ul style="list-style-type: none"> <li>- Belterra has experience on accessing financial resources from national and international funders, all related to agroforestry.</li> <li>- Code of Ethics and Conduct as well as Anti-Corruption and Anti-Bribery Policy have been provided to demonstrate Belterra's commitment to Zero Tolerance of fraud, mismanagement, and any type of malpractice.</li> </ul>

	<p>Belterra has a channel to report any misconduct available on its website. All reports are managed by an independent company – Código Conducta – to ensure independency of the process. They also have enabled a check box to accept the conditions before continuing with the registration of a complaint. Any matter related to malpractice will be forwarded to the Ethics Committee once it is established by the middle of 2023. Procedures for whistleblowing protection will also be developed within the restructuring of reports considered with the implementation of the Ethics Committed. A reference about whistleblowing is included in the Anti-Corruption Policy.</p>
<i>Fiduciary information</i>	<p>Belterra's capacity on tracking projects they directly implement can be clearly demonstrated. Increased number of hectares (3.634 has by the time of this assessment) and practices applied reinforces this evaluation.</p>
<i>Environmental and social risks</i>	<ul style="list-style-type: none"> <li>- Appraisal template submitted by Belterra mostly includes conditions related to legal documentation, access, infrastructure, and business model which are evaluated to decide whether to implement the project or not.</li> <li>- The risk assessment template provided in item 47 demonstrates Belterra's capacity to assess different elements since the preparation of the projects.</li> </ul>
<i>Project oversight and control / Monitoring and evaluation</i>	<ul style="list-style-type: none"> <li>- Belterra has mechanisms in place to respond to its commitment to oversee and control projects implementation.</li> <li>- Belterra's capacity on M&amp;E is clearly demonstrated for projects they directly developed.</li> <li>- Implementation plans are developed, daily oversight is performed, weekly calls with management are also held. This way, Belterra keeps a close support and direct intervention in the development of the projects.</li> </ul>
<i>Grant award procedures</i>	<p>This aspect was not considered in this assessment as it does not apply to the activities to be developed by Belterra.</p>
<i>Allocation of financial resources</i>	<p>Grants will be subject to target goals and will be paid in tranches.</p>

The following specialized eligibility criteria has been also established for the implementation of activities related to Component 1. Each criterium was duly proven by Belterra.

<b>Fiduciary/Financial criteria</b>	<b>Technical criteria</b>	<b>Others</b>
<ul style="list-style-type: none"> <li>- Brazilian Civil Society Organization (CSO) or Company or Consultant Firm.</li> <li>- Proven record of Financial Execution Expenditure of USD 4.000.000 to USD 5.000.000 in the last 5 years demonstrated through independent audits.</li> </ul>	<ul style="list-style-type: none"> <li>- Proven record of at least 1000 hectares of agroforestry implementation in the last 5 years in Brazil including experience with small scale interventions.</li> </ul>	<p>Project specific capacities:</p> <ul style="list-style-type: none"> <li>- Previous experience with Technical Assistance for Agroforestry site implementation, provision of agroforestry supplies (basic material needs).</li> </ul>

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| <ul style="list-style-type: none"> <li>- Institutional mandate to promote human rights protection and support of vulnerable community's needs.</li> <li>- Proven capacity for monitoring and evaluation of project management and implementation, including achieving expected results.</li> <li>- Proven capacity to register and track project financial flows and budget.</li> <li>- Capacity to inform stakeholders about Fundación Avina's grievance (complaints) mechanism as well as GCF mechanisms and procedures <a href="http://www.belterra.com.br/en/canalaberto">www.belterra.com.br/en/canalaberto</a></li> </ul> | <ul style="list-style-type: none"> <li>- Ability to register and demonstrate environmental, climate and socio-economic results.</li> <li>- Experienced technical team leaders with more than 10 years' experience working in the Brazilian Amazon.</li> <li>- Ability to build capacities for smallholders to disseminate knowledge on climate and diversified agroforestry.</li> <li>- Experience with local participatory monitoring processes and systems.</li> </ul> | <ul style="list-style-type: none"> <li>- Previous experience working in Amazon territories that face similar access and logistical challenges as Marajo.</li> </ul> <p>Desirables:</p> <ul style="list-style-type: none"> <li>- Previous work with gender, youth, community and indigenous peoples 'groups employing participatory processes.</li> <li>- Previous experience working in Marajo</li> <li>- Work in consortium with other key relevant players in the area</li> </ul> |
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### Component 3: Access to Markets and Credit – implemented by Instituto Conexões Sustentáveis (CONEXSUS)

#### Organization background

**Instituto Conexões Sustentáveis** also identified as “CONEXSUS”, is a private non-profit association, which is legally established in Rio de Janeiro, Brazil under the Cadastro Nacional Da Pessoa Jurídica (CNPJ) 10.980.503/0001-24, and located at Av. Rio Branco, 131, Sala 203, Centro, Rio de Janeiro - RJ - ZIP Code: 20040-006 (Clause 1 - founding document).

#### Projects management/execution experience

References of 17 projects undertaken in the past 3 years - ranging from USD 9K to USD 1.6MM, and implemented with funds received from private, multilateral, and philanthropic organizations. Historically, CONEXSUS has received funds from more than 100 different funders. The implementation of these projects responds to the development of three axes pursued by CONEXSUS: community business development, marketing & market access; and access to rural credit & financing. One of these projects was related to social risk, specifically to the resistance to technological insertion in communities.

#### Environmental and social risks

- CONEXSUS has technical experience in developing climate action activities supported with the implementation a 5-year project which focuses on i) strengthening the territory's governance, guided by good management and restoration practices, and ii) increasing access of community enterprises to newmarkets and to adequate impact financing that fosters sustainable production.
- Activities include the co-development of environmental safeguards for the territory, advising program for community enterprises, training to technical assistants in sustainable rural practices and to act as credit enablers, and the implementation of the credit enablers network in the region.

#### General management and administrative capacities

- Verification of the management and administrative capacities led by a governance body comprised of General Assembly; Deliberative Council; Board of Directors; Fiscal Council, each with its corresponding responsibilities; as well as by an operating structure that includes administrative; financial; contracts; financial planning of projects and

	<p>travel Management areas.</p> <ul style="list-style-type: none"> <li>- CONEXSUS has a decentralized network of more than 30 professionals with experience in areas such as rural economy, rural credit, finance, forest conservation, entrepreneurship and sustainable engagement that develop new initiatives and implement projects. Besides, CONEXSUS has presence in the United States (Conexsus-USA) and in Europe.</li> </ul>
<i>Financial management and accounting</i>	Reference of the financial information system which CONEXSUS manages through "Protheus" from TOTVS allowing to control all financial and accounting transactions and registrations required for the operation, projects, and taxregulations from the Government of Brazil.
<i>Internal and external audit</i>	<ul style="list-style-type: none"> <li>- Copy of the audited financial statements for 2019, 2020, and 2021 prepared by Baker Tilly International Limited (Baker Tilly International) private limited company, incorporated in England and Wale, which has provided positive opinions for these three periods.</li> <li>- Confirmation of the alignment with the auditing standards generally accepted inBrazil for internal and external audit, NBC TG 1000 (R1) - Accounting for Small and Medium Enterprises and technical interpretation ITG 2002 (R1) - Non-Profit Entities, and the internal controls.</li> </ul>
<i>Control framework</i>	<ul style="list-style-type: none"> <li>- Verification of control framework implemented to evaluate different levels of results and impacts.</li> <li>- List of major reports include financial reports, annual reports, project progress and final reports.</li> </ul>
<i>Procurement</i>	Revision of procurement guidelines which are implemented to ensure accountability. Copy of Procurement and Contracts Guidelines was provided.
<i>Code of ethics</i>	Implementation of Code of Ethical Guidelines which mostly integrate references about mission, vision, values, principles, ethics on relationships, commitment with community, conflict of interests, and anti-corruption. Prevention of any financial mismanagement is also considered within this ethics framework, specifically linked to Zero Tolerance in response to Anti/Corruption Law N. 12.846 (August 2013)
<i>Preventing financial mismanagement</i>	Included within the framework of the Code of Ethical.
<i>Fiduciary information</i>	Demonstration of the fiduciary information that confirms that CONEXSUS has processes implemented for drafting, monitoring, and evaluation of projects, with the participation of multi-areas (legal, financial, technical, PMO and strategic leadership).
<i>Environmental and social risks</i>	References of monitoring of projects risk assessment which is developed by thetechnical and financial team of each project. Risks analysis of each project feedsa panel of business intelligence (BI) accessed monthly by the



	board, so that the leadership can monitor any possible risks and address the issues.
<i>Project oversight and control</i>	Verification of project oversight and control, addressed via the Project Management Office (PMO) team, which oversees the implementation of all projects developed. Still implementing a BI system, which will bring an overview and detailed view of the level of execution of the initiatives and allow better management process. In regard to monitoring and evaluation, CONEXSUS is in the process of creating their guidelines and reporting indicators.
<i>Monitoring and evaluation</i>	<ul style="list-style-type: none"> <li>- There are two processes under implementation phase: 1) A BI system, which will bring an overview and detailed view of the level of execution of the initiatives and allow better management process. 2) Creation of guidelines and reporting indicators.</li> <li>- Currently monitoring is consolidated in an excel spreadsheets that feed monitoring panels on a BI platform.</li> <li>-</li> </ul>
<i>Grant award procedures</i>	In this case, grant award procedures were not submitted as they were not the evaluation focus at this time. However, as it deems necessary, this scope will also be assessed within the framework of assessment criteria established by the GCF.
<i>Allocation of financial resources</i>	Allocation process of financial resources which is managed via (ERP PROTHEUS / TOTVS) which provides accountability in the payment processes and allocation of costs by project, allowing preparation of reports in real time about each project and funder.

The following specialized eligibility criteria has been also established for the implementation of activities related to Component 3. Each criterium was duly proven by CONEXSUS.

Fiduciary/Financial criteria	Technical criteria	Others
<ul style="list-style-type: none"> <li>– Brazilian Civil Society Organization (CSO) or Company or Consultant Firm</li> <li>– Proven record of Financial Execution Expenditure of USD 1.000.000 in the last 5 years demonstrated through independent audits.</li> <li>– Institutional mandate to promote human rights protection and support vulnerable communities' needs.</li> <li>– Proven capacity for monitoring and evaluation of project management and implementation, including achieving expected results.</li> <li>– Proven capacity to register and track project's financial flows and budget.</li> <li>– Capacity to inform stakeholders about Fundación Avina's grievance (complaints) mechanism as well as GCF mechanisms and procedures.</li> <li>– Use of and inform about Fundación Avina's and GCF's grievance (complaints) mechanism.</li> </ul>	<ul style="list-style-type: none"> <li>– At least 5 years' experience with community-based business development, innovative financial solutions and expansion and strengthening of connections between community small businesses and markets in Brazil.</li> <li>– Ability to register and demonstrate socio-economic results.</li> <li>– Experienced technical team leaders with more than 10 years working with Brazilian Amazon smallholder development issues.</li> <li>– Experience in working with capacity building for smallholders' in financial education, access to credit and markets</li> <li>– with local development banks</li> <li>– Proven track record of activating at least USD 1.000.000 in official credit for low carbon agriculture and agroforestry from development banks in the last 5 years.</li> </ul>	<p>Project specific capacities:</p> <ul style="list-style-type: none"> <li>– Proven previous work implementing innovative financial mechanisms to support access to credit of smallholders.</li> <li>– Previous experience working in Amazon territories with access and logistic challenges.</li> </ul> <p>Desirables:</p> <ul style="list-style-type: none"> <li>– Previous work with gender, youth, community, and indigenous peoples 'groups employing participatory processes.</li> <li>– Previous experience working in Marajó</li> <li>– Work in consortium with other key relevant players in this area</li> </ul>

## General conclusions and considerations

- i) Both EEs have provided information that is aligned with GCF standards and requirements that any EE must comply with to verify that the organization is capable to provide strong financial management and safeguarding on funded projects and programmes financed by GCF.
- ii) Both EEs have proven to have the adequate operating and technical expertise required for the development and implementation of the project to be financed by Green Climate Fund at Marajó region, as follows:
  - **Component 1:** Implementation of Diversified Agroforestry Systems (DAS) under the responsibility of Belterra Agroflorestas Ltda (Belterra)
  - **Component 3** – Access to Markets and Credit to be handled by Instituto Conexões Sustentáveis (CONEXSUS)
- iii) Both EEs are open to reinforce its capabilities in target areas which will also allow them to be prepared for new and more financing opportunities in climate action. Reinforcement efforts will be accompanied by Fundación Avina during the implementation of the project, focusing on those areas that have been already identified and others that may emerge at this stage.
- iv) Both EEs are open and willing to apply policies and procedures established by Fundación Avina <https://www.avina.net/politicas-y-protocolos/> as may deem necessary and convenient.
- v) Specialized eligibility criteria were assessed according to supporting documents presented by each EE, which complement and demonstrate their level of performance as well as their commitment to accurately implement activities.



- vi) Both EEs have been verified in the Sanctions List Search of the Office of Foreign Assets Control of the United States. The name of the organization and the legal representative were verified to avoid any possible matches with the names included in this list. <https://sanctionssearch.ofac.treas.gov/>

## Additional considerations

In terms of articulation and collaboration:

- Different meetings have been and will continue to be handled with each EE's team to verify information that demonstrates EEs' previous level of performance as well as its commitment to accurately comply with the implementation of activities as required.
- EEs have clearly understood that the implementation of this project requires a high level of among parties to advance accordingly.
- EEs were duly advised of the implications of being an EE, as stated by Green Climate Fund, <https://www.greenclimate.fund/sites/default/files/document/gcf-programming-manual.pdf> as follows:
  - o Although EE will receive funds directly from the AE for implementing activities financed by Green Climate Fund, the relationship will remain exclusively between EE and Fundación Avina.
  - o GCF will not enter into a direct contractual relationship with any EE, which is instead the responsibility of Fundación Avina.
  - o Fundación Avina must have a direct contractual relationship – a subsidiary agreement – with EE, through which Fundación Avina passes down the relevant obligations and requirements of the Accreditation Master Agreement - AMA and funded activity agreement to the EE. This agreement serves various purposes, such as:
    - Setting out the policy and contractual requirements to ensure that the project to be implemented in a manner consistent with the funding proposal and GCF policies as well as the Fundación Avina's policies (where relevant);
    - Enabling Fundación Avina to directly monitor and supervise project implementation;
    - Enabling Fundación Avina to request the EE to take remedial actions and ensure that those actions are enforced; and
    - Allowing GCF to step into the Subsidiary Agreement in accordance with the relevant AMA/FAA (i.e. assume the contractual position of Fundación Avina in order to continue operation of the funded activity or to exercise any rights under the subsidiary agreement, if deemed necessary by GCF).

On behalf of Fundación Avina, I confirm that all the steps indicated above have been duly applied by the responsible team that leads the preparation of the proposal for the project "Marajó Resiliente: Enhancing the resilience of smallholders to climate change impacts through adapting and scaling up diversified agroforestry systems in the Marajo Archipelago of Brazil".



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