



## 1. Project Data

<b>Project ID</b> P091827	<b>Project Name</b> BR GEF Sustainable Cerrado Initiative
<b>Country</b> Brazil	<b>Practice Area(Lead)</b> Environment & Natural Resources

<b>L/C/TF Number(s)</b> TF-96766,TF-96767	<b>Closing Date (Original)</b> 01-Dec-2013	<b>Total Project Cost (USD)</b> 21,000,000.00
<b>Bank Approval Date</b> 18-Mar-2010	<b>Closing Date (Actual)</b> 30-Jun-2015	
	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	13,000,000.00	7,000,000.00
Revised Commitment	11,557,508.51	7,000,000.00
Actual	11,557,508.51	7,000,000.00

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## 2. Project Objectives and Components

### a. Objectives

This Global Environmental Facility (GEF) project was part of the Sustainable Cerrado Initiative, an umbrella for four sub-projects, two at federal and one at state-level. The two federal initiatives were (i) the Ministry of the Environment (MMA) Cerrado Policy and Biome Monitoring Project; and (ii) the Chico Mendes Institute for Biodiversity Conservation (ICMBio, an independent agency linked to the MMA) Biodiversity Protection Project. The two state-level initiatives were (iii) Goias Sustainable Cerrado Project; and (iv) Tocantins Sustainable Cerrado Project. Each sub-project was supported by a separate grant. The horizontal Adaptable Program approach was adopted, since each grant involved a different executing agency, each with its own



level of institutional capacity.

The project development objectives (PDOs) as stated in the Project Appraisal Document (PAD, page 9) and the Global Environmental Trust Fund Agreement (Schedule 1, page 7) were: "to enhance biodiversity conservation in, and improve the environmental and natural resources management of, the Cerrado in the territory of the Recipient, through appropriate policies and practices".

The PAD (page vii) states that there were two specific Global Environmental Objective (GEO) goals.

- Adoption of the action plan of the National Sustainable *Cerrado* Program and at least two public policies aimed at contributing to biodiversity conservation by federal and state agencies in over 20% of the *Cerrado* biome (a large, naturally occurring community of flora and fauna occupying a major habitat, e.g. a forest or tundra); and
- Increase in biodiversity conservation (refers to saving life on earth in all its forms and keeping the natural ecosystems functioning and healthy) efforts in four priority regions identified by a prior Bank-financed Project (Project for the Conservation and Sustainable use of Biodiversity) as having high conservation value.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

No

**c. Will a split evaluation be undertaken?**

No

**d. Components**

The components of the four projects were similar.

**Conservation of the Cerrado Biodiversity.** (*Appraisal estimate US\$12.00 million. Actual Cost at Closure US\$12.00 million*). This component aimed at increasing biodiversity conservation in the *Cerrado* region by strengthening the mosaic of legally Protected Areas (PAs) of biodiversity. Activities included: (i) Studies for identifying suitable areas for creating PAs; (ii) Legal frameworks for establishing new PAs and expanding existing PAs, defining buffer zones and ecological corridors. and, (iii) Measures aimed at ensuring the integrity of the PAs and consolidation process (including through consultations with the local population, establishing the PAs Management Council, studies for the PAs Management Plan, acquisition of infrastructure and equipment and hiring and training staff).

**Sustainable Use of the Cerrado Natural Resources.** (*Appraisal estimate US\$9.00 million. Actual Cost at Closure US\$10.75 million*). This component aimed at promoting the management of the rural productive landscape (including the adoption of sustainable agricultural practices by medium and large farmers and sustainable use of native species by small farmers and local communities). Activities included field studies aimed at compiling information on best practices of sustainable uses in the *Cerrado*, dissemination of information, rural extension and capacity building activities to promote adoption of best practices, community infrastructure for rural production, developing techniques for rehabilitating degraded areas and implementing schemes for adding value to products from native *Cerrado* species with high market potential and identify and disseminate information pertaining to possible alternatives for charcoal production that will not negatively impact native vegetation.

**Institutional Strengthening and Formulation of New Public Policies.** (*Appraisal estimate US\$12.00*



*million. Actual Cost at Closure US\$15.10 million*). This component aimed at formulating new public policies for the conservation and sustainable use of the *Cerrado* and strengthening the institutional capacities of the government agencies. Activities included, undertaking consultations for concluding the design of the National Sustainable Cerrado program, supporting the Program Commission (CONACER), studies for identifying new public policies and their regulatory norms for the conservation and sustainable use of the *Cerrado's* natural resources, implementing integrated geographic information systems for environmental monitoring, empowering key public institutions through updating tools and instruments, open communication channels with sectors that traditionally put pressure on *Cerrado* ecosystems (such as large scale farmers, cattle breeders, loggers, charcoal producers and miners), participatory training for potential local community leaders and entrepreneurs, information-sharing activities to ensure participation of private sector and strengthening the local level socio-environmental networks identified with the *Cerrado* initiative.

**Coordination and Monitoring.** (*Appraisal estimate US\$9.69 million. Actual cost at closure US\$11.43 million*). This component aimed at ensuring the implementation of the initiative. Activities included: (i) Strengthening the capacities of the Biodiversity Conservation Department within the Secretariat for Biodiversity and Forests (DCBio): (ii) Implementing a Monitoring and Evaluation (M&E) system: (iii) Facilitate coordination of research and development activities at the project level with other government programs: (iv) Monitoring public policies related to the sustainable use of the Cerrado biome: (v) organizing public-awareness and capacity building events: (vi) Integrating the project with the National program (National Sustainable *Cerrado* program): (vii) Studies on periodic monitoring of the *Cerrado* biome's vegetation cover, biodiversity and land use aspects: (viii) Developing a database system on the biodiversity, environmental and land use in the region. (ix) Capacity building to potential users on the biome monitoring system's operation. and, (x) Preparation and dissemination of periodic reports and preparing a proposal for Phase 2 of the initiative.

#### e. **Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost.** The total estimated cost at appraisal was US\$33.69 million. The actual cost at project closure was US\$38.43 million, 14% more than the appraisal estimate. The increase in actual cost at closure was met through increased borrower contribution.

**Project Financing.** The project was financed by a Global Environmental Facility (GEF) grant. The appraisal grant estimate was US\$13.00 million, of which US\$11.93 million had been disbursed by closure, about 92% of the appraisal estimate.

**Recipient Contribution.** The appraisal estimate of counterpart funding was US\$29.69 million. Actual contribution at US\$37.35 million, about 25% higher than planned.

**Dates.** The closing date was extended twice. The first extension was for a year from December 31, 2013 to December 31, 2014 in order to complete ongoing activities in all the project areas that had been subject to implementation delays associated with staff changes and unexpected obstacles in the procurement process. The second, on December 12 2014, was for an additional six months to complete ongoing activities associated with the Terraclass Cerrado system in the MMA. The project closed about 18 months behind schedule on June 30, 2015.



### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

The *Cerrado* region is an area of major international interest for biodiversity conservation. With the development of agricultural technologies in the 1970s, the region had become the new agricultural frontier in Brazil in the years before appraisal. The agricultural growth however had high environmental costs in terms of biodiversity loss, biological invasion by non-native species, soil erosion, land degradation and sedimentation water imbalance. These problems were primarily due to: (i) poor agricultural practices that relied on soil mechanization with substantial use of fertilizers and lime. and, (ii) non-compliance by farmers with the requirements of the Forest Code. Although the code provided for maintaining natural vegetation cover in each private property and also required that properties maintain Permanent Preservation Areas (APPs), inadequate enforcement of the code had contributed to non-compliance by farmers.

The PDOs of enhancing biodiversity and improving the environmental and natural resource management practices were highly relevant to the Government and Bank strategies for Brazil and to the GEF goals. Following the ratification of the United Nations (UN) Convention on Biological Diversity on June 13th, 1994, the Government officially expressed its commitment to the *Cerrado* conservation and preservation Program (National Sustainable *Cerrado* Program) in its 2003-2007 Multi-Year Plan. This program was also maintained in the Federal Budget 2008-2012 Multi Year Plan. The PDOs also contributed to the Millennium Development Goal (MDG) Seven of "ensuring environmental sustainability." In 2013, the Government established a new National Target, collectively known as Aichi Targets, of protecting at least 17 percent of the *Cerrado* biome by 2020 under protected areas. The PDOs were also relevant to the National Climate Change Policy that was issued in 2010 and updated in 2014, which had a component focused on agricultural, livestock and forestry sustainability.

The PDOs were well aligned with two of the World Bank Group's 2008-2011 Country Partnership Strategy's (CPS) three pillars: (i) the sustainability pillar which underscored the need for increasing support for federal and state policies and programs aimed at sustainable management of natural resources and conservation of biodiversity on areas of critical biodiversity value and cultural heritage: and, (ii) the equity pillar which highlighted the need for increasing rural incomes, especially in the agricultural frontier. The Bank's CPS for the 2012-2015 period highlighted the need for improving environmental management, biodiversity conservation and climate change mitigation.

The PDOs were aligned with the Geographical Environmental Objectives (GEO) guidelines of protecting biodiversity through improving sustainability of Protected Area Systems, reducing pressures on natural resources by managing land uses in broader landscapes and sustainable forest management.

#### Rating

High

#### b. Relevance of Design

The statement of the PDO is clear and the causal links between the project activities, their outputs and their outcomes were clear and generally measurable. The outputs associated with activities of conserving *cerrado*



biodiversity (such as identifying Protected Areas or PAs), establishing a legal framework for establishing new PAs and existing PAs, and measures aimed at ensuring the integrity of the PAs through consultation with the local population) could be expected to enhance biodiversity diversification and protection in the project areas. Activities aimed at promoting the management of the rural productive landscape (such as adopting sustainable agricultural practices by medium and large scale farmers and use of native species by small farmers and local communities) and formulating new public policies could be expected to strengthen the environmental management of the Cerrado. Enhancing the institutional capacities of the federal and state-level agencies could be expected to improve natural resources management of the Cerrado. Project activities activities could also be expected to contribute to reducing the loss of biodiversity and improving the quality of life for the population living in the biome (the higher level Global Environmental Objectives). The project, which essentially amounted to four individual initiatives, entailing a corresponding variety of implementing agencies and activities was complex. This contributed to difficulties associated with project management in view of the sheer volume of oversight required for four simultaneous sub-projects. It is not clear if the design specifically included enforcement mechanisms aimed at protecting Protected Preservation Areas, given that non-compliance by farmers had been identified as a concern in the years before appraisal.

### Rating

Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

#### Objective

To enhance biodiversity conservation in the Cerrado in the territory of the Recipient, through appropriate policies and practices.

#### Rationale

#### Outputs.

- 16 initiatives were developed in total by the implementing agencies for the sustainable management of the *Cerrado's* natural resources. They included: implementation of six centers to recover degraded areas by the Ministry of Environment (MMA), five initiatives of traditional know-how and dissemination of best practices by the Chico Mendes Institute for Biodiversity Conservation (ICMBio) and five initiatives by the State of Tocantins. Although the State of Goias financed technical studies to determine market mechanism to ensure the maintenance of Legal Reserves (LRs) and Permanent Preservation Areas (PPAs), the market-based mechanism for maintenance of LR and PPAs was not yet implemented at project closure (ICR, pages 36 and 37).
- Over 1400 landowners were trained in the application of best practices for the sustainable management of the *Cerrado's* natural resources (ICR, page 37).



- An additional 355,141.00 hectares of the *Cerrado* biome was protected through the creation and expansion of Protected Areas (PAs).

### **Outcomes**

The creation and expansion of PAs supported by the project represented less than 20% of the Sustainable Cerrado Initiative goal of 2.0 million hectares of the Cerrado biome (ICR, page 34). At the time of project preparation, political circumstances appeared favorable to the creation and expansion of Protected Areas (PAs). However, during implementation, political circumstances became less auspicious, both at federal and state levels.

In the absence of sample surveys, there is no solid evidence to support the ICR's statement (page 12) that "biodiversity in the Cerrado received a significant, practical increase in protection when compared to the departure point at the beginning of the project."

### **Rating**

Modest

## **Objective 2**

### **Objective**

To improve the environmental and natural resources management of, the Cerrado in the territory of the Recipient, through appropriate policies and practices".

### **Rationale**

#### **cOutputs.**

- The Action Plan of the National Sustainable Cerrado program was publicly launched by the MMA and was under implementation at closure (ICR, page 38). Public policies contributing to biodiversity conservation were also developed by the States of Tocantins and Goias. However, the State of Goias did not implement its targeted policy at project closure (ICR, page 39). As per GEO requirements, the Action Plan of National Sustainable *Cerrado* Program (NSCP) was officially adopted by the Presidential Decree on September 15, 2010.
- Geo-referenced systems for environmental monitoring, licensing of rural properties and enforcement were developed at federal and state levels. Training was provided for about 320 staff of the Goias State Environment and Water Resources Secretariat (SEMARH-GO) and Goias State Environment Fund (FEMA) as targeted (ICR, page 41)
- Information on the vegetation cover, biodiversity and land use of the Cerrado biome was updated. The information was however not made public as intended at project closure (ICR, page 43).
- As per GEF requirements, four sector policies and plans which included measures to promote sustainable use or conservation of biodiversity had been developed by closure by the Ministry of Environment (MMA). This exceeded the target of two. (The sector policies included the MMA ruling of 22



March 2012 listing 52 municipalities for monitoring and control of illegal deforestation, the Ecological Zoning Decree, 2010 looking to coordinate ecological and economic zoning activities in Brazilian territory including in the Cerrado region, the Brazil Investment Plan addressing the Rural Environmental Registry and the Federal Agencies Strengthening Program) (ICR, Data Sheet, page ix).

**Outcomes.**

No concrete evidence is provided to indicate that the expected improvements in environmental and natural resources management materialized.

**Rating**

Modest

**5. Efficiency**

**Economic Analysis.** There was no economic analysis either at appraisal or at closure. The global benefits of the *Cerrado* Initiative were assumed to come from increased biodiversity conservation and sustainable use of globally relevant species and hotspots, protection of watersheds in areas of global importance, increased opportunities for generating income while at the same time reducing pressure on biological resources, transition to more long term livelihoods by supporting the sustainable use of the productive landscape and involvement of civil society and contribution to the long term reduction in deforestation and ecosystem destruction. The without project scenario assumed that issues pertaining to conservation challenges in the Cerrado region would not be addressed without GEF funding. The baseline cost for this initiative was estimated at US\$42.69 million. Of this, US\$13.00 million was provided by the GEF grant. The GEF grant was able to leverage funds including from counterpart cash and in-kind contributions totaling US\$29.69 million from the federal and state governments for meeting the baseline cost.

**Administrative and Operational Issues.** There were administrative shortcomings. Although project preparation started in 2004, the project did not become effective until 2010, due to operational issues such as redesign of the project due to the limited availability of resources under Global Environmental Facility (GEF) 111. In view of this, an assessment was made first for two sub-projects that were to be later integrated into the Adaptable Program Loan (APL). However, GEF required all four of the APL projects to be fully prepared to approve the grant and this necessitated more time for preparing the additional sub-projects. Although the project dedicated about two thirds of funds for the creation of new Protected Areas (PAs), only about 20% of the original goal of creating two million hectares of new areas had been realized by project closure, due to the government's lack of willingness to create new protected areas in high value and densely occupied regions. There were time overruns with the project closing 18 months behind schedule.

**Efficiency Rating**

Modest



a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

The relevance of the PDO to the Government, the Bank strategy and the GEO strategy was rated as High. Relevance of design was rated as Substantial. Efficacy of the two objectives - to enhance biodiversity conservation of the Cerrado in the Recipient's territory through appropriate policies and practices and to improve the environmental and natural resources management of the Cerrado was rated as Modest, as activities were output-oriented and there is no concrete evidence provided that they contributed to realizing the intended outcomes. Efficiency is rated Modest as there were important administrative and operational inefficiencies that contributed to the non-realization of the intended outcomes and to time overruns. Taken together, these represent significant shortcomings, and lead to a moderately unsatisfactory outcome rating.

### a. Outcome Rating

Moderately Unsatisfactory

## 7. Rationale for Risk to Development Outcome Rating

**Government Commitment/Ownership.** Although the government presented the Fifth National Report on to the United Nation Convention on Biological Diversity in 2015, according to the Article 26 of the Convention, there is nonetheless a substantial risk to development outcome, given that neither the federal government nor the states were able to meet the targets associated with creation of Protection Areas (PAs), due to political economy considerations at project closure.

**Economic Risk** Given the macroeconomic situation, it is not clear if the government would have the capacity to invest in biodiversity conservation. Also, given the pressure to continue and expand human population in the Cerrado region in view of Cerrado's rapid economic development in the preceding years, it is not clear if the government would have either the ability or the political will to support biodiversity conservation efforts in the region.

**Institutional Capacity.** It is not clear if the efforts to conserve biodiversity in Cerrado could be sustained given the limited institutional capacity of the executing agency to address biodiversity issues.





**a. Risk to Development Outcome Rating**

Substantial

## **8. Assessment of Bank Performance**

**a. Quality-at-Entry**

Preparation benefited from lessons learned from a prior Bank/GEF financed Project (Project for the Conservation and Sustainable Use of Biodiversity (PROBIO) which, among other things, defined priority areas for conservation in the *Cerrado* Biome. The two main lessons incorporated in the design of this project were: (i) attempt to promote incorporation of biodiversity conservation into other productive sectors for achieving greater impact and, (ii) form partnerships for biodiversity conservation between the federal, state and municipal governments, given that environmental management in the Brazilian context is a shared responsibility of these agencies. Appropriate arrangements were made at appraisal for ensuring compliance with safeguards and fiduciary issues (discussed in section 11).

There were, however, significant shortcomings in Quality at Entry:

- As indicated in Section 3b, the project design which essentially amounted to four individual projects, a large number of implementing agencies and number of individual activities was complex. Project preparation took almost seven years. As discussed in Section 5, given limited availability of resources under Global Environmental Facility (GEF) 111, an assessment was made at preparation for the first two sub-projects that were to be later integrated into the Adaptable Program approach. However, given the GEF requirements which required all sub-projects to be fully prepared to approve the grant, this necessitated additional time for preparing these additional sub-projects and thereby contributed to the long preparation time.
- The mitigation measures that were designed at appraisal were not adequate to address the political economy risks. The government's lack of willingness or lack of capacity to overcome the political and economic consequences associated with creating new Protected Areas (PAs) in high value and densely occupied regions as envisioned at appraisal, resulted in the project falling considerably short of one of its expected key outcomes.
- There were important weaknesses in M&E design (discussed in Section 10).

**Quality-at-Entry Rating**

Moderately Unsatisfactory

**b. Quality of supervision**

There were ten supervision missions over a six-year period. According to the information provided by the task team, The Task Team Leader (TTL) was field-based and continuity of leadership was maintained with only one change in TTL at an early stage of project preparation. This facilitated consistent Bank support for addressing



financial and procurement management and compliance with safeguards throughout implementation. The ICR reports that the supervision team was diligent in proposing alternatives and supervising the preparation of an Action Plan to focusing on speeding up project activities including disbursement, establishing a timeline to receive bidding documents and terms of reference, and ensuring strategic collaboration and communications between the sub-projects. According to the information provided by the task team, this Action Plan was instrumental in improving project implementation in the final years of the project. There was one moderate shortcoming -- the monitoring indicators pertaining to creating new PAs were not modified although the federal government's unwillingness to create new PAs had become apparent.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Unsatisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**

Government in this case included the Federal Government and the two relevant State Governments (Tocantins and Goias. The Federal Government adopted the National Sustainable *Cerrado* Policy (NSCP) as a public policy aimed at biodiversity conservation. Both Federal and State Governments provided additional counterpart funding and issued the key legal instruments to support the *Cerrado's* sustainable development. However, the Federal Government's unwillingness to support the creation of new PAs in high value, densely populated areas contributed to the non-realization of a key project objective and is therefore a significant shortcoming.

### **Government Performance Rating**

Moderately Unsatisfactory

### **b. Implementing Agency Performance**

There were four project implementing agencies: The Ministry of Environment (MMA): The State Water Resources and Environmental Secretariat (SRHMA) in the state of Tocantins: The State Environment and Water Resources Secretariat (SEMARH) in the state of Goias: and, The Chico Mendes Institute for Biodiversity Conservation (ICMBio). The Biodiversity Conservation Department (DCBio) in the Biodiversity and Forest Secretariat (SBF) in the MMA was in charge of coordinating the project activities. All agencies complied with the social and environmental safeguards, financial management, and procurement guidelines. There was, however, a moderate shortcoming. All agencies faced capacity and staffing constraints which led to delays, especially in the early stages of implementation. Only in the case of two of the agencies were these issues effectively addressed. In both SRHMA and ICMBio they persisted throughout, and neither of these agencies was able fully to disburse the grant funds provided to them.

- All the agencies faced problems during implementation leading to slow disbursements, and these were



rectified only in the Ministry of Environment and SMARCH; neither SRHMA nor ICMBio was able to disburse all grant funds.

### **Implementing Agency Performance Rating**

Moderately Satisfactory

### **Overall Borrower Performance Rating**

Moderately Unsatisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The M&E design had two Global Environment Objective (GEO) indicators- Adoption of an Action Plan of the National Sustainable *Cerrado* Program (NSCP) and at least two public policies by state or federal agencies contributing to biodiversity conservation in over 20% of the Cerrado biome and Increase in biodiversity conservation in four priority regions of the *Cerradao*. However, the two indicators proposed could not be measured directly and proxies had to be relied upon. Thus there was to be no direct measurement of environmental or resource management practices.

Achievement of the GEOs was to be assessed through measuring biodiversity conservation, medium-term outcomes (such as improved environmental and resource management practices) and short-term outcomes (such as policies and practices). A simpler results framework focused on two core outcomes such as increasing the area under PAs and improved management of PAs would have been more useful.

The implementing agencies were responsible for establishing the baselines for the project indicators and the Biodiversity Conservation Department (DCBio) within the Secretariat for Biodiversity and Forests (SBF) in the Ministry of Environment (MMA) was in overall charge of implementing M&E.

### **b. M&E Implementation**

There was no complete ecological baseline for the GEO biodiversity indicator. Further, there were no data for a number of indicators due to capacity problems at state level and unclear definition of indicators. The large number of intermediate indicators necessitated additional data collection. Given the Government's unwillingness to designate PAs, the original indicators pertaining to biodiversity conservation were not revised.

### **c. M&E Utilization**

The information provided by M&E was reportedly used by the Bank and project teams to solve problems that arose during implementation.



## M&E Quality Rating

Modest

## 11. Other Issues

### a. Safeguards

The project was classified as Category B for environmental assessment purposes. Other than Environmental Assessment (OP/BP 4.01), six safeguard policies were triggered: Natural Habitats (OP/BP4.01): Pest Management (OP/BP 4.09): Physical Cultural Resources (OP/BP 4.11): Involuntary Resettlement (OP/BP 4.12): Indigenous Peoples (OP/BP 4.10: and, Forests (OP/BP4.36).

**Environmental and Social Safeguards.** The PAD (page 25) notes that at appraisal, the draft Environmental Assessment (EA) and Environmental Management Plan (EMP) were submitted to the Bank. The final EA and EMP were publicly disseminated as required (PAD, page 25). The Pest Management Framework, the procedures to address physical cultural resources, natural habitats and forests were included in the EMPs (PAD, page 26-27). A framework of Involuntary Resettlement summarizing guidelines and procedures to be followed by the project activities and a Policy Framework containing guidelines and procedures in the event any intervention affected indigenous communities was prepared and publicly disclosed as required at appraisal (PAD, page 27). Each sub-project also carried out a specific safeguard assessment that complied with the overall project safeguard framework and with federal and state laws.

The ICR (page 8) notes that there were no significant negative environmental impacts, and compliance with environmental safeguards was deemed to be satisfactory in supervision reports. Activities associated with the creation and expansion of Protected Areas (PAs) for the Chico Mendes Institute for Biodiversity Conservation required land acquisition and compensation was provided according to market values of land and assets for those who had formal legal rights to land and compensation by market value of assets for those who had no recognizable legal right or claim to the land they were occupying. This was in accordance with Brazilian Legislation governing PAs. The ICR (page 8) reports that there were no pending involuntary resettlement issues related to the four areas that were either created or expanded with the support of the project.

### b. Fiduciary Compliance

**Financial Management.** An assessment of each project's financial management capacity was carried out at appraisal and the assessment also included a financial management risk analysis and a framework that indicated the main risks and procedures to be followed to mitigate them (PAD, page 59). The ICR (page 9) reports there were delays in submission of financial reports, absence of detailed documentation of administrative costs and procedural shortcoming within internal controls to approve payments during implementation. Auditing was carried out annually by independent auditors selected on a competitive basis and the auditor's performance was deemed to be satisfactory (ICR, page 9). It is not stated whether the external auditor's opinions were qualified. The latest supervision report assessed the project's financial management as moderately satisfactory.



**Procurement.** At appraisal, the grant recipients developed a procurement plan for each project which provided the basis for the procurement methods to be followed. The plans were to be updated as required, depending on the actual project implementation needs and institutional capacity improvements (PAD, page 61). Although procurement took longer than desired, there were no serious procurement issues, no misprocurements were declared and no major procurement mistakes during project implementation (ICR, page 9).

**c. Unintended impacts (Positive or Negative)**

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**d. Other**

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**12. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	There were significant shortcomings in Quality at Entry. Based on IEG Guidelines when the outcome for one dimension is in the satisfactory range and the rating for the other dimension is in the Unsatisfactory range, the overall rating for Bank Performance depends on Outcome rating.
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

**Note**

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.



### 13. Lessons

The following three lessons are taken from the ICR with some adaptation of language:

**(1) The Risk Assessment may need to be updated in cases of long or extended preparation time.** In this instance, preparation took almost seven years, which compromised the initial risk assessment findings. At the time of project preparation, political circumstances appeared to be favorable for the creation of Protected Areas (PAs). However, as noted above, it became apparent during implementation that this was no longer the case.

**(2) The difficulties associated with creating new PAs in densely occupied high value land in the case of this project may indicate the need to re-evaluate the current biodiversity preservation strategies.** A systematic approach encompassing water resources management, climate change, public health, and land management, besides biodiversity preservation may need to be considered in relation to the sole approach focusing only on PAs.

**(3). The selection of initiatives to improve commercialization of native products to promote sustainable management production needs sound financial analysis.** Projects focusing on alternative economic activities should aim at developing complete production chains in order to guarantee ex post sustainability.

### 14. Assessment Recommended?

No

### 15. Comments on Quality of ICR

The ICR is concise. It candidly discusses the problems that were encountered during implementation (such as the change in political environment which in turn contributed to the non-realization of the objectives associated with establishing Protected Areas (PAs)). The ICR draws useful lessons from the experience of implementing this project.

More information on GEF tracking tools would have helped better to understand the M&E issues that arose during implementation.

#### a. Quality of ICR Rating

Substantial