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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

MMA CERRADO POLICY AND BIOME MONITORING PROJECT

TO FUNBIO

AND OF

TOCANTINS SUSTAINABLE CERRADO PROJECT

TO THE

STATE OF TOCANTINS

GRANTS FROM THE SUSTAINABLE CERRADO INITIATIVE

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Sustainable Development Unit

Brazil Country Management Unit

Latin American and Caribbean Region

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BRAZIL

SUSTAINABLE CERRADO INITIATIVE

**MMA CERRADO POLICY AND BIOME MONITORING PROJECT – TF096767 TOCANTINS SUSTAINABLE
CERRADO PROJECT - TF096766**

P091827 / TF096766 AND TF0966767

RESTRUCTURING PAPER – LEVEL 2

This level two restructuring paper is to extend the Closing Date of all two projects under the Sustainable Cerrado Initiative, namely: TF096767 - MMA Cerrado Policy and Biome Monitoring Project, and TF096766 - Tocantins Sustainable Cerrado Project, from December 2, 2013 to December 31, 2014.

Both projects are part of the Sustainable Cerrado Initiative that addresses global environmental biodiversity protection priorities, through decentralized actions together with an integrated, biome-wide coordination.

The MMA Cerrado Policy and Biome Monitoring Project Grant, in the amount of US\$4.0 million, which is implemented by Funbio, was declared effective on September 10, 2010. To date, the Project has disbursed US\$ 1,340,224 (34% of the grant amount). 85% of the remaining funds have already been committed and are expected to be fully disbursed by December 2014. This project suffered delays due to the changes in MMA, which caused the project implementation to slow down as the new team needed to understand the project before moving forward with its implementation.

The Tocantins Sustainable Cerrado Project is financed by a GEF Grant in the amount of US\$3.0 million. The grant was declared effective on September 13, 2010. To date, the Project has disbursed US\$1,854,284 (62% of the grant amount). Most of the remaining funds have already been committed and are expected to be fully disbursed by December 2014. The project implementation was delayed and did not meet the tight Procurement Plan's timeline, as some procurement processes took longer than expected to be completed. As a result some contracts had to be shorter in order to make the Project's current Closing Date, and the required extension will enable these processes and contracts to be finalized in a more efficient way, allowing the state to receive products that are more complete and with better quality.

The proposed amendments are based on the requests from the recipients dated August 12 and September 25, and the Ministry of the Environment's (MMA) endorsement, dated August 30, 2013, as well as the earlier endorsement of the Brazilian Overseas Finance Commission's (COFLEX), dated May 9, 2013.

This is the second extension of closing date for the TF096766 - Tocantins Sustainable Cerrado Project, for 13 months, which will add to a total of 18-months extension; and the first extension of Closing Date for TF096767 - MMA Cerrado Policy and Biome Monitoring Project in a total of 12-months extension. The reason for these extensions is to fully complete financing of contracts under implementation and to carry out a broad evaluation of the Projects' results and intermediary indicators.

The design of the components and activities will remain the same and the projects are expected to reach their intended objectives, although the scope of the outcome (250,000 ha in new protected areas) will ultimately depend on the commitment of both Federal and State Governments. Major accomplishments to date include: (i) strengthening of protection of existing protected areas; (ii) implementation of new policies on water resources, fauna, and environmental regularization of rural properties, including specific systems ready to be used; and (iii) development of proposals for the creation of new protected areas.

As a result of the Project implementation, both MMA and the Tocantins Government were able to strengthen the dialog and engage with relevant environmental agencies and local actors that are key for the achievement of the Projects' objective.

In order to process this request, the Bank team confirms that: (i) the projects' objectives continue to be achievable; (ii) all safeguards are being complied with; (iii) the performance of the recipients is moderately satisfactory; and (iv) the Bank and the recipients agreed on actions that will be undertaken by the recipients to complete the Project. Procurement post-review and financial management missions were carried out, and the arrangements in place were considered moderately satisfactory. The Recipients are in compliance with all major legal covenants including audit requirements concerning these Grants.