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The World Bank

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Report No: 54062-BR

PROJECT APPRAISAL DOCUMENT
ON PROPOSED GRANTS FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND
IN THE AMOUNT OF
US\$3 MILLION TO THE STATE OF GOIÁS
FOR THE GOIÁS SUSTAINABLE *CERRADO* PROJECT, AND
US\$3 MILLION TO THE INSTITUTO CHICO MENDES DE CONSERVAÇÃO DA
BIODIVERSIDADE
FOR THE ICMBio *CERRADO* BIODIVERSITY PROTECTION PROJECT
TO THE FEDERATIVE REPUBLIC OF BRAZIL
IN SUPPORT OF THE SECOND PHASE OF THE US\$13.0 MILLION
SUSTAINABLE *CERRADO* INITIATIVE

April 05, 2010

Sustainable Development Department
Brazil Country Management Unit
Latin American and Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 16, 2010)

Currency Unit	=	Real (R\$)
R\$ 1.78	=	US\$ 1.00
US\$ 0.56	=	R\$ 1.00

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

APP	Permanent Preservation Areas (for definition, see Federal Law N°. 4.771, 07/15/1965)
ARPA	Amazon Region Protected Areas Project
BD	Biological Diversity
BR	Brazil
CBD	UN's Convention on Biological Diversity
CEF	Brazilian National Bank for social policy implementation
CEMAm	Goiás State Environmental Council
CIMA	Centers for disseminating agro-biodiversity management practices
CIPAMA	Tocantins Environmental Police
CONABIO	National Biodiversity Commission
CONACER	National Sustainable <i>Cerrado</i> Program Commission
CONAMA	National Environmental Council
CPL	Procurement Permanent Commission of SEMARH
CPS	Country Partnership Strategy
CSOs	Civil Society Organizations
DCBio	Biodiversity Conservation Department within the Secretariat for Biodiversity and Forests (SBF) of MMA
DIPLAN	Planning and Logistics Directorate – ICMBio
EMBRAPA	Brazilian Agricultural Research Company
FCA	Federal Environmental Compensation Fund
FEMA	Goiás State Environmental Fund
IFR	Interim Financial Reports
FUNAI	National Indigenous Affairs Agency linked to the Ministry of Justice
FUNBIO	Brazilian Biodiversity Fund
GAP	Project Management Group
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GO	Brazilian State of Goiás
GoB	Government of Brazil
IBAMA	National Environmental Institute, linked to the MMA
IBRD	International Bank for Reconstruction and Development
ICMBio	Chico Mendes Institute for Biodiversity Conservation
IDA	International Development Association
IUCN	The World Conservation Union

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M&E	Monitoring and Evaluation
MDR	Demonstration Modules for the Recuperation of <i>Cerrado</i> areas
MMA	Brazilian Ministry of Environment
NATURATINS	Tocantins Nature Institute
NCP	Nucleus for the <i>Cerrado</i> and <i>Pantanal</i> , within the SBF/MMA
NPE	Nucleus for Special Projects within SEMARH
OP	Operational Policy
PA	Protected Areas
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PDRS	Tocantins Regional Sustainable Development Project
PIU	Project Implementation Unit
PNAP	National Protected Areas Plan
POA	Annual Budget Plan
PPA	Multi-Year Budget Plan
PPG7	Pilot Program to Conserve the Brazilian Rain Forest
PR-GEUGP	The Highway Management Program Coordination Unit
PROBIO	Project for the Conservation and Sustainable Use of Biodiversity
RDS	Sustainable Development Reserve (PA), as defined by the SNUC bill
RESEX	Extractive Reserve (PA), as defined by the SNUC bill
RL	Legal Reserve (as defined by Federal Law Nº. 4.771, 07/15/1965)
RPPN	Private Natural Heritage Reserve (PA), as defined by the SNUC bill
RURALTINS	Tocantins Rural Development Institute
SBF	Biodiversity and Forests Secretariat, within the MMA
SEFAZ-TO	State Finance Secretariat – Tocantins
SEINF	State Infrastructure Secretariat
SEMARH	Goiás State Environment and Water Resources Secretariat
SISNAMA	National Environment System
SNUC	National Protected Areas System
SP	Strategic Programs of the GEF 4
SRHMA	Tocantins State Water Resources and Environmental Secretariat
TO	Brazilian State of Tocantins
TORs	Terms of Reference
UN	United Nations
WB	The World Bank
WG	Working Group

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BRAZIL
SUSTAINABLE *CERRADO* INITIATIVE
HORIZONTAL APL

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BRAZIL

SUSTAINABLE *CERRADO* INITIATIVE
HORIZONTAL APL

INITIATIVE APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

LCSN

Date: April 05, 2010 Country Director: Makhtar Diop Sector Manager/Director: Karin Erika Kemper Project ID: P091827 Focal Area: Biodiversity Environmental Assessment: Partial Assessment Lending Instrument: Global Environmental Facility	Team Leader: Garo J. Batmanian Sectors: General agriculture, fishing and forestry sector (100%) Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)
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Initiative Financing Data	
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:	
For Loans/Credits/Others: 0.00 Total Bank financing (US\$m.): 13.00 Proposed terms:	
Financing Plan (US\$m)	
Source	Local Foreign Total
BORROWER/RECIPIENT	29.69 0.00 29.69
GLOBAL ENVIRONMENT FACILITY	0.00 13.0 13.00
Total:	29.69 13.0 42.69
Recipients: Fundo Brasileiro para a Biodiversidade (FUNBIO); State of Tocantins; State of Goiás; and, Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio).	
Responsible Agencies: Fundo Brasileiro para a Biodiversidade (FUNBIO); Tocantins State Infrastructure Secretaria (SEINF); Goiás State Environment and Water Resources Secretariat (SEMARH); and, Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio).	
Estimated disbursements (Bank FY/US\$m)	
FY	2010 2011 2012 2013 2014
Annual	1.4 4.2 4.5 2.5 0.4
Cumulative	1.4 5.6 10.1 12.6 13.0
Initiative implementation period: Start April 30, 2010. End: December 1, 2013	

Expected effectiveness date: April 30, 2010.

Expected closing date: December 1, 2013

Does the project depart from the CPS in content or other significant respects? Ref. PAD I.C	[] Yes [X] No
Does the project require any exceptions from Bank policies? N/A Ref. PAD IV.G	[] Yes [X] No
Have these been approved by Bank management?	[] Yes [X] No
Is approval for any policy exception sought from the Board?	[] Yes [X] No
Does the project include any critical risks rated “substantial” or “high”? Ref. PAD III.E	[] Yes [X] No
Does the project meet the Regional criteria for readiness for implementation? Ref. PAD IV.G	[X] Yes [] No
Initiative development objective Ref. PAD II.B, Technical Annex 3 The Sustainable <i>Cerrado</i> Initiative and projects’ development objective is to enhance biodiversity conservation in, and to improve environmental and natural resource management of, the <i>Cerrado</i> in the Brazil’s territory through appropriate policies and practices.	
Global Environment objective Ref. PAD II.B, Technical Annex 3 The Sustainable <i>Cerrado</i> Initiative aims to achieve two specific goals: (i) Action Plan of National Sustainable <i>Cerrado</i> Program and, at least two public policies are adopted by state or federal agencies and contributing to biodiversity conservation in over 20% of the <i>Cerrado</i> biome; and (ii) biodiversity conservation increased in four priority regions of the <i>Cerrado</i> .	
Initiative description Ref. PAD II.C, Technical Annex 4 The Sustainable <i>Cerrado</i> Initiative has an overall Results Framework. Each of the four projects contributes significantly to the targets and the entire set of projects will achieve the overall goals of the Initiative. This Sustainable <i>Cerrado</i> Initiative has four components that closely follow the key thematic and cross-cutting activities proposed under the National Sustainable <i>Cerrado</i> Program and are consistent with GEF Strategic Objectives. Component 1: Conservation of the <i>Cerrado</i> Biodiversity aims at increasing biodiversity conservation in the <i>Cerrado</i> region by strengthening the mosaic of legally protected areas of unique biodiversity. Component 2: Sustainable Use of the <i>Cerrado</i> ’s Natural Resources aims 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, so as to improve the use of available resources and biodiversity conservation while reducing environmental impacts. Component 3: Institutional Strengthening and Public Policies aims at formulating new public policies for the conservation and sustainable use of the <i>Cerrado</i> , and strengthening government agencies to manage natural resources. It also intends to enable the private sector, civil society organizations and local communities to actively participate in environmental management and formulation of new public policies related to the conservation and sustainable use of the <i>Cerrado</i> ’s natural resources. Component 4: Coordination and Monitoring of the Biome aims at ensuring the effective and efficient implementation of this GEF Sustainable <i>Cerrado</i> Initiative. It also intends to support the implementation of a publicly accessible database, containing current, geo-referenced, social and environmentally relevant information on the <i>Cerrado</i> biome.	

Which safeguard policies are triggered, if any? **Ref. PAD IV.F, Technical Annex 10**

The analysis was based on the components and projects of the Sustainable *Cerrado* Initiative and the typical social and environmental situation in the *Cerrado*.

The Sustainable *Cerrado* Initiative has been considered as category B. The safeguards triggered for the entire Sustainable *Cerrado* Initiative (i.e., whole set of projects) are: Environmental Assessment (OP/BP/GP 4.01); Natural Habitats (OP/BP 4.04); Pest Management (OP 4.09); Physical Cultural Resources Property (OP/BP 4.11); Involuntary Resettlement (OP/BP 4.12); Indigenous Peoples (OD 4.20, being revised as OP 4.10); and, Forests (OP/BP 4.36).

Significant, non-standard conditions, **if any**, for:

Ref. PAD III.G

Board presentation: None

Grants effectiveness:

The conditions are presented separately for each individual project.

Covenants applicable to Initiative implementation:

The covenants applicable are presented separately for each individual project.

I. STRATEGIC CONTEXT AND RATIONALE¹

A. Country and Sector Issues

1. **Brazil's economic management remains strong, despite the global economic crisis.** The country continues to maintain fiscal balance, inflation targeting, and very limited exchange rate intervention that it has been using since January 1999, when the Real was allowed to float. There is no sign that the commitment to this strategy will decrease.

2. **Agriculture is one of the main sectors behind the current economic growth. Together with agribusiness, it represents 33% of GNP and 42% of total annual exports, which have reached over US\$ 100 billion per year.** Brazil is now the leading exporter of soybeans and beef and their processed products. This economic growth needs be accompanied by the strengthening of environmental policies and greater poverty alleviation.

3. Until the late 1950s, the contribution of the *Cerrado*² to Brazil's agricultural output was still low, at less than 10% of the national total. However, the construction of Brasília- fostered an intense flow of migrants to the *Cerrado* region to work on infrastructure projects and colonization programs. The development of agricultural technologies in the 70s solved problems of soil fertility deficiencies. Thus productivity of soybean, maize and cotton in the *Cerrado* is among the highest in the world, turning the *Cerrado* into Brazil's new agricultural frontier.

4. There are now about 50 million head of cattle in the *Cerrado*, representing 33% of the national herd, with pastures being the most important form of land use in the region covering over 60 million ha³. The *Cerrado* is also responsible for over half of Brazil's soybean production, most of it being for export.

5. **This economic growth based on agriculture has had a high environmental cost.** This ranges from the loss of biodiversity, biological invasion by non-native species, soil erosion, land degradation, sedimentation water imbalance and changes in the carbon cycle and stocks. These problems are caused by two major issues: (i) poor agriculture practices and (ii) non-compliance by farmers with the requirements of the Forest Code.

6. **The most common agriculture practice in the region relies heavily on soil mechanization of large tracts of land with substantial use of fertilizers and lime** to correct soil fertility and acidity. The use of crop rotation is limited and the adoption of less costly and more sustainable practices, such as no tillage systems, has started over the past 15 years. Pasture management is often inadequate. It is estimated that 50% to 60% of the pasture area shows some degree of degradation.

¹ This umbrella PAD describes the entire Sustainable *Cerrado* Initiative as designed and approved by the Board on March 18, 2010 along with two projects of this horizontal APL (MMA *Cerrado* Policy Project and Biome Monitoring Project and Tocantins Sustainable *Cerrado* Project). There are no major changes to this umbrella PAD. The details of the Goiás Sustainable *Cerrado* Project and the ICMBio *Cerrado* Biodiversity Protection Project are described in Annexes 18 and 19 respectively.

² *Cerrado* is the name given to the Brazilian savannas.

³ Vilela et al. 2005. Pasture Degradation and Long-Term Sustainability of Beef Cattle Systems in the Brazilian *Cerrado*.

7. The Forest Code provides for the maintenance of natural vegetation cover in each private rural property as a “legal reserve” (RL). *Cerrado* properties located in the states of Mato Grosso and Tocantins⁴ must maintain 35% in RL. Properties in all other states in the *Cerrado* region must maintain 20% in RL. In addition, properties must maintain areas of permanent preservation areas (APPs) that include riverbanks, headwaters, and steep slopes. The property owner may sustainably manage the natural resources of the RL but not those of the APPs. Until 2006, enforcement of these RL and APP requirements was under the responsibility of the Federal Government and results varied in different areas of the *Cerrado* region, but most properties are still not in full compliance with the Forest Code. This caused deforestation and isolation of *Cerrado* fragments which otherwise would have been linked by biological corridors created by RL and APPs. As responsibility for enforcing the Forest Code was decentralized to the states in 2006, several of them, including Goiás and Tocantins, began developing systems to monitor compliance, issue permits for clearing, and fine those in non-compliance.

8. Agriculture will continue to increase in the region for some time. The adoption of sustainable agricultural practices and compliance with RL and APPs should slow down the need to expand the agricultural frontier. New technologies have been developed for tropical agriculture, which allow significant productivity gains, enabling a twofold increase of production without expanding into new *Cerrado* areas. The challenges are to: (i) promote a broader adoption of such practices, and develop/test other practices focusing on maintaining biodiversity in the productive landscape; and, (ii) develop state-level policies which enable full implementation of the Forest Code and its complementary system of land easements trading mechanisms, and strengthen the state agencies responsible for enforcing those policies.

9. A great variety of *Cerrado* plants are used by the population. Around 220 plant species have medicinal uses, and over 416 species are used to rehabilitate degraded soils, as wind barriers, protection against erosion or to create habitats for the natural predators of pest species. Local but intensive unsustainable harvesting of native vegetation is threatening several species. On the other hand, studies have shown that the sustainable use of native species regularly consumed by the local population and sold in the urban centers, such as the fruits from the *pequi* (*Caryocar brasiliensis*), *buriti* (*Mauritia flexuosa*), *mangaba* (*Hancornia speciosa*), and *baru* (*Dypteryx alata*) may provide as much as US\$ 250.00/ha/year. The availability of such resources from the *Cerrado* biome’s natural biodiversity could represent a viable alternative income for traditional communities, with food processing industries and other sectors contributing to the region’s sustainable social and environmental development. The challenge is to promote technologies and institutional arrangements that enable the sustainable use of natural resources to reach a broader economic scale.

10. Global Environmental Issues. The *Cerrado*, a unique type of tropical savanna, covers 25% (200 million ha) of Brazil. It is the most biodiverse savanna in the world, with 23 types of vegetation consisting mostly of tropical savannas, grasslands, forests and dry forests. The *Cerrado* is considered one of the world’s 34 biodiversity hotspots by Conservation International (CI). The World Wide Fund for Nature (WWF) considers it one of the most biologically outstanding ecoregions. Home to over 12,000 species of plants (44% endemic), it also contains

⁴ For legal purposes Brazil defined an area known as the Legal Amazon which includes all states which have even a small portion of the Amazon Forest in their territory. Mato Grosso and Tocantins are included in the Legal Amazon.

195 species of mammals, 605 species of birds and 800 species of freshwater fish (25% endemic). According to a recent estimate, the *Cerrado* harbors 13% of the butterflies, 35% of the bees, and 23% of the termites of the Neotropics making it the world's richest tropical savanna. In addition, 112 terrestrial animal species are threatened with extinction⁵ as well numerous plants. Estimates are that at least 20% of the threatened and endemic species of the *Cerrado* biome do not occur in protected areas, increasing their risk of extinction.

11. Studies have shown that this biome is now severely threatened. The rate of deforestation has been extremely high over the last decades. Current estimates are that *Cerrado's* annual deforestation varies between 2.2 to 3.0 million hectares or 1% to 1.4% year. It is estimated⁶ that about 60% of the *Cerrado* has already been lost, with only 22% of the original *Cerrado* vegetation cover remaining in its original state. Today, of all the world's hotspots, the *Cerrado* has the lowest percentage of areas under "full protection" (2.85 %) with many of them still being "paper parks". If this combination of high deforestation and low protection continues unchecked, the biome will disappear by the year 2030. **In addition to the Forest Code, Brazilian environmental legislation includes several other laws and regulations such as the Environmental Crimes Bill and the National Protected Areas System Bill (SNUC). These legal instruments are directed at the entire country.** Given Brazil's huge dimension, it is necessary to further develop such legal instruments and policies to regionalize them considering, among other factors, the diversity of biomes, regional economic inequalities, and states' legal frameworks. The *Cerrado* needs state and federal instruments and policies to promote, on the one hand, the involvement of the business and agricultural sectors in conservation and sustainable use actions and, on the other hand, to reduce the continuous expansion of the agricultural frontier.

12. In 2003, the Ministry of Environment created the *Cerrado Working Group* to contribute to the design of a national strategy for the *Cerrado* biome in order to prepare a national program for its conservation and sustainable development. The Working Group was composed of federal, state and municipal governments, CSOs and the private sector. The goal was to design a long-term program for the region and to facilitate the coordination of federal and state government initiatives aimed at the protection and sustainable use of the biome's natural resources.

13. In 2004, the Working Group delivered the first draft of the National Program for the Conservation and Sustainable Use of the *Cerrado* Biome to the Minister of Environment (National Sustainable *Cerrado* Program). This Program was submitted to a participatory consultation process and formally created by a Presidential Decree in 2005. The National Sustainable *Cerrado* Program (see box 1) represents a comprehensive framework, with a set of principles and guidelines that aims to achieve environmental and social sustainability for the entire biome.

14. The coordination fostered by this National Sustainable *Cerrado* Program is important because environmental management in Brazil is the responsibility of the federal, state and municipal levels of government, as part of the SISNAMA (National Environmental System).

⁵ See *Fundação Biodiversitas* at their website: www.biodiversitas.org.br or IUNC's red-list at www.redlist.org.

⁶ See: Jesus & Sano, 2002, *Simpósio de Ecologia e Biodiversidade*, UnB and EMBRAPA.

The Federal Government establishes the general guidelines and norms and provides enforcement through the National Environmental Institute (IBAMA). The states' responsibilities are concurrent. They include the implementation of federal legislation, the formulation and implementation of their own policies, which are more stringent than the national standards, and the licensing and control of most resource-use activities.

Box 1. National Sustainable *Cerrado* Program

Created on November 8, 2005 (Presidential Decree 5.577/ 2005), the National Sustainable *Cerrado* Program intends to promote the conservation, restoration, recovery and sustainable management of natural ecosystems, as well as acknowledging and valuing its traditional population, and seeking conditions to reverse the negative social and environmental impacts of the process by which the *Cerrado* Biome was occupied.

In order to achieve these goals the National Sustainable *Cerrado* Program defined five objectives: (i) promote the conservation and sustainable use of *Cerrado* biodiversity and the protection of its ecosystems, acknowledging its social, environmental and economic importance; (ii) promote the protection and recovery of the physical environment, especially the integrity of watersheds and good conditions for soil preservation, among other environmental services; (iii) promote environmental compliance and adapt production systems to criteria of social and environmental sustainability; (iv) strengthen the livelihoods of *Cerrado* traditional communities and small farmers, ensuring access to land, to natural resources and to the means of production necessary for them to stay in the region; and, (v) strengthen society's participation in the environmental management of the Biome and promote the mainstreaming and decentralization of public policies regarding the sustainable use of *Cerrado* natural resources.

To achieve these objectives the Program is organized in five components: (i) biodiversity conservation, (ii) sustainable use of biodiversity, (iii) water resources management, (iv) traditional communities and small farmers, and, (v) sustainability of agriculture, livestock and forestry.

The next step is to conclude the preparation of an Action Plan for the implementation of these components, under the guidance of the National Sustainable *Cerrado* Program Commission (CONACER).

15. Country Eligibility and Country Drivenness. Brazil ratified the key convention for this Sustainable *Cerrado* Initiative, the UN Convention on Biological Diversity, on June 13th, 1994. The inhabitants of the *Cerrado* have become increasingly concerned about the ecological health of their ecosystem. For the first time since the ratification of the Convention on Biological Diversity, the Government of Brazil officially expressed its commitment to a biome-level management concept, and included the *Cerrado* Biome Conservation and Protection Program (National Sustainable *Cerrado* Program) in its 2003-2007 Multi-Year Plan. This National Sustainable *Cerrado* Program was maintained in the Federal Budget 2008-2012 Multi-Year Plan.

B. Rationale for Bank Involvement

16. Brazil's long-term vision calls for greater equity, sustainability, and competitiveness. These are the three pillars of the World Bank Group's Country Partnership Strategy, discussed by the Executive Directors on May 1, 2008 (CPS 2008-2011) (Report N. 42677-

BR). The sustainability pillar aims at the increased support for federal and state policies and programs that seek to sustainably manage natural resources and conserve biodiversity, with a geographic focus on areas with critical biodiversity value, crucial environmental services, cultural heritage and that improve living conditions. The equity pillar aims at increasing the income of the rural poor, especially in the consolidated agricultural frontier.

17. The bulk of the Bank's work on the environment has been focused on finding growth options for Brazil that simultaneously lead to improved environmental and social outcomes – the so-called win-win options. This has been done using different types of tools, from specific investment projects to Development Policy Loans and sector work, as well as incorporating international experiences into government policies and programs.

18. While the Bank has been active in the *Cerrado* for over 15 years, the biome has not received much attention from other multilateral and bilateral agencies. In fact, **no other major agency has a strategy for the region, which covers about 25% of the country.**

19. The Sustainable *Cerrado* Initiative will also build on the World Bank's successfully implemented PROBIO (GEF) project which, among other achievements, led to the definition of priority areas for conservation in the *Cerrado* biome. The proposed Sustainable *Cerrado* Initiative will draw upon the results of the PROBIO project and will coordinate with the other World Bank GEF full-size projects - the *Aquabio*, signed in 2006, and the Biodiversity Mainstreaming and Institutional Consolidation Project signed in 2008, thus ensuring complementarities and avoiding overlaps.

20. The World Bank has begun a decentralized approach to its investment operations at sub-national levels. For example, one of the key states of the *Cerrado* region, Goiás, completed a large investment operation financed by IBRD, the Goiás Regional Sustainable Development Project. The Bank also concluded preparation of a second loan to the state with the same goal. In Tocantins State, IBRD is financing the US\$ 60.0 million Tocantins Regional Sustainable Development Project (PDRS). These operations focus on sustainable development as well as on the states' conservation areas. The Sustainable *Cerrado* Initiative will enable the leveraging of these investment operations through projects established directly with the state executing agencies, providing a comprehensive conservation package for each state.

21. The policy work (analysis and implementation) proposed in this Sustainable *Cerrado* Initiative will also benefit from strong synergy with the Environmental Sustainability Agenda Technical Assistance Project (P090041), and the First Programmatic Development Policy Loan for Sustainable Environmental Management (P095205). These should also provide a technical assistance envelope from the Bank for environmental sustainability policy reforms in the region.

C. Higher Level Objectives to which the Initiative Contributes

22. The Sustainable *Cerrado* Initiative will provide financing linked to biome protection and rural development that will have major impacts on land use. This will be achieved without negatively impacting traditional communities, through the establishment of biological corridors and promoting the sustainable use of *Cerrado* resources and sustainable agricultural practices, thereby reducing the loss of biodiversity, contributing to poverty reduction, and improving quality of life for the population living in the biome.

23. The proposed Sustainable *Cerrado* Initiative supports the increase in the number of protected areas and promotes the sustainable use and conservation of the rural landscape, contributing to more sustainable land management, protection of forests and biodiversity and greater social inclusion.

24. Fit to the Bank Country Partnership Strategy. This Initiative contributes to two of the three pillars of the World Bank Group's Country Partnership Strategy, discussed by the Executive Directors on May 1, 2008 (CPS 2008-2011) (Report N. 42677-BR). The sustainability pillar aims at increasing support for federal and state policies and programs that seek to sustainably manage natural resources and conserve biodiversity, with a geographic focus on areas with critical biodiversity value, crucial environmental services, cultural heritage and that improve living conditions. The Brazil CPS 2008-2011 indicates the need for a system to conserve areas sensitive to local land-use dynamics. The equity pillar aims at increasing the income of the rural poor, especially in the consolidated agricultural frontier. This Initiative will directly contribute to the following CPS targets: (i) area under certified sustainable forest management and/or forest concessions increases from 3 million ha in 2007 to 8 million ha by 2011, and (ii) protected areas to increase from 100 million ha in 2007 to 120 million ha by 2011. Additionally, it contributes to the MDG #7⁷ by supporting activities that will enhance sustainable development policies and reverse trends of environmental biodiversity resources loss.

25. Fit to GEF Operational Programs and Priorities Strategies. The objectives of the Sustainable *Cerrado* Initiative are fully consistent with those under Biodiversity Focal Area, OP-3 (Forest Ecosystems) and Strategic Priority BD-1 (Catalyzing Sustainability of Protected Areas) with its focus on the creation and consolidation of protected areas, strengthening of mosaics of legally protected areas (PAs) of unique biodiversity, development of pilot financial sustainability mechanisms for these PAs and the development and implementation of activities for the protection and recovery of threatened species. Management plans for protected areas are developed and implemented with this focus.

26. The Sustainable *Cerrado* Initiative's objective to foster the mainstreaming of biodiversity management in productive landscapes also fits under OP-13 (Conservation and Sustainable Use of Biological Diversity Important to Agriculture) and Strategic Priority BD-2 (Mainstreaming Biodiversity in Productive Landscapes and Sectors). Specifically, the Sustainable *Cerrado* Initiative will promote positive impacts of agricultural practices and mitigate their negative impacts on biological diversity in key areas of the *Cerrado* biome, as well as the conservation and sustainable use of genetic resources of native species of the *Cerrado* and the equitable sharing of benefits among the local communities. Furthermore, the agricultural practices to be promoted by the Sustainable *Cerrado* Initiative may maintain the goods and services provided by such biodiversity such as control of erosion, clean water and biological corridors.

27. The objectives of this Initiative also support the Strategic Priority on Capacity Building/Enabling Activities by strengthening institutional capacity and policy to implement a coherent, consolidated, integrated set of projects for the conservation and sustainable use of the

⁷ Millennium Development Goal #7 – "Ensure Environmental Sustainability"

Cerrado biome. In addition, the Sustainable *Cerrado* Initiative will address the Convention on Biological Diversity's principle of the equitable sharing of benefits arising from biodiversity use, especially through knowledge-sharing and the empowerment of local communities.

II. INITIATIVE DESCRIPTION

A. Financing Instrument

28. The Sustainable *Cerrado* Initiative adopts a two-phased approach with several project grants, adhering to the design of a horizontal Adaptable Program Loan (APL) approach. The Sustainable *Cerrado* Initiative is designed to allow executors to promote cooperation among States and/or institutions, ensure coordinated actions under a common framework, and replicate an approach to address biome-wide *Cerrado* conservation.

29. The Sustainable *Cerrado* Initiative will be financed by a GEF full-sized grant. Phase 1 of this Initiative will receive a GEF grant of US\$ 13 million over a period of four years starting in March 2010. The Brazilian Government intends to seek additional funds from different sources, including GEF, for Phase 2 of the Sustainable *Cerrado* Initiative. As the Initiative design is based on an umbrella mechanism with call for proposals, it is not necessary to fully implement Phase 1 before beginning the preparation of Phase 2, as new projects may be selected according to the goals of this Initiative. Therefore, preparation of Phase 2 would begin subject to the availability of funds, and after this project's specific triggers have been met, demonstrating that the umbrella mechanism is functioning properly.

30. The horizontal APL is the best approach for the Sustainable *Cerrado* Initiative due to: (i) the innovative aspect of this Initiative with several projects being selected in each phase through a competitive process according to their contribution to the Sustainable *Cerrado* Initiative Development Objective, and (ii) the fact that different grants are made to different executing agencies with various levels of institutional capacity in the target region. The APL approach also allows for a stepping-in design, which emphasizes evaluation of performance of the process and learning initial lessons from results prior to beginning Phase 2.

31. The resources from this GEF grant (US\$ 13 million) will be used to support four projects (each with a match of, at least, 1:2), each with separate grant agreements, for state and federal agencies selected according to pre-established criteria defined by the Sustainable *Cerrado* Initiative.

32. The four projects comprising the Sustainable *Cerrado* Initiative have been prepared and appraised. Two projects were approved by the Board of Directors, on March 18, 2010: (i) MMA *Cerrado* Policy and Biome Monitoring Project, and (ii) Tocantins Sustainable *Cerrado* Project. The Goiás Sustainable *Cerrado* Project was negotiated on February 26, 2010 and the ICMBio *Cerrado* Biodiversity Project was negotiated on March 18, 2010.

33. In accordance with Bank's streamlined procedures for horizontal APLs, the Goiás Sustainable *Cerrado* Project (Annex 18) and the ICMBio *Cerrado* Biodiversity Project (Annex 19) grant packages would be circulated to the Board for information after approval in principle by Management. In the absence of requests from three or more Executive directors for Board

consideration of the grant, Management approval would become effective ten working days after circulation of the documents to the Board.

34. Sustainable *Cerrado* Initiative design. The rationale of the Sustainable *Cerrado* Initiative design is to balance two sets of actions: (i) to get the policy framework and coordination in place, thereby helping to guide future investments from both public and private sectors towards a more sustainable use of the agricultural landscape; and, (ii) to facilitate the implementation of immediate actions that will decrease or halt the loss of biodiversity through support to protected areas and the sustainable management of the productive landscape. The four projects under the Sustainable *Cerrado* Initiative target results which combined will fulfill the overall goal of the Initiative.

35. The MMA *Cerrado* Policy and Biome Monitoring Project (US\$ 4 million from GEF) and the Goiás Sustainable *Cerrado* Project (US\$ 3 million from GEF) were identified, during the early stages of Initiative preparation, to integrate the Sustainable *Cerrado* Initiative. These projects fully meet the "Project Qualification and Preferential Criteria" for the selection and the operational procedures of the Sustainable *Cerrado* Initiative and were appraised in May 2008.

36. In parallel, the MMA announced a call for proposals in April 2007 for the remaining unallocated funds of this Initiative. The Sustainable *Cerrado* Initiative Committee⁸ evaluated 13 proposals and ranked them according to their adherence to the pre-established criteria and contribution to targets of the Initiative. The main criteria included: (i) consistency with priorities defined by the Convention on Biological Diversity (CBD), (ii) consistency with the GEF's Eligibility Criteria, especially regarding Global Benefits and Incremental Costs, (iii) consistency with the objectives, implementation strategy and operational directives of the Federal Government's National Sustainable *Cerrado* Program; and, (iv) directly contributing to the objectives, components and results defined for the overarching Sustainable *Cerrado* Initiative (see Annex 17 for the entire set of criteria and full list of proposals).

37. The World Bank selected the two highest-ranked proposals: The Tocantins Sustainable *Cerrado* Project with the state of Tocantins (US\$ 3 million from GEF) and the ICMBio *Cerrado* Biodiversity Protection Project (US\$ 3 million from GEF).

38. These four projects have been prepared according to all the standard policy directives, norms, and the preparation and operational procedures defined by the World Bank and the GEF, including analyses of aspects such as financial issues, procurement and safeguards. Specific aspects and details of the Goiás and ICMBio negotiated projects are presented in Annex 18 and Annex 19, respectively.

39. Three of the projects will be 36 months long. The MMA Project, which will coordinate the Sustainable *Cerrado* Initiative, will have 45 months duration. All projects will encourage the active involvement of stakeholders in all stages of project development and implementation, including in M&E activities.

⁸ The Sustainable *Cerrado* Initiative Committee is chaired by the MMA and composed of representatives from the Government (state and federal), academia, NGOs and the production sector.

40. Whenever possible, projects will collaborate directly with existing IBRD loans or other lending instruments with the same agencies or states in the region. This is the case of the Tocantins Project which will collaborate with the Regional Sustainable Development Project (PDRS) thus ensuring that GEF resources are used to finance the related global environmental benefits.

41. The overall budget distribution among the projects of the Sustainable *Cerrado* Initiative is presented below:

Projects of the Sustainable <i>Cerrado</i> Initiative	GEF US\$ million	Counterpart US\$ million	Total Amount US\$ million
Project 1: MMA	4.00	8.00	12.00
Project 2: Tocantins	3.00	6.00	9.00
Project 3: Goiás	3.00	9.00	12.00
Project 4: ICMBio	3.00	6.69	9.69
Total	13.0	29.69	42.69

42. Considering the nature of this Sustainable *Cerrado* Initiative, the triggers for moving to the subsequent phase are based on the performance of the umbrella mechanism under implementation in Phase 1. The triggers are:

- Each one of the projects has spent, at least, 20% of their resources satisfactory to the Bank;
- The Sustainable *Cerrado* Initiative Committee has conducted the selection process of the projects for the second phase, based on the lessons learned from the selection process and project preparation carried out in the first phase, and on the Action Plan of the National Sustainable *Cerrado* Program; and,
- The GEF has ratified the request from the Brazilian Government to support a second phase of this Initiative.

B. Initiative Development Objective and Key Indicators

43. **The Sustainable *Cerrado* Initiative development objective is to enhance biodiversity conservation in, and to improve environmental and natural resource management of, the *Cerrado* in the Brazil's territory through appropriate policies and practices.** The Sustainable *Cerrado* Initiative aims to achieve two specific goals:

- Action Plan of National Sustainable *Cerrado* Program and, at least two public policies are adopted by state or federal agencies and contributing to biodiversity conservation in over 20%⁹ of the *Cerrado* biome; and
- Biodiversity conservation increased in four priority regions¹⁰ of the *Cerrado*.

⁹ This will be measured by considering the total *Cerrado* area of each state where the policy is adopted.

¹⁰ Priority regions mean a polygon (or cluster of polygons) identified by PROBIO (Annex 20, map 3) as having high conservation value.

44. The Sustainable *Cerrado* Initiative will help strengthen the sustainability of the protected areas systems (SP1) and bolster the integration of biodiversity conservation into production systems (SP2) as expressed by the increase in:

- Brazil's concrete improvement in the effective management of its protected area systems;
- The percentage of supported protected areas effectively preserved;
- The number of pilot activities reported and verified that apply incentive measures and instruments;
- The number of sector policies and plans that include measures which promote sustainable use or conservation of biodiversity; and,
- Production systems that contribute to conservation or sustainable use of biodiversity.

45. Each of the two phases of the Sustainable *Cerrado* Initiative will have its own set of targets for the same indicators and will contribute to the same goals presented above.

C. Initiative Components

46. The specific targets of this Sustainable *Cerrado* Initiative are presented below and summarized in the Results Framework (Annex 3). Each individual project contributes significantly to the targets, and the entire set of projects should achieve the overall goals set forth for the Sustainable *Cerrado* Initiative. This Sustainable *Cerrado* Initiative has four components that closely follow the key thematic and cross-cutting activities proposed under the National Sustainable *Cerrado* Program and are consistent with GEF Strategic Objectives.

47. **Component 1: Conservation of the *Cerrado* Biodiversity** aims at increasing biodiversity conservation in the *Cerrado* region by strengthening the mosaic of legally protected areas (PAs) of unique biodiversity. This component has the following result indicators:

- An additional 2.0 million hectares of the *Cerrado* biome protected through the creation/expansion of Protected Areas (PAs).
- 30% of the *Cerrado* PAs targeted by the Sustainable *Cerrado* Initiative with their basic protection measures in place¹¹.

48. The overall budget of each of the projects for this component is presented below:

Conservation of <i>Cerrado</i> Biodiversity Component	GEF US\$ million	Counterpart US\$ million	Total US\$ million
Project 1: MMA	0.70	5.77	6.47
Project 2: Tocantins	1.09	4.04	5.13
Project 3: Goiás	1.40	5.24	6.64
Project 4: ICMBio	2.50	6.58	9.08
Total	5.69	21.63	27.32

¹¹ The specific PAs to be targeted by the Sustainable *Cerrado* Initiative would be defined in each project. The monitoring of each PA will be done using the GEF Tracking Tool SP1.

49. **Component 2: Sustainable Use of the *Cerrado*'s Natural Resources** aims at promoting the management of the rural productive landscape including the adoption of sustainable agricultural practices by medium and large farmers and the sustainable use of native species by small farmers and local communities, so as to improve the use of available resources and biodiversity conservation while reducing environmental impacts. This component has the following result indicators:

- Twelve initiatives of traditional know-how and current best practices for the sustainable management of the *Cerrado*'s natural resources documented and disseminated. The focus will be on practices that significantly contribute to conserving key biodiversity and their habitats.
- An increase of 10% of rural properties¹² in project-supported areas regularly using some form of natural resource, land or agricultural management or biodiversity conservation practice, and/or "sustainable management" production¹³ (e.g., protection of the riparian forests, managing fires, location of the Legal Reserve, management of species).
- Fifteen initiatives for adding value and improving the commercialization of native products originating from sustainably managed production developed. These initiatives will be carried out directly by the local communities or will have their strong involvement in order to ensure adequate access and benefit sharing, in accordance with the Bonn Guidelines.

50. The overall budget of each of the projects for this component is presented below:

Sustainable Use of the <i>Cerrado</i> 's Natural Resources Component	GEF US\$ million	Counterpart US\$ million	Total US\$ million
Project 1: MMA	0.20	1.12	1.32
Project 2: Tocantins	1.15	0.00	1.15
Project 3: Goiás	0.90	1.08	1.98
Project 4: ICMBio	0.12	0.05	0.17
Total	2.37	2.25	4.62

51. **Component 3: Institutional Strengthening and Public Policies** aims at formulating new public policies for the conservation and sustainable use of the *Cerrado*, and strengthening government agencies to manage natural resources. It also intends to enable the private sector, civil society organizations and local communities to actively participate in environmental management and formulation of new public policies related to the conservation and sustainable use of the *Cerrado*'s natural resources. This component has the following result indicators:

- Formulation of Action Plan of the National Sustainable *Cerrado* Program concluded, publicly launched and under implementation.
- Four new public policies (state or federal), related to the conservation and sustainable use of the *Cerrado*'s natural resources developed.

¹² Rural properties refer to entire sector, including medium and large farmers.

¹³ In this context, "sustainable management" is used in the broad sense, covering concepts such as "agro-extractivism", "conservation agriculture" and "agro-ecology".

- Geo-referenced systems for environmental monitoring, licensing of rural properties, and enforcement, developed at federal and state levels.
- Six selected institutions working on matters related to the use of natural resources strengthened through staff training in specific environmental management processes and associated tools.
- Three civil society networks and/or organizations¹⁴ strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.

52. The overall budget of each of the projects for this component is presented below:

Institutional Strengthening and New Public Policies Component	GEF US\$ million	Counterpart US\$ million	Total US\$ million
Project 1: MMA	2.20	0.56	2.76
Project 2: Tocantins	0.74	1.37	2.11
Project 3: Goiás	0.60	2.53	3.13
Project 4: ICMBio	0.31	0.05	0.36
Total	3.85	4.51	8.36

53. **Component 4: Coordination and Monitoring of the Biome** aims at ensuring the effective and efficient implementation of this Sustainable *Cerrado* Initiative. It also intends to support the implementation of a publicly accessible database containing current geo-referenced, social and environmental information on the *Cerrado* biome. This component has the following result indicators:

- All the projects of the Sustainable *Cerrado* Initiative being coordinated, monitored, and annually evaluated, with the results fully publicized.
- Information on biodiversity, vegetation cover, and land use of the *Cerrado* biome updated periodically and made freely available.

54. The overall budget of each of the projects for this component is presented below:

Coordination and Monitoring of the Biome Component	GEF US\$ million	Counterpart US\$ million	Total US\$ million
Project 1: MMA	0.90	0.55	1.45
Project 2: Tocantins	0.02	0.59	0.61
Project 3: Goiás	0.10	0.15	0.25
Project 4: ICMBio	0.07	0.01	0.08
Total	1.09	1.30	2.39

¹⁴ The networks supported must specifically mention the mission/objective of promoting the conservation and/or the sustainable use of the *Cerrado*'s natural resources in their bylaws.

D. Lessons Learned and Reflected in the Initiative Design

55. Past experiences from PPG7 projects (e.g., NRPP and Ecological Corridors) of concentrating all funding in one federal organization that would establish projects with other independent agencies have not generated the best results. Any institutional or budgeting issue faced by the main agency reflected directly on project management and on the implementation of all projects. A decentralized approach to contract each project directly is therefore recommended. The decentralized yet integrated operations tend to have a higher likelihood of success at mainstreaming environmental policy and are financially more efficient than stand-alone operations.

56. An overall results framework for the Sustainable Cerrado Initiative, associated with the existence of the Sustainable Cerrado Initiative Committee will ensure the necessary synergy (i) among proponent agencies, minimizing unproductive competition; and, (ii) among projects and the Sustainable Cerrado Initiative's goals and strategies, optimizing the cost-benefit efficiency of results. The process aims at guaranteeing that the selected projects represent the best possible combination of efforts to achieve the Sustainable Cerrado Initiative's goals efficiently.

57. Past projects which were developed with contracts signed with the state and other implementing agencies have demonstrated the advantages of implementing most proposed activities through the state governments and other agencies directly. This eliminates the need and cost of further layers of supervision and bureaucracy for project implementation. In addition, some proposed projects will collaborate with ongoing Bank projects, facilitating Government and Bank monitoring and evaluation, ensuring more efficient use of GEF grants and more effective investment in the generation of global benefits.

58. Experience also shows that partnerships must be established with all relevant stakeholders (local communities, governments and the private sector). The Prodeagro and Planaflo projects indicated the crucial importance of developing ownership not only among beneficiaries but among all relevant stakeholders, the vital role of local institutional capacity and the clear priority of these efforts in the overall programs of the Government and the Bank. Increased participation of civil society in project and program activities may raise financial costs in some cases. These costs are modest and are outweighed by the benefits in terms of improved capacity and institutional strengthening.

59. Valuable knowledge from past and current experiences is not passed on to those who could use it owing to a lack of networks and channels of communication. There is also a shortage of trained professionals and entities that can provide advice and assistance to others. Capacity building for disseminating lessons and replicating models is therefore a priority that has been considered in Initiative design.

60. Failure to promote conservation and sustainable development in the past was mostly due to: (i) a lack of opportunities for those perceived as being part of the problem (e.g., ranchers) to become part of the solution, and (ii) a lack of inter-institutional coordination between different executing agencies and beneficiaries. When fostering ownership, it is important to include all agencies and relevant sectors and their representatives at the state level

early in project preparation and stakeholder consultations. This also means that institutional strengthening should be readily supported with investments in human and material resources.

61. **Technical aspects are frequently overemphasized.** This can overshadow and obscure the policy aspects. In Rondônia, for instance, a zoning policy was adopted to address World Bank requirements included in the Planafloro project, but did not respond to the population's needs. Likewise, economic incentives to promote sustainable use should be considered. The project should therefore seek a balance between technical work on the ground and the need for technically and practically sound policies.

62. **Protected areas (PAs) should consider a mosaic of different categories, not only that of "full protection", and also contribute to establishing biological corridors.** This mosaic concept was also applied in the ARPA¹⁵ project resulting on the creation of sustainable use PAs next to full protections PAs and without overlap with Indigenous Lands. In addition, to the increased biodiversity conservation this approach resulted that no significant adverse social impacts occurred under the Project. Thus, mosaics and corridors should be created in this Initiative according to PROBIO's recommendations (see Annex 20) and Bank safeguard policies.

63. **The time and cost associated with fully consolidating existing PAs are frequently underestimated.** The ICR of the ARPA project indicated the difficulty in reaching consolidation status of PAs was based on meeting the number and thresholds of criteria established in the typical 3 to 5 year period of a project. This Initiative, therefore, has a more modest goal of have basic protection measures and the management plans in place as solid step towards achieving the full consolidation of the PAs.

64. **The Brazilian legislative framework establishes that federal and state responsibilities are concurrent.** States are therefore responsible for implementing federal legislation in addition to formulating and implementing their own policies. The Federal Government can, however, implement its own policies if it deems necessary. Support to uncoordinated policy work at different levels (federal and state) has therefore led to conflicting policies and overlaps as well as policy gaps. The Initiative has addressed this issue through the definition of a general results framework, along with the Sustainable *Cerrado* Initiative's necessary policy work coordination, while using a decentralized approach to contract each project directly.

65. **An overall results framework for the Sustainable *Cerrado* Initiative, associated with the existence of the Sustainable *Cerrado* Initiative Committee will ensure the necessary synergy:** (i) among proponent agencies, minimizing unproductive competition; and, (ii) among projects and the Sustainable *Cerrado* Initiative's goals and strategies, optimizing the cost-benefit efficiency of results. The process aims at guaranteeing that the selected projects represent the best possible combination of efforts to achieve the Sustainable *Cerrado* Initiative's goals efficiently.

¹⁵ Amazon Region Protected Areas Project

E. Alternatives Considered and Reasons for Rejection

66. **A single project of the Ministry of Environment (MMA) with different components.** This typical project design would present limitations. The project needs to be executed by different agencies from states, which have no direct relationship with MMA, increasing the transaction costs of contracting and supervising such agencies. It would also present the risk that any MMA institutional or budgeting issue would negatively affect the whole project.

67. **Establish separate individual grants with different executing agencies without an overarching framework.** The Bank and MMA had received requests from three different states and federal agencies (e.g., Goiás, Tocantins, Federal District and EMBRAPA) to support biodiversity conservation or management in the *Cerrado* region. Bank/GEF financing of individual projects could achieve global benefits at the project level. This was considered a less compelling option, given the Government's stated objective of undertaking a biome-wide approach with a strong policy component for the *Cerrado*.

68. **Focusing on fewer components.** Such an approach could provide short-term results with regard to biodiversity conservation. However, it would not provide adequate support for addressing the root causes of the current threats to the conservation and sustainable use of the *Cerrado*. It also would not take full advantage of the government's strong commitment to define and implement this region's first comprehensive national program for the biodiversity conservation and sustainable use of the *Cerrado*.

III. IMPLEMENTATION

A. Partnership Arrangements

69. **The Initiative is designed to foster partnership around the different projects, and small initiatives of natural resources management.** The projects will foster the involvement of different stakeholders, ranging from governments agencies, private sector, and community organizations. The projects will also be coordinated with other biodiversity projects in Brazil.

B. Institutional and Implementation Arrangements

70. **The Sustainable *Cerrado* Initiative's major beneficiary will be the Federal Republic of Brazil.** It will be under the general coordination of the Biodiversity Conservation Department (DCBio) within the Biodiversity and Forest Secretariat (SBF) of the Ministry of Environment, which will be responsible for: (i) conducting the dialogue with the Bank on the implementation policies for the Sustainable *Cerrado* Initiative; (ii) evaluating and monitoring the Sustainable *Cerrado* Initiative's implementation, including consolidating the information on its implementation progress; (iii) appointing the chair of and coordinating the Sustainable *Cerrado* Initiative Committee; and, (iv) preparing the proposal for Phase 2 of the Sustainable *Cerrado* Initiative.

71. The Sustainable *Cerrado* Initiative Committee is responsible for: (i) establishing strategic guidelines for the Sustainable *Cerrado* Initiative; (ii) approving the proposals submitted and ensuring that the criteria and guidelines of the Sustainable *Cerrado* Initiative are observed; and, (iii) and facilitating the Sustainable *Cerrado* Initiative as a whole. This Committee is chaired by

the MMA/SBF and composed of representatives from the Government (state and federal), academia, CSOs and the production sector. Other institutions may be invited by the Committee during the Sustainable *Cerrado* Initiative's implementation. Its detailed composition can be found in Annex 6.

72. The Initiative will be implemented through four different grants with different responsible agencies which are already successfully implementing IBRD loans or grants. As a decentralized Initiative, the Sustainable *Cerrado* Initiative establishes a framework for the planning, implementation and evaluation of its four distinct projects. The responsible agencies and grant recipient of the four selected projects are presented below:

Project/ Grant	Responsible Agency	Grant Recipient
Project 1: MMA	Ministry of Environment (MMA)	Brazilian Biodiversity Fund (FUNBIO)
Project 2: Tocantins	State Water Resources and Environmental Secretariat (SRHMA)	State of Tocantins
Project 3: Goiás	State Environment and Water Resources Secretariat State Secretariat for the Environment and Water Resources (SEMARH)	State of Goiás
Project 4: ICMBio	Chico Mendes Institute for Biodiversity Conservation (ICMBio)	ICMBio

73. A team of staff from the Biodiversity Conservation Department (DCBio), within the Biodiversity and Forests Secretariat (SBF) of MMA, will be responsible for managing the Sustainable *Cerrado* Initiative. The use of MMA staff for the DCBio is primarily intended to optimize the Ministry's existing structure, to train the staff to execute externally funded projects and to mainstream MMA's activities within its internal staff. The DCBio will be the link between the MMA, the Sustainable *Cerrado* Initiative Committee and all projects. It will be the agency responsible for the Sustainable *Cerrado* Initiative's executive management. Specialists may be sought to address thematic particularities and to provide inputs for the Sustainable *Cerrado* Initiative Committee's decisions whenever required by the DCBio.

C. Monitoring and Evaluation of Outcomes/Results

74. As a set of four projects, the Sustainable *Cerrado* Initiative requires the close monitoring of each project's individual performance and contributions to the overall targets. At the same time, the monitoring and evaluation (M&E) needs to be sufficiently flexible so that projects' specificities are adequately accommodated throughout implementation.

75. The DCBio/MMA will have general responsibility for the Sustainable *Cerrado* Initiative's M&E. It will organize and coordinate key activities such as supervision missions to all projects, biannual reports, etc. The MMA Project specifically foresees the establishment of mechanisms for the coordination, monitoring and evaluation of the Sustainable *Cerrado* Initiative and its projects, which will be validated by the Bank. During the first 6 months of project implementation, the MMA Project will support the implementation of the necessary operational structure for M&E activities.

76. The evaluation activities will have the support of experts hired to train DCBio staff during the first year of the Initiative. These experts should be experienced in the areas addressed by the Sustainable *Cerrado* Initiative components, such as agro-extractive activities, environmental public policies, environmental management, geoprocessing, and database management.

77. An annual report should be presented to the Sustainable *Cerrado* Initiative's Committee, containing the accumulated results of all components of all projects, serving as a systematic monitoring tool, and allowing the periodic review of the strategies to ensure adequate guidance to the Sustainable *Cerrado* Initiative's objectives. The Sustainable *Cerrado* Initiative Committee will be responsible for reviewing the M&E regarding the strategies defined for the Sustainable *Cerrado* Initiative, and for recommending adequate adjustments to the projects, if necessary.

78. The Bank will supervise the implementation of Sustainable *Cerrado* Initiative and will recommend adjustments whenever necessary. It will also conduct two supervision missions per year to each project, when *ex-post* reviews should also take place.

79. At the project level, the executing agencies will be responsible for establishing the baselines for the project's indicators according to their specific Results Framework and for regular monitoring and biannual evaluation. The executing agencies of all four projects have routine Maintaining and Evaluation capabilities and experiences, which may be drawn upon for the proposed projects.

80. At the Sustainable *Cerrado* Initiative level, the DCBio will be responsible for advising executing agencies on M&E and for consolidating and systematizing the resulting data for inclusion in the Sustainable *Cerrado* Initiative's overall biannual M&E reports. The Sustainable *Cerrado* Initiative's M&E will also assist the projects in the use of the GEF Tracking tools SP#1 and SP#2, as can be seen from the results framework and indicators defined in Annex 3.

D. Sustainability and Replicability

81. The Government of Brazil (GoB) views this Sustainable *Cerrado* Initiative as a major step forward in coordinating a biome-wide approach for protecting the remaining threatened biodiversity. The goal is to have the policy framework and coordination in place, thereby helping to steer future investments from both public and private sectors towards a more sustainable use of the agricultural landscape. Additionally, the GoB has allocated substantial resources from its budget to support its National Sustainable *Cerrado* Program.

82. The Sustainable *Cerrado* Initiative is designed to facilitate the pursuit of long-term objectives for biodiversity conservation and sustainable use, especially through the formulation of an Action Plan for the (National Sustainable *Cerrado* Program). It will also contribute to the functioning of the National Sustainable *Cerrado* Program Commission (CONACER), composed by representatives of governmental sectors, private sector, CSOs, social movements, academia and indigenous peoples of the *Cerrado*, and which coordinates, monitors and evaluates the implementation of the National Sustainable *Cerrado* Program's activities. CONACER was created during the early stages of preparation of this Sustainable *Cerrado* Initiative, reinforcing the commitment of the Brazilian Government to the goals of the National Sustainable *Cerrado* Program and this Sustainable *Cerrado* Initiative. The work of the CONACER is essential for

ensuring that the Initiative is implemented through a participatory process, and adequately budgeted in the Federal Government Multi-Year Plan (*Plano Pluri-Anual*) to ensure the sustainability of this Initiative.

83. This Initiative will also support studies that analyze the need for new public policies and/or regulatory standards for the conservation, sustainable use and development of the *Cerrado*'s natural resources; and the design, development and implementation of systems for the environmental monitoring and licensing of rural properties on a statewide basis in the *Cerrado*.

84. The Secretariat of Biodiversity and Forests of the Ministry of the Environment also established the Nucleus for the *Cerrado* and *Pantanal* (NCP) within the Biodiversity Conservation Department (DCBio) to facilitate the integration of the Ministry's actions to conserve those biomes, to support the elaboration of an Action Plan for the National Sustainable *Cerrado* Program, and to support the work of CONACER.

85. The Government of Brazil's expectation is that this Sustainable *Cerrado* Initiative will be the first phase of a larger, more comprehensive and multi-year program to conserve the *Cerrado*. It is envisaged that other states will eventually apply for similar projects. Individual projects or activities will be replicated as a result of the spread of information, the assessment of successful activities implemented in some states to be used in other regions, and the exchange of information between the states.

86. Some of the activities identified that are to be supported by the Sustainable *Cerrado* Initiative will aim at ensuring replicability. These are, among others, the following: (i) the development of specific field studies to register, compile, check and test techniques and best practices, based on the sustainable use of the *Cerrado*'s natural resources and their systematization, and the dissemination of this information through publications, seminars, workshops, community radio programs, etc.; (ii) the development of special multidisciplinary studies designed to identify the currently endangered *Cerrado* species and the best methods for their protection and recovery; and, (iii) the organization of public-awareness and capacity-building events aimed at supporting and improving the quality of information related to the preservation, rehabilitation and sustainable use of the *Cerrado*'s natural resources.

E. Critical Risks and Possible Controversial Aspects

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
I. Sector Governance, Policies and Institutions			
Political changes	Political changes in Federal or State Governments could reduce political support and consequently the Government's commitment to the Initiative.	The Bank team engaged in constructive dialogue with senior representatives of each administration who confirmed their support of the Initiative's objectives and its planned implementation. The recent approved SEM DPL (P095205) also indicates Government's commitment to environmental management.	L
II. Initiative Risks			
Initiative Design	Uneven implementation of the Sustainable <i>Cerrado</i> Initiative owing to different executing	The executing agencies of the Sustainable <i>Cerrado</i> Initiative are experienced in implementing Bank supported projects. In	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
	agencies.	addition, the Initiative will support capacity building, training and institutional strengthening for these agencies. Finally, The Initiative's design includes a mechanism to encourage good performance; as well implemented projects have the possibility of applying for Phase 2 of the Sustainable <i>Cerrado</i> Initiative.	
	Low level of cooperation between Federal and State Governments. (In the past, the GoB has not endorsed individual <i>Cerrado</i> proposals prepared by EMBRAPA, or the states of Goiás and Tocantins).	The creation of the <i>Cerrado</i> Working Group has increased inter-institutional cooperation. The Sustainable <i>Cerrado</i> Initiative's strengthening of the <i>Cerrado</i> Commission will also assist in this regard. Moreover, the Sustainable <i>Cerrado</i> Initiative Committee being composed of representatives from the states and their civil society organizations will support the integration of activities and MMA's coordination.	L
	Final results not fully achieved.	All four projects contribute to each of the targets of the Initiative. Thus, poor implementation of one component by one project would not significantly impact the overall result of the Initiative. The Sustainable <i>Cerrado</i> Initiative Committee was designed to define strategies and monitor the projects' proposals and implementation to mitigate this risk, with support from the DCBio, to ensure the achievement of the Sustainable <i>Cerrado</i> Initiative's overall results.	L
	The DCBio/ MMA's difficulty in communicating or negotiating with key stakeholders to implement the Sustainable <i>Cerrado</i> Initiative.	The Sustainable <i>Cerrado</i> Initiative Committee will assist the MMA in communicating with key stakeholders, considering that representatives from the most relevant stakeholders will be part of the committee. CONACER will also contribute to improved communication between different levels of government and civil society regarding the overall Initiative's implementation.	L
Environmental and social safeguards	Lack of compliance with the adequate procedures for creation of protected areas, especially public consultations. Sustainable biodiversity use activities might not generate the returns to make them economically viable.	Environmental Assessment has been carried out for each project; compliance measures were established for the executing agency, as well as a monitoring plan which will be coordinated by the MMA DCBio who will send regular monitoring reports to the Bank. The measures adopted regarding safeguards triggered by creation of PAs will follow principles and the framework successfully applied in the GEF ARPA project such as: (i) no PAs will be created on indigenous land and, (ii) when the presence of traditional communities in a given area is identified, that specific area would preferably be classified into a type of sustainable use PA. Selection of production processes to be supported will be based on environmental and economic	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
		viability, among other criteria.	
Implementation capacity and sustainability	The implementing agencies will require additional staff for several activities such as managing the PAs to be created under this Initiative.	The States and Federal Government have completed selection processes of new staff. Hiring will take place during 2010. The Initiative will provide training and technical assistance to them with continued Bank support.	L
Reputational Risks	Disagreement among different affected groups with respect to the creation of protected areas or other Initiative activities, benefits, etc.	The environmental agencies are experienced in following relevant legislation (SNUC and others) to adequately consult and involve civil society in all protected area creation processes. Consensus is required to officially create any protected area. Strengthening activities for participatory protected area management councils, including conflict resolution strategies, are foreseen in each project.	M
III. Initiative Operation-specific Risks			
MMA & ICMBio projects Technical/ design	Lack of allocation of counterpart funds in the next PPA (GoB's multi-year plan).	The National Sustainable <i>Cerrado</i> Program had already been allocated resources in the 2008-2011 PPA, and it is expected that this allocation will be approved before the grant is signed.	L
	Temporary budget freeze in the beginning of each FY.	Counterpart allocation already has taken into account the possibility of annual budget freeze, allocating the average amount annually received by MMA after determination of budget freeze.	M
	Protected Areas presidential decrees signed by the President of Brazil at a slower pace than produced by the projects.	The projects will support ongoing Government programs which includes the creation of Protected Areas.	L
Financial Management of Projects			
MMA Project	The FUNBIO will be the executing agency under the direction of MMA.	This arrangement has been adopted by two other GEF projects with MMA (ARPA and PROBIO). Its institutional structure is considered appropriate to implement project activities and assure fiduciary compliance. The PIU is well staffed and has experience in working with the World Bank projects, KFW and other donors.	L
Tocantins Project	Lack of adequate institutional capacity and skills to implement the project.	SRHMA and the PDRS structure do have all of the monitoring, reporting and other information systems in place, and experienced staff to handle FM requirements. Current FM rating for the PDRS is HS.	M
Goiás Project	Lack of adequate institutional capacity and skills to implement the project.	While SEMARH has not managed a World Bank project, the State of Goiás is experienced in managing financial aspects of Bank financed projects. SEMARH will implement a FM action plan to increase its capacity.	L
ICMBio Project	ICMBio does not have all of the monitoring, reporting and other information systems fully operational to handle FM	ICMBio has structured an FM unit with 8 experienced staff transferred from IBAMA. The Bank has already engaged with the team. Those 8 staff have already attended training on	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
	requirements.	Bank's FM and disbursements policies and procedures. This FM unit is in the process of adopting the Federal Government monitoring and management systems which have been previously assessed by the Bank as satisfactory. The World Bank will provide continuous training and assistance to FM staff.	
Procurement of Projects			
MMA Project	Capacity of FUNBIO to carry out the additional procurement for this project. The bulk of the procurement under the Project is comprised of shopping and individual consultants. Given the previous experience of FUNBIO with the Bank's procedures, no additional risk was identified upfront.	At least one Procurement Supervision mission per year.	L
Tocantins Project	Capacity to carry out the additional procurement for this project.	The state already has experience in procurement of a Bank-financed US\$ 60-million SIL currently under implementation. At least one Procurement Supervision mission per year.	M
Goiás Project	Capacity to carry out the additional procurement for this project.	The state already has experience in procurement of a Bank-financed SIL. The procedures and methods related to the quality of internal procurement practices of SEMARH and its conformity with the practices are acceptable to the Bank. The World Bank will provide continuous training and assistance to procurement staff.	M
ICMBio project	ICMBio has no previous experience with Bank-financed procurement.	The procurement is carried out by one special bidding committee (CEL) with a president and three members (all ICMBio staff). The procedures and methods related to the quality of internal procurement practices of ICMBio and its conformity with the practices are acceptable to the Bank. This project will not require a complex support and control system because of methods used, and will have a satisfactory system of control. ICMBio should ensure that the system will allow prompt monitoring of procurement and contracts. The World Bank will provide continuous training and assistance to procurement staff.	M
II. Overall Risk (including Reputational Risks)			Moderate
^a Rating of risks on a four-point scale – High, Substantial, Moderate, Low – according to the likelihood of occurrence and magnitude of potential adverse impact.			

F. Grant Conditions of Effectiveness

87. The conditions are presented separately for each individual project in their respective Annexes (Annex 18: Goiás Project; Annex 19: ICMBio Project).

IV. APPRAISAL SUMMARY

A. Economic and Financial Analyses

88. The design of this Initiative and its projects for promoting biodiversity conservation are deemed to be the most cost-effective, socially relevant and politically feasible. The Initiative will invest in the creation of new protected areas and in the establishment of adequate protection measures for the long-term conservation of the biodiversity-rich target areas, which would be significantly delayed without the support of the GEF for this Initiative.

89. The costs of creating and strengthening Protected Areas estimated in this Initiative are similar to the GEF ARPA project, adjusted for the smaller average size of full protection PAs in *Cerrado* (170,000 ha) than in the Amazon (500,000 ha) and the greater threat faced by PAs in the *Cerrado*.

90. The Initiative will investment US\$ 2.2 million in support of 15 management activities for natural resources benefiting about 600 families, through the creation of collective property regimes and sustainable management plans of natural resources, especially in Extractive Reserves. This represents an average investment of US\$ 3,600 per family, over the course of three years, which is similar to the support provided for productive subprojects under IBRD loans. The Initiative focuses on promoting the management and processing of natural resources which already have a regional or national market (*pequi, baru, buriti, mangaba*, golden grass) elsewhere in Brazil.

91. This Initiative will also support the implementation of a system of land easement mechanisms complementary to the Brazilian Forest Code, which is a cost-effective way to increase protection of natural habitats in the production landscape. This policy creates a market for existing natural habitats inside private lands to be “rented” by farmers who do not have enough area assigned as Legal Reserve (RL).

“Business-as-Usual” Scenario

92. The scenario without the GEF would not adequately address the conservation challenges in the *Cerrado* region and would likely not catalyze support from the private sector, as governments’ current approach is over-reliant on command and control policies that seek to curb illegal activities. In addition, according this business as usual scenario each State and the Federal Government would be working separately, in which case there would most likely be several spatially and conceptually uncoordinated efforts aimed at addressing the environmental problems in the *Cerrado*. This could represent significant global and regional costs in terms of biodiversity loss, land degradation and the complete disappearance of the *Cerrado* over the next 20 years.

93. The cost of the baseline Initiative is estimated at about US\$ 29.69 million, mainly from Government resources and environmental compensation resources. The Federal Environmental

Compensation Fund (FCA) which would provide US\$ 9.3 million for MMA and ICMBio projects does not earmark funds to specific biomes or ecosystems. Thus, the baseline scenario would have been lower without the perspective of this GEF funded Initiative.

Incremental Cost and GEF Role

94. The global benefits of the Sustainable *Cerrado* Initiative will be: (i) increased biodiversity conservation and sustainable use of globally relevant species and hotspots; (ii) protection of watersheds in areas of global importance; (iii) increased opportunities for generating income while at the same time reducing pressure on biological resources; (iv) transition to more long-term livelihoods by supporting the sustainable use of the productive landscape and involvement of civil society; (v) contribution to the long-term reduction in deforestation and ecosystem destruction; and, (vi) contribution to the global 2010 CBD targets.

95. The GEF Alternative will ensure greater protection of endangered biodiversity of global importance in the *Cerrado* biome. It will provide financing linked to investments in policy development and implementation, as well as protection of ecosystems, all of which will have major impacts on land use. This will ensure that globally significant biodiversity is maintained through the promotion of direct protection and the sustainable use of *Cerrado* resources, thereby greatly contributing to reducing biodiversity loss while decreasing poverty and improving the quality of life of the population living in the *Cerrado* biome.

B. Technical

96. The Sustainable *Cerrado* Initiative builds on the National Sustainable *Cerrado* Program, developing and implementing policies and activities for the conservation and sustainable use of the *Cerrado*. The Sustainable *Cerrado* Initiative projects will draw upon the gap analysis conducted by the PROBIO project, focusing their activities within priority areas identified by that project, and monitor their impacts on the environment.

97. The four projects have embraced the concept of biological corridors and mosaics of natural habitats to ensure that the globally significant biodiversity is maintained, in the productive landscape and in protected areas. The projects under the Sustainable *Cerrado* Initiative are designed to focus on the creation and management of protected areas and promotion of sustainable agriculture and natural resource management practices in this expanding agricultural frontier.

98. Decentralized and shared responsibilities are effective and sustainable approaches to biodiversity conservation. In this way, the projects will strengthen federal and state institutions responsible for conserving biodiversity and promoting the sustainable use of natural resources. At the same time, improvements will be made in knowledge gathering and its analysis, so that a relevant and accurate database can be made available to decision makers.

C. Fiduciary

99. The Procurement and Financial Management assessments following the Bank's procedures and guidelines are presented separately for each individual project in their respective Annexes (Annex 18: Goiás Project and Annex 19: ICMBio Project).

D. Social

100. **Stakeholder participation is key for the success of this Sustainable Cerrado Initiative.** Hence, special attention is being given to include the relevant stakeholders (CSOs, government agencies and farmers) in the decision-making and monitoring processes, as well as in the development and implementation of collaborative work. This will be achieved through: (i) presence of representatives of the different stakeholders in deliberative committees such as the Sustainable Cerrado Initiative Committee; (ii) participatory M&E at the Sustainable Cerrado Initiative and project levels; and, (iii) specific provision in the Sustainable Cerrado Initiative support activities that promote the dialogue between the government agencies and traditional communities to build win-win alternatives.

101. **The preparation of this Sustainable Cerrado Initiative included extensive discussions of the Cerrado Working Group, composed of representatives of local CSOs, federal and state agencies and the private sector.** During implementation, the Sustainable Cerrado Initiative will bring together a wide range of stakeholders, including several agencies from Brazil's Federal Government, State Governments, local and international CSOs, the rural private sector and academic institutions, not only as beneficiaries or co-executors of the projects, but also as members of the Sustainable Cerrado Initiative Committee responsible for defining the strategies of the Sustainable Cerrado Initiative and monitoring and evaluating each project's implementation.

102. The creation of PAs should have very limited and low negative social impact resulting from possible resettlement related with the creation of full protection PAs. The Initiative adopts the principle of avoiding the need for resettlement as a result of the creation of protected areas, successfully applied in the ARPA project. This principle has been successfully applied in other Bank- implemented GEF projects in Brazil. The implementing agencies use a consultation process for creation of PAs, including for the definition of its borders. Thus, new full protection PAs do not include the areas occupied by traditional communities. Whenever possible, those community areas are created as RESEXs. In the event that resettlement is unavoidable, the Resettlement Framework will be applied. This Initiative will not create any protected area on Indigenous Lands.

103. This Initiative intends to increase and strengthen social participation in PA management through the creation and strengthening of protected area management councils, strengthening local social constituencies. Civil society will thus increase its influence in local environmental management and protection, which should improve the quality of life of communities under the area of influence of the protected areas. The creation and strengthening of management councils should involve approximately 720 people representing some 120 institutions and 16 traditional communities, which will receive training on PA management and conflict resolution.

E. Environment

104. The Sustainable Cerrado Initiative is notably a conservation program, and has been classified by the World Bank as Category B. The rationale of this Initiative is to achieve positive environmental outcomes on a biome-wide basis through direct measures.

105. Direct, positive environmental impacts stemming from the Sustainable *Cerrado* Initiative implementation will include: (i) creation/strengthening of protected areas to ensure effective environmental conservation; (ii) support for the development/testing and dissemination of sustainable use practices, resulting in decreased soil erosion, riparian forest recovery, and conservation of biodiversity; (iii) the creation of mosaics of natural habitats through strategic distribution of Sustainable *Cerrado* Initiative actions; (iv) development and implementation of public policies directed at *Cerrado* conservation and sustainable use; and, (v) improved capacity of government institutions and civil society to participate in decision-making and implement public policies that support the sustainable use and conservation of the *Cerrado*, fostering better management and control of the threats that lead to the degradation of the region's biodiversity and resources.

106. Given the framework character of the Sustainable *Cerrado* Initiative and the fact that activities will be undertaken by means of projects, the necessary environmental analyses were built into the procedures for developing each project proposal according to the Sustainable *Cerrado* Initiative's EA framework and its subsequent review by the Sustainable *Cerrado* Initiative Committee and the MMA.

F. Safeguard Policies

107. The draft Environmental Assessment and EMP report was submitted to the Bank on May 8, 2007. The final EA/EMP report was disseminated in Brazil through the MMA website (<http://www.mma.gov.br>), and contains a more detailed description of possible positive and negative environmental impacts of Sustainable *Cerrado* Initiative-supported activities, as well as a framework of identified preventive/corrective measures as a guideline for project EAs and EMPs. The document was also sent to the representatives of government and non-governmental organizations and civil society, who participated in the consultations during preparation of the Sustainable *Cerrado* Initiative, and addressed all comments received.

108. The analysis, based on the components of the Sustainable *Cerrado* Initiative and the typical social and environmental situation in the *Cerrado*, indicates that several safeguard policies could be triggered by each project. The list below indicates those safeguards triggered for the entire Sustainable *Cerrado* Initiative (i.e., whole set of projects).

Safeguard Policies Triggered by the Initiative	Yes	No
Environmental Assessment (OP/BP 4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[x]	[]
Pest Management (OP 4.09)	[x]	[]
Physical Cultural Resources (OP/BP 4.11)	[x]	[]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Indigenous Peoples (OP/BP 4.10)	[x]	[]
Forests (OP/BP 4.36)	[x]	[]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP 7.50)	[]	[x]

*By supporting the proposed project, the Bank does not intend to influence the final determination of the parties' claims on the disputed areas.

109. **The Sustainable Cerrado Initiative has been considered as category B**, where one or more safeguard policies could be triggered, but effects are limited in their impacts, are technically and institutionally manageable, and considered within the context of a program which aims at achieving positive environmental outcomes.

110. **Environmental Analysis.** The draft Environmental Assessment and Environmental Management Plan were submitted to the Bank on May 8, 2007. The final EA/EMP report was disseminated in Brazil through the MMA website (<http://www.mma.gov.br>), and contains a more detailed description of possible positive and negative environmental impacts of Sustainable Cerrado Initiative-supported activities, as well as a framework of identified preventive/corrective measures as a guideline for project EAs and EMPs. The document was also sent to the representatives of government and non-governmental organizations and civil society, who participated in the consultations during preparation of the Sustainable Cerrado Initiative, and addressed all comments received. The EA/EMP was submitted to the InfoShop on 02/13/2008 (Document N. E1810).

111. **A safeguard framework was developed for the design of this Sustainable Cerrado Initiative** with all safeguards that could possibly be triggered by the projects. When triggered, the safeguards were analyzed following the frameworks defined for each project with its own safeguard policy assessment.

112. A specific training process is available to any agency that is unfamiliar with the safeguard policies. Additionally, the safeguard framework will be monitored and related studies, plans, or mitigation procedures will be conducted with support from MMA and close assistance/supervision from the Bank.

113. The main considerations of each triggered safeguard are presented below:

114. **Natural Habitats.** Activities under some Sustainable Cerrado Initiative projects should lead to positive impacts on natural habitats, such as their conservation and recuperation. Nevertheless, OP 4.04 is triggered and therefore all projects' planning activities that may affect natural habitats must follow World Bank policies, identifying monitoring and management activities to prevent or mitigate any possible negative impact. Local and national legislation concerning natural habitats must be followed and habitat recuperation and sustainable use activities should give priority to the use of appropriate combinations of native species.

115. **Pest Management.** The need to use pesticides or herbicides should be indicated in each project, as well as the measures for Integrated Pest Management (IPM) to be adopted. When the use of pesticides or herbicides is justified, an analysis of potential negative impacts resulting from the use of these chemicals and the risks associated to the inappropriate handling or storing of their containers should be conducted. The projects should also include measures to reduce those risks, in compliance with Law No. 7802/89. The Operational Manual determines that for all projects, the use of these substances, whenever needed, should be limited to low toxicity products according to Class IV of Decree 98816/90, which correspond to Class "U" products in the World Health Organization's classification. Or, if appropriate Class "U" products are not available, each project coordination unit may authorize the limited use of WHO Class III products. The Pest Management Framework is part of the EA and it was submitted to InfoShop on 02/12/2008 (Document N. EA1810).

116. Physical Cultural Resources. Under Brazilian legislation provisions for the protection of cultural property are part of the environmental licensing procedures. The National Institute for Historical and Cultural Heritage (IPHAN) is the Brazilian institution responsible for handling archeological and cultural property issues. Whenever “chance findings” occur it is mandatory, by federal and state law, for Brazilian government agencies to seek IPHAN’s support to address “chance finding” issues. The procedures to handle with Physical Cultural Resources are described in the EA/EMP and it was submitted to InfoShop on 02/12/2008 (Document N. EA1810).

117. Involuntary Resettlement. The creation of new and the consolidation of existing protected areas will be consistent with: (i) the Brazilian legislation on protected areas (SNUC - Law 9985/00, Decree 4340/02 and Decree 5758/06); (ii) the CBD Work Programme on Protected Areas; (iii) the list of priority areas for conservation, sustainable use and benefit-sharing in the *Cerrado* biome, as approved by CONABIO (National Biodiversity Commission) in December 2006 and amended by MMA Administrative Ruling No 9 of January 23, 2007; and, (iv) the principle of avoiding the need for resettlement as a result of the creation of protected areas. Under this principle, if local communities exist in areas identified as important for the establishment of protected areas, those community areas would be created as RESEXs. Although involuntary population displacement and/or impacts on livelihoods is not envisaged at present, when unavoidable, involuntary resettlement must conform to Brazilian legislation, World Bank policies and the Sustainable *Cerrado* Initiative Resettlement Framework, and will involve extensive public consultation for all areas. A Framework for Involuntary Resettlement was prepared summarizing guidelines and procedures to be followed by the projects. The Framework for Involuntary Resettlement was submitted to InfoShop on 05/13/2008 (Doc. RP676).

118. Indigenous Peoples. Many indigenous peoples live in the *Cerrado* region and this Initiative will not create any protected area on Indigenous Lands. No negative impacts are thus foreseen on indigenous people or other ethnic groups. As a precaution, in accordance with the Bank’s OP 4.10, a Policy Framework for Indigenous Peoples Framework (IPF) was prepared for the Initiative, containing guidelines and procedures for the preparation and disclosure of an Indigenous People Plan in the event that any intervention affect indigenous communities. While no activity under the Sustainable *Cerrado* Initiative may negatively impact indigenous lands or cultural properties, indigenous communities that express an interest in participating in projects’ activities will be welcome to do so. The Indigenous Peoples Framework was submitted to InfoShop on 04/29/2008 (Document N. IPP292).

119. Forests. Typical activities should support mainly conservation and restoration activities, and sustainable forestry activities by traditional communities and small-scale rural producers, and should be planned and executed in such a way as to minimize or prevent negative impacts on forest areas. Activities resulting in deforestation and loss of native vegetation cover will not be allowed. No large-scale timber activities will be supported by the Initiative. The management of any non-timber or timber (in limited scope) products will follow management plans approved by the Sustainable *Cerrado* Initiative and fully compatible with the World Bank’s OP4.36.

G. Policy Exceptions and Readiness

120. There are no policy exceptions. The policy exceptions, conditions for effectiveness, negotiation status, and readiness are presented separately for each individual project in Annex 18: Goiás Project and Annex 19: ICMBio Project.

Annex 1: Country and Sector or Initiative Background

BRAZIL: Sustainable *Cerrado* Initiative

I. THE *CERRADO* BIOME

1. The *Cerrado* region is one of the world's hotspots for biodiversity conservation, and one of WWF's Global 200 ecoregions. Its biodiversity is extremely rich due to its magnitude, environmental heterogeneity and proximity to other tropical ecosystems, although this is not often recognized. The region has over 12,000 species of herbs, shrubs, trees and lianas. Current estimates suggest that the *Cerrado*'s endemic plants represent over 1.5% of the earth's total flora. There are also over 605 bird species, 195 species of mammals and 800 fish species. According to a recent estimate, the *Cerrado* harbors 13% of the butterflies, 35% of the bees, and 23% of the termites of the Neotropics making it the world's richest tropical savanna.

2. The *Cerrado* is also an endangered hotspot¹⁶ with many endemic species. Of all the species that occur in the biome, at least 4400 species of plants (44%), 14 species of mammals (7%), 16 species of birds (3%), 33 species of reptiles (15%), 26 species of amphibians (10%) and 200 species of freshwater fish (25%) are endemic. Numerous plant and animal species are threatened with extinction and estimates are that at least 20% of the threatened and endemic species are not found in protected areas¹⁷. In fact, the amount of protected areas in the *Cerrado* is currently insufficient (in both number and size) and inadequate (low representativeness) for preserving and maintaining threatened and endemic species¹⁸. At the present time, 112 terrestrial animal species are threatened with extinction¹⁹. This includes four species of mammals, seven species of birds and three species of amphibians.

3. The *Cerrado*'s core area originally covered the entire Brazilian central plateau - an area of approximately 2.0 million km², even larger than Mexico (1.9 million km²). Besides this core area, there are large fragments of the *Cerrado* biome that are embedded in other biomes. About 25 million people inhabit this region, 83% of whom live in urban centers.

A. Biodiversity

4. Twenty-three vegetation types have been identified in the biome thus far, consisting mainly of tropical savannas, grasslands, forests and dry forests. The distribution and diversity of woody species in the *Cerrado* savannas is extremely heterogeneous. Of the 951 woody species currently identified, only 38 are frequently occurring (i.e. present in > 50% of the biome area).

5. A wide variety of the *Cerrado* plants are used by the population. Around 220 plant species have medicinal uses, and over 416 species are used to rehabilitate degraded soils, i.e. as wind barriers, protection against erosion, or to create habitats for natural predators of pest species. About 10 edible native fruits are regularly consumed by the local population and sold in the

¹⁶ Mittermeier *et al.* 2004. Hotspots revisited. CEMEX 389 p.

¹⁷ See Klink and Machado, 2005, Conservation Biology 19, No 3, June 2005.

¹⁸ Machado, 2000. A fragmentação do *Cerrado* e a avifauna na região de Brasília. PhD thesis.

¹⁹ See Fundação Biodiversitas at their website: www.biodiversitas.org.br or IUNC's red-list at www.redlist.org.

urban centers, such as the fruits from the *pequi* (*Caryocar brasiliensis*), *buriti* (*Mauritia flexuosa*), *mangaba* (*Hancornia speciosa*), and *baru* (*Dypterix alata*).

6. There are 195 species of mammalian *Cerrado* fauna, 14% of them endemic to the biome. A few of the best-known species occurring in the region are the maned wolf (*Chrysocyon brachyurus*), the giant armadillo (*Priodontes maximus*) and the giant anteater (*Myrmecophaga tridactyla*), the largest anteater in the world.

7. The *Cerrado* also harbors a rich avifauna, with over 605 species, 12% of them endemic. In addition, the biome contains two of BirdLife International's Endemic Bird Areas. The endemics include the highly threatened blue-eyed ground dove (*Columbina cyanopis*), the Minas Gerais tyrannulet (*Phylloscartes roquettei*) and the Brasília tapaculo (*Scytalopus novacapitalis*).

8. The total number of fish, reptiles and amphibians in the *Cerrado* is still uncertain. Nonetheless, freshwater fish diversity is quite high, with about 800 species, a quarter of which are endemic. The *Cerrado* has almost 250 genera of fish, nearly 20 of which are endemic. There are over 220 species of reptiles in the *Cerrado*, more than 30 of which are endemic. Nearly 200 species of amphibians have been recorded in the *Cerrado*, with over 25 being endemic. Among the endemics are two highly threatened species, the *Hyla izecksohni* and *Odontophrynus morotoi*.

9. The invertebrate fauna is also not well known. Insects are the largest group of organisms in the *Cerrado*, with an estimated number of 90,000 species. According to a recent estimate, the *Cerrado* harbors 13% of the butterflies, 35% of the bees, and 23% of the termites of the Neotropics.

10. The *Cerrado*'s importance in terms of global biodiversity also led to the establishment of a Biosphere Reserve in 1993. Already increased by a second phase designation, it comprises almost 30 million hectares, with a core of over 3.5 million ha. The Reserve focuses on the restoration of altered areas and the establishment of ecological corridors linking protected areas.

B. Water

11. The *Cerrado* biome plays an important hydrological role in the South American continent, capturing and storing rain water and feeding six of the most important river basins: the Amazon, Tocantins, Parnaíba, São Francisco, Paraná and Paraguay basins. In the case of the São Francisco, 94% of its volume originates in the *Cerrado* biome.

II. THE ENVIRONMENTAL THREATS

A. Agricultural Expansion

12. The rapid expansion of agriculture in the *Cerrado* has had a high environmental cost. This ranges from the loss of biodiversity, biological invasion, soil erosion, land degradation, sedimentation water imbalance and changes in the carbon cycle and stocks.

13. The *Cerrado* region is still considered one of the world's last major land frontiers both in Brazil and abroad. The idea of central Brazil as a region to be conquered and transformed has been entrenched in Brazilian society since colonial times. The first permanent settlements were established by the Portuguese in the early 18th century and were associated with gold mining. Until the late 1950s, the contribution of the *Cerrado* to Brazil's agricultural output was still low,

at less than 10% of the national total. This changed dramatically after the 1960s, when the *Cerrado* became Brazil's major producer and exporter of important cash crops and beef.

14. There are now about 50 million head of cattle in the *Cerrado*, representing 33% of the national herd. This increase is a direct consequence of the expansion of planted pastures, since the carrying capacity of the native savanna is usually low - less than one animal per hectare. Today, planted pastures are by far the most important form of land use in the *Cerrado*, covering over 60 million ha²⁰. The *Cerrado* is also responsible for over half of Brazil's soybean production, most of it being for export.

15. Unlike the small farms in other parts of Brazil, the predominant kind of farming on the nutrient-poor but relatively cheap *Cerrado* lands is capital-intensive, large-scale, mechanized and highly dependent on chemical inputs. The loss of biodiversity is caused by the suppression, fragmentation and isolation of natural habitats, which is closely linked to the removal of the biome's natural vegetation and the introduction of exotic species. Over the past four decades, huge tracks of native *Cerrado* vegetation have been transformed from a mixture of natural trees and grasses into monocultures, or essentially cultivated pastures and cash crops.

16. This transformation of the *Cerrado* landscape is continuing at a swift pace. It is estimated²¹ that about 55% of the *Cerrado* has already been lost, with only 22% of the original *Cerrado* vegetation cover remaining in its original state, and with a mere 9% of this in fragments larger than 1,000 hectares. Current estimates are that *Cerrado* deforestation rates are between 22 and 30 thousand km² per year. If such a rate were to continue unchecked, the biome would disappear in less than 30 years.

B. Poor Agricultural Practices

17. The most common agriculture practice in the region relies heavily on soil mechanization of large tracts of land with substantial use of fertilizers and lime to correct soil fertility and acidity. The use of crop rotation is limited and the adoption of less costly and more sustainable practices, such as no tillage systems, has started over the past 15 years. Pasture management is often inadequate. It is estimated that 50% to 60% of the pasture area shows some degree of degradation. This erosion is worsened by the existence of approximately 4.5 million hectares of land that has been cleared, but is no longer being used.

18. Even though the *Cerrado* is a fire-adapted ecosystem, the widespread use of fire for agricultural purposes usually does not respect the biome's natural fire cycles, and often damages the natural edge protection of the gallery forests. Brazil already possesses an advanced legislation and active programs to control the use of fire, such as the PREVFOGO Program under IBAMA. The Sustainable *Cerrado* Initiative will include activities to raise awareness about fire legislation and the safe use of fire in agriculture as an important element of the capacity-building of farmers and environmental agencies (component 2 and component 3).

C. Unsustainable Exploitation of Biodiversity

19. Charcoal production from native vegetation is one of the main unsustainable uses of biodiversity. Farmers sell or even give away areas with native vegetation. These are then deforested to produce charcoal, the sale of which offsets the cost of clearing for pasture. This is

²⁰ Vilela et al. 2005 Pasture Degradation and Long-Term Sustainability of Beef Cattle Systems in the Brazilian *Cerrado*.

²¹ See: Jesus & Sano, 2002, *Simpósio de Ecologia e Biodiversidade*, UnB and EMBRAPA.

usually done by itinerant, family-based charcoal producers. The great demand for charcoal comes from the large pig iron and steel industry near the southern part of the *Cerrado* region. In return, the farmer not only loses the native species with economic potential originally on the property, he/she also receives land with low-quality pasture that supports less than one head of cattle per hectare, and that only for a few years.

20. In addition, the local but intensive unsustainable harvesting of native vegetation is threatening many species, especially the medicinal and ornamental plants, and those used for timber. For instance, *almecega* (*Protium spp.*), which is used for medicinal purposes and *aroeira*, (*Myracrodruon urundeuva*) used for timber, are practically extinct in and around the Federal District. On the other hand, studies have shown that the sustainable use of native species such as *buriti* and *pequi* in natural areas may provide as much as US\$ 250.00/ha/year. The availability of such resources from the *Cerrado* biome's natural biodiversity could represent a viable alternative income for traditional communities, with food processing industries and other sectors contributing to the region's sustainable social and environmental development.

III. SUSTAINABLE USE INITIATIVES

21. The sustainable use of *Cerrado*'s native biodiversity has been a practice for over a hundred years among the traditional communities whose livelihoods depend on the biome's natural resources. Traditional communities in the *Cerrado* are represented by *quilombolas* (African descendants), *geraizeiros* (who live in the drier areas), *ribeirinhos* (who live along rivers), *babaçueiras* (whose livelihoods are based on the babassu palm), *vazanteiros* (who live on floodplains), and indigenous peoples, among others. These communities live throughout the region and possess extensive traditional knowledge on the richness and uses of the *Cerrado*'s biodiversity, comprising valuable social and cultural Brazilian heritage.

22. The production and commercialization of products originated in the sustainable use of *Cerrado*'s natural resources could represent income generation, food security, and increased quality of life for traditional communities and small farmers in the region. It is therefore becoming increasingly urgent to promote the dissemination of these experiences among those groups, especially considering the accelerated rate of biodiversity depletion in the biome, and the increasing social, economic, and cultural exclusion faced by these traditional communities and small farmers as a consequence of the development model in the region.

23. The initiatives and projects that promote the sustainable use of the *Cerrado* are crucial instruments for the socio-environmental conservation of the biome, since they promote income generation and the environmental education of all actors involved, which result in the valuing of the biome and its consequent conservation. The sustainable use experiences face technological and institutional obstacles and deficiencies, which prevent them from reaching a broader economic scale.

24. The most advanced experiences resulting in products from extractive activities involve native fruits, dry flowers, babassu nut, medicinal plants, teas, condiments, honey from native and alien bee species, aquaculture, captive breeding of native species, handcrafts, and ecotourism. The beneficiaries of these experiences are the rural workers, small farmers, *quilombolas*, and indigenous communities, which collectively possess experiences and knowledge capable of producing positive synergies when appropriately connected to research

and social mobilization. This type of sustainable use of *Cerrado* resources significantly contributes to maintain areas of natural *Cerrado* vegetation and many products have good market acceptance, bringing measurable improvement to food security and quality of life of these communities.²²

IV. BRAZIL'S STRATEGY FOR THE *CERRADO*

25. Brazil has well-developed environmental legislation. According to the 1988 Federal Constitution, environmental management is decentralized, divided between the federal, state and municipal levels. The Federal Government establishes the general environmental legislation, policies, directives and strategies, and implements environmental licensing and enforcement activities. The state and municipal governments may also develop supplementary legislation and adopt their own environmental policies and strategies, as well as complementary licensing and enforcement activities. The First Programmatic Reform Loan for Environmental Sustainability and the associated Environmental Technical Assistance Loan have supported activities to ensure the establishment and proper functioning of tripartite committees for each state, in order to guarantee better interaction and a division of responsibility among the three levels of government.

26. Brazil has also signed various international environmental agreements, the most important being the Convention on Biological Diversity (CBD), ratified by the Brazilian Congress. To meet its commitments to the CBD, Brazil is already implementing several environmental policies, among which the National Biodiversity Program (PRONABIO), and established the Brazilian Biodiversity Fund (FUNBIO) to support environmental projects.

27. In addition, the Brazilian Government implemented the Project for the Conservation and Sustainable Use of Brazilian Biological Diversity (PROBIO), with the main objective of supporting initiatives that gather and contribute information on Brazilian biodiversity. From 1997 to 2000, PROBIO conducted an extensive multi-stakeholder consultation to identify priority areas for the conservation and sustainable use of the Brazilian biodiversity in the country's main biomes: Amazon, *Caatinga*, *Cerrado* and *Pantanal*, Atlantic Forest and Pampas, and the Coastal and Marine Zone. This consultation process defined 900 priority areas, recognized by a legal instrument, to be periodically revised in no more than 10 years, given the expected increase of the knowledge base and environmental changes. The first update of these priority areas was conducted in 2006, and the updated map of Priority Areas for the Conservation, Sustainable Use and Sharing of Benefits from Brazilian Biodiversity was published by MMA in 2007.

28. The Brazilian environmental legislation includes regulations on environmental crimes (Law 9605/98 and Decree 3179/99), the National Environmental Policy (Laws 5197/67 and 6938/81 and Decree 99274/90), the Forest Code and the National Protected Areas System (Laws 4771/65, 11284/2006 and 9985/2000), the National Policy on Water Resources (Laws 9433/97, 9966/2000 and 9984/2000), the National Environmental Education Policy (Law 9795/99 and Decree 4281/2002), the National Environment Fund (Law 7797/89 and Decree 3524/2000), and public civil action (Law 4717/65).

²² For more information, see www.iieb.org.br/programa.asp?id_subprograma=46&id_programa=13.

29. These legal instruments and policies are directed at the entire country. Given Brazil's huge dimension, it is necessary to further develop such legal instruments and policies to regionalize them considering, among other factors, the diversity of biomes, regional economic inequalities, and states' legal frameworks. The *Cerrado* needs state and federal instruments and policies to promote, on the one hand, the involvement of the business and agricultural sectors in conservation and sustainable use actions and, on the other hand, to reduce the continuous advance and uncontrolled opening of new native areas for agricultural activities. The command-and-control instruments are increasingly perceived as limited to successfully halt the progressive deforestation and incorporation of new areas for agriculture. Therefore, there is urgent need to develop environmental sustainability mechanisms which can be attractive to the economic sector. Possible mechanisms include: credit and tax incentives, sustainable use credit lines from the Center-West Constitutional Fund, economic instruments that favor the payment for environmental services and for the conservation of biodiversity and water resources and "ICMS²³ ecológico".

30. It is important to create policies to benefit producers that already apply some form of sustainable use of natural resources, such as reducing bureaucratic and/or phyto-sanitary barriers that prevent the management of native species in the production processes at local communities. A specific regulation is needed for the *Cerrado*, drawing upon the experiences from the recently approved Atlantic Forest Law. This Law will benefit producers that are already conserving their RLs and APPs, and give alternatives to comply with those who are not currently in compliance with the environmental legislation. Such measures are fundamental to promote a new framework for environmental legislation regulating the conservation and sustainable use of the *Cerrado*, as prescribed by the National Sustainable *Cerrado* Program.

A. The National Sustainable *Cerrado* Program

31. In 2003, the newly elected Federal Government created a Working Group composed of representatives from the federal, state and municipal governments and civil society, notably from academia, environmental and social CSOs, rural workers, farmers and indigenous people, to discuss and present recommendations for the conservation of the *Cerrado*.

32. In 2004, the Working Group presented a proposal to create the National Program for the Conservation and Sustainable Use of the *Cerrado* Biome (National Sustainable *Cerrado* Program) which was formally created through Decree 5577 of November 08, 2005. The National Sustainable *Cerrado* Program intends²⁴ to promote the conservation, restoration, recovery and sustainable management of natural ecosystems, as well as acknowledging and valuing its traditional population, and seeking conditions to reverse the negative social and environmental impacts of the process by which the *Cerrado* Biome was occupied.

33. The National Sustainable *Cerrado* Program has five components: (i) biodiversity conservation; (ii) sustainable use of biodiversity; (iii) management of water resources; (iv) traditional communities and small farmers; and, (v) sustainability of agriculture, pastures and forestry. This is a major step forward, in terms of:

²³ Brazilian Value Added Tax

²⁴ The *Sustainable Cerrado Program* focuses especially on the areas established in the priority-setting workshop of 1998, on watersheds and gallery forests, and on those areas where intensive agro-pastoral activities have brought about major landscape modifications.

- simultaneously addressing biodiversity conservation with sustainable livelihoods;
- promoting synergies through partnerships among governmental and non-governmental organizations at national, regional and local levels; and,
- considering primary, secondary and key stakeholder interests.

34. In order to ensure a participatory process and commitment from the different stakeholders, the same Decree created the National Sustainable *Cerrado* Program Commission (CONACER), responsible for supervising the preparation of the Action Plan for the Program and providing regular guidance on its implementation. This Commission is composed of representatives from the Government, academia and civil society organizations. CONACER was created during the early stages of preparation of this Sustainable *Cerrado* Initiative, reinforcing the commitment of the Brazilian Government to the goals of the National Sustainable *Cerrado* Program. The work of the CONACER is essential for ensuring that the Program is implemented through a participatory process, and adequately budgeted in the Federal Government Multi-Year Plan (*Plano Pluri-Anual*) to ensure the sustainability of this Program.

B. The Sustainable Cerrado Initiative

35. The Sustainable *Cerrado* Initiative is one of the pillars for the implementation of the National Sustainable *Cerrado* Program. The Sustainable *Cerrado* Initiative is a joint effort by the Government of Brazil, the GEF and the World Bank to further develop and implement the multi-stakeholder Working Group's policy recommendations and to effectively establish a national coordinating body for the conservation and sustainable use of the fragile and fast-disappearing *Cerrado* biome.

36. The main challenges that will be addressed by the components of this Initiative are:

- **Increase biodiversity protection.** Estimates are that *Cerrado* deforestation rates are between 2.2 and 3.0 million hectares per year. In addition, only about 6% of the biome is legally protected through the National Protected Areas System (SNUC)²⁵, with only 2.85% under a "full protection" status. In practice, few of these units have anything more than just legal protection status. There is strong evidence that the current set of protected areas is insufficient (low number and size) and inadequate (low representativeness) to preserve and maintain threatened and endemic species²⁶. By ensuring the protection of 2.0 million hectares the Sustainable *Cerrado* Initiative will significantly contribute to increase *Cerrado*'s protection. Furthermore, the fragment size and connectivity of protected areas are issues that have not yet been studied thoroughly. They need urgent characterization, definition and implementation. A study of the effect of fragmentation caused by the recent construction of a dam, which created islands of different sizes²⁷, showed the disappearance of 30% to 46% of bird species within three years of isolation.
- **Promote conservation and sustainable use practices in the rural landscape.** Agriculture will continue to increase in the region for some time. The adoption of sustainable agricultural practices, including fire management, soil erosion controls, maintenance of riparian forests, Permanent Preservation Areas and Legal Reserves by medium and large farmers should

²⁵ For the relevant legislation, see: Law N° 9.985, of June 18, 2000 and Decree N° 4.340, August 22, 2002.

²⁶ Machado 2000 A fragmentação do *Cerrado* e a avifauna na região de Brasília. PhD thesis.

²⁷ Hass, Braz and Cavalcanti, 2005. Fragmentation and the Role of Conservation Units in Biodiversity Conservation.

slow down the expansion of the agricultural frontier. New technologies have been developed by the Brazilian Agricultural Research Company (EMBRAPA) for tropical agriculture, which allow significant productivity gains, enabling a twofold increase of production without expanding into new *Cerrado* areas. The challenge is to promote a broader adoption of such practices by medium and large farmers, and develop/test other practices focusing on maintaining the biodiversity in the productive landscape. In addition, the adoption of practices for the sustainable use of native species should increase the value of standing *Cerrado*, providing a possible alternative to farming while improving biodiversity conservation.

- **Improve policies and institutions.** The country lacks a good policy framework that balances enforcement actions with mechanisms that promote a win-win situation for the conservation and sustainable use of the *Cerrado*. Current policies rely more on “command and control” measures. Hence, support for strategic policy analyses, the detailing of the National Sustainable *Cerrado* Program and associated directives, and the strengthening of the CONACER and DCBio are necessary. Also, the existing federal and state-level agencies, as well as producer associations active in the *Cerrado*, lack adequate infrastructure and qualified staff to effectively tackle the aforementioned issues.

- **Periodic monitoring of the biome.** The country does not have reliable periodic data on the *Cerrado*’s biodiversity, its remaining area, or other relevant issues. The data available comes from academia and CSOs that cannot ensure the systematic data collection necessary for establishing the medium-term trends required for policy-related decisions. The strong foundation for the support to be extended under this Program to ensure quality and compatibility with data from the other biomes is the LBA-DIS model that is currently available for the Amazon biome. This model is housed at the National Space Research Institute (INPE) and is considered the gold standard for such a database in terms of both content and accessibility for civil society.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

BRAZIL: Sustainable *Cerrado* Initiative

Latest Supervision (ISR) Ratings				
Sector Issue	Project Name	Project Number	Implementation Progress (IP)	Development Objective (DO)
Bank-financed				
Environmental sustainability	First Programmatic Reform Loan for Environmental Sustainability – closed	P080829	IEG Outcome Rating: NR	
	Environmental Sustainability Agenda Technical Assistance Project	P090041	MS	S
	Tocantins Sustainable Regional Development Project	P060573	MS	S
Sustainable development	Goiás State Highway Management Project – closed	P055954	IEG Outcome Rating: S	
	Goiás State Highway Management APL II	P101418	Under preparation	
	Brasilia Environmentally Sustainable Project	P089440	MU	MU
Strengthening institutional capacity	National Environmental Program II – closed	P035741	IEG Outcome Rating: S	
	National Environmental Program II – Phase II	P099469	S	S
Bank-managed				
Biodiversity conservation and sustainable use	Pilot Program to Conserve the Brazilian Rain Forest (PPG7)	various	various	Various
	Amazon Region Protected Areas Project (ARPA) (GEF)	P058503	IEG Outcome Rating: S	
	National Biodiversity Fund (PROBIO) (GEF)	P006210	IEG Outcome Rating: S	
	Brazilian Biodiversity Fund (FUNBIO) (GEF)	P044597	IEG Outcome Rating: S	
	GEF - National Biodiversity Mainstreaming and Institutional Consolidation Project (PROBIO II)	P094715	MS	S
	Amazon Aquatic Resources (Aquabio) (GEF)	P066535	MS	MS
Other Development Agencies				
Institutional strengthening capacity.	IDB and Netherlands Funds: National Environment Fund (FNMA)			
Biodiversity conservation.	GEF: Establishment of Private Natural Heritage Reserves (RPPNs) in the Brazilian <i>Cerrado</i> (Funatura/UNDP).			
	GEF: Building the Inter-American Biodiversity Information Network (IABIN)		2002 – 2009.	
	UNESCO: Consolidation of the Brazilian Biosphere Reserves – BRAMAB II (MMA)		2001 – 2004.	

Annex 3: Results Framework and Monitoring

BRAZIL: Sustainable *Cerrado* Initiative

PDO/ Initiative Global Environment Objective	Sustainable <i>Cerrado</i> Initiative (Phase 1 & 2) Outcome Indicators	Current Sustainable <i>Cerrado</i> Initiative Outcome Indicators for this Phase 1	Use of Outcome Information
<ul style="list-style-type: none"> To enhance biodiversity conservation in, and to improve environmental and natural resource management of, the <i>Cerrado</i> in Brazil's territory through appropriate policies and practices 	<ul style="list-style-type: none"> <i>Cerrado</i> conservation policy framework fully developed and at least four policy components adopted and contributing to biodiversity conservation in over 20% of the <i>Cerrado</i> biome. Biodiversity conservation increased in at least four priority regions of the <i>Cerrado</i> biome. 	<ul style="list-style-type: none"> Action Plan of the National Sustainable <i>Cerrado</i> Program and at least two public policies are adopted and contributing to biodiversity conservation in over 20%²⁸ of the <i>Cerrado</i> biome. Biodiversity conservation increased in four priority regions of the <i>Cerrado</i> biome. 	<ul style="list-style-type: none"> YR1-YR2 gauge necessity for inducement of further executive projects and/or projects. YR2 determine if implementation strategy needs adjustment. YR4 feed into mainstreaming of Initiative and for evaluation.

Initiative Intermediate Results	Results Indicators	Initiative Results Indicators for Phase 1	Use of Results Monitoring
Component 1: <ul style="list-style-type: none"> Improved conservation of the <i>Cerrado</i>'s biodiversity. 	<p>At least an additional 4.6 million hectares of the <i>Cerrado</i> Biome protected through the creation/expansion of Protected Areas (PAs).</p> <p>At least 70% of the <i>Cerrado</i> PAs targeted by the Sustainable <i>Cerrado</i> Initiative with their basic protection measures in place.</p>	<ul style="list-style-type: none"> An additional 2.0 million hectares of the <i>Cerrado</i> biome protected through the creation/ expansion of PAs. 30% of the <i>Cerrado</i> PAs targeted by the Sustainable <i>Cerrado</i> Initiative with their basic protection measures in place, covering about 4.0 million ha. 	<ul style="list-style-type: none"> YR1-YR4 may flag implementation opposition, difficulties or lack of sufficient funds. YR4 will guide on possible implementation rates of further PAs during mainstreaming.

²⁸ This will be measured by considering the total area under *Cerrado* of each state where the policy is adopted according to SP1 (GEF tracking tool).

Initiative Intermediate Results	Results Indicators	Initiative Results Indicators for Phase 1	Use of Results Monitoring
Component 2: ▪ Sustainable use of the <i>Cerrado</i> 's natural resources expanded within the productive landscape.	A minimum of 20 initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources documented and disseminated.	▪ 12 initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources with high replicability potential in PA buffer zones and sustainable management PA documented and disseminated, and 400 producers trained in the application of best practices.	▪ YR1-YR4 may flag training or technology transfer (extension) difficulties. ▪ YR4 will guide on possible "sustainable management" implementation rates during mainstreaming.
	Over 40% of rural properties in the project-supported areas regularly using some form of biodiversity conservation and/or "sustainable management" production practice ²⁹ .	▪ An additional 10% of rural properties in the project-supported areas regularly using some form of natural resource, land or agricultural management or biodiversity conservation practice, covering at least 200,000 ha.	
	At least 20 new initiatives for adding value and for improving the commercialization of native products originating from rural, sustainably managed production developed and under implementation.	▪ 15 initiatives for adding value and for improving the commercialization of native products originating from rural, sustainably managed production developed, totaling 97,600 ha under specific sustainable management practices.	
Component 3 : ▪ Government institutions responsible for the conservation and sustainable use of the <i>Cerrado</i> 's natural resources and members of organized civil society strengthened and participating in the formulation of public policies.	Action Plan of the National Sustainable <i>Cerrado</i> Program concluded and publicly launched.	▪ Formulation of the Action Plan of the National Sustainable <i>Cerrado</i> Program publicly launched and under implementation.	▪ YR1-YR2 should reveal State Governments' true intentions regarding serious environmental enforcement. ▪ YR2 may flag need to change strategy on using networks for representation. ▪ YR4 will guide on next steps for mainstreaming.
	A minimum of six new public policies related to the conservation and sustainable use of the <i>Cerrado</i> 's natural resources developed ³⁰ .	▪ Four new public policies related to the conservation and sustainable use of the <i>Cerrado</i> 's natural resources developed.	
	Systems for environmental monitoring, licensing and enforcement of rural properties implemented and fully operational in at least two of the Sustainable <i>Cerrado</i> Initiative-supported states.	▪ Geo-referenced systems for environmental monitoring, licensing of rural properties, and enforcement developed at federal and state levels and under implementation in at least one State.	

²⁹ Each sub-project would submit a short description of the practices they intend to consider/promote for this target to the Sustainable *Cerrado* Initiative Committee.

³⁰ This outcome would be considered achieved when the newly developed public policies are submitted to the President's Office.

Initiative Intermediate Results	Results Indicators	Initiative Results Indicators for Phase 1	Use of Results Monitoring
Component 4; ■ Coordination and monitoring the <i>Cerrado</i> biome.	At least 8 selected institutions who are working on matters related to the use of natural resources strengthened through staff training in specific environmental management processes and associated tools.	■ Six selected institutions working on matters related to the use of natural resources strengthened through staff training in specific environmental management processes and associated tools.	■ YR1-YR4 should flag Sustainable <i>Cerrado</i> Initiative and project deficiencies in time to be adjusted/ corrected. ■ YR4 should help define necessary level of coordination during mainstreaming. ■ YR2-YR4 should reveal key biome data required by users.
	At least three civil society networks and/or organizations strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.	■ Three civil society networks and/or organizations strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.	
	All the projects of the Sustainable <i>Cerrado</i> Initiative being coordinated, monitored and annually evaluated, with the results widely publicized. Information on the vegetation cover, biodiversity and land use of the <i>Cerrado</i> biome periodically updated and made freely available.	■ All the projects of the Sustainable <i>Cerrado</i> Initiative being coordinated, monitored and annually evaluated, with the results widely publicized. ■ Information on the vegetation cover, biodiversity and land use of the <i>Cerrado</i> biome periodically updated and made freely available.	

Overall M&E responsibilities

1. As a venture of four projects, this Sustainable *Cerrado* Initiative will require the close monitoring of each project's individual performance and its contributions to the overall targets. At the same time, the monitoring and evaluation (M&E) will need to be sufficiently flexible so that project specificities are adequately accommodated throughout implementation.
2. The DCBio will have overall responsibility for the Sustainable *Cerrado* Initiative's M&E. Component 5 of the MMA Project specifically foresees the establishment of mechanisms for the coordination, monitoring and evaluation of the Sustainable *Cerrado* Initiative and its projects, which will be validated by the Bank. During the first 6 months of project implementation, the MMA Project will support the implementation of the necessary operational structure for M&E activities.
3. The DCBio will organize and coordinate key activities such as supervision missions to all projects, biannual reports, etc. The DCBio's technical staff is already responsible for the National Sustainable *Cerrado* Program. If necessary, the evaluation activities will have the support of experts hired to train the DCBio staff during the first year of the Initiative. These experts should be experienced in the areas addressed by the Sustainable *Cerrado* Initiative's components, such as agro-extractive activities, environmental public policies, environmental management, geoprocessing, database administration, and rural extension.
4. The Sustainable *Cerrado* Initiative Committee, composed by representatives of governmental institutions and civil society organizations (see Annex 6), will be responsible for the analysis of the M&E regarding the strategies defined for the Sustainable *Cerrado* Initiative, and for recommending adequate adjustments to the projects, if necessary.
5. The Bank will supervise the implementation of Sustainable *Cerrado* Initiative and will recommend adjustments whenever necessary. It will also conduct two supervision missions per year to each project, when ex-post reviews should also take place.

Sustainable *Cerrado* Initiative M&E Arrangements

6. At the Initiative level, the DCBio will be responsible for advising executing agencies on M&E, and for consolidating and systematizing the resulting data for inclusion in the Initiative's M&E reports.
7. The Initiative's biannual M&E reports will be produced by the DCBio, based on the consolidated project data and corroborated through regular field visits (at least one/year for each project), in which the primary, secondary and key stakeholders' views and opinions on performance will also be registered. These reports will be presented to the Bank for its analysis.
8. An annual overall Initiative report including results from each project will be presented to the Sustainable *Cerrado* Initiative Committee by the DCBio during an annual seminar.
9. While using the GEF tracking tools SP#1 and SP#2, all reports will show the results monitored in two parallel formats:
 - using the project's specific Results Framework, and
 - using the Sustainable *Cerrado* Initiative's Results Framework.
10. The Sustainable *Cerrado* Initiative Committee will issue its recommendations to the Bank, such as the possible cancellation of a project that is not performing well, based on information obtained during project monitoring and evaluation. This rule will encourage agencies to treat the

projects as implementation priorities. It will also allow funds to be used effectively and efficiently towards the Initiatives goals through other projects, in case of cancellation.

11. At about the end of year 2, the Bank will organize and coordinate a Mid-Term Review Mission to all projects to evaluate the overall results achieved by the Sustainable *Cerrado* Initiative and the projects and propose modifications if necessary.

M&E Arrangements of the Projects

12. At the project level, the executing agencies will be responsible for establishing the baselines for the project's indicators according to their specific Results Framework as well as for regular monitoring and biannual evaluation. The implementing agencies of all four projects have routine Monitoring and Evaluation capabilities and experience, which may be drawn upon for the proposed projects.

13. Each project's biannual M&E reports will be produced by the respective executing agencies and submitted to the DCBio. The reports will monitor the results considering the GEF tracking tools SP#1 and SP#2.

14. During the first semester of each project, each executing agency will organize and train a team with the responsibility of implementing all M&E procedures, activities and reporting. Special efforts will be made to encourage civil society's active participation in M&E, so that any adjustments or modifications in project implementation will have been at least discussed collectively. When necessary, community training will be provided on participatory M&E tools and methods.

15. All M&E information is expected to be highly reliable. Only Result 2.2 will require yearly sample surveys, in view of the large area involved. They will be conducted by the executing agencies during the routine project activities and will receive all the necessary technical advice from the DCBio.

Initiative Outcome Indicators for Phase 1	Cumulative Target value				Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Responsibility
Action Plan of the National Sustainable <i>Cerrado</i> Program and at least two public policies are adopted and contributing to biodiversity conservation in over 20%³¹ of the <i>Cerrado</i> biome. (in km²).	None.	Draft Action Plan prepared.	Action Plan launched.	Two Public Policies adopted.	Adopted policies contributing to biodiversity conservation in over 20% of the <i>Cerrado</i> biome.	Biannual project report.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee and DCBio.
Biodiversity conservation increased in four priority regions³³ of the <i>Cerrado</i> biome.	To be established in YR1.	(To be established after baseline studies)			100%	Biannual project report.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.

Result Indicators for each Component	Cumulative Target value					Data Collection and Reporting	
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Responsibility
Component 1							
An additional 2.0 million hectares of the <i>Cerrado</i> biome protected through the creation/ expansion of new PAs.	2.9 million ha	3.2	4.1	4.5	4.9	Biannual project report.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
30% of the <i>Cerrado</i> PAs targeted by the Sustainable <i>Cerrado</i> Initiative with their basic protection measures in place, covering about 4.0 million ha.	To be established in YR1.	10%	20%	30%	30%	Biannual project report.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
Component 2							
12 initiatives of traditional know-how	None.	1	4	11	12	Biannual project report.	Executing agencies, Bank, Sustainable <i>Cerrado</i>

³¹ This will be measured by considering the total area under *Cerrado* of each state where the policy is adopted.

³² Joint Supervision Missions are to be carried out by the Bank and DCBio/MMA.

³³ Priority regions mean a polygon (or cluster of polygons) identified by PROBIO (Annex 20, map 3) as having high conservation value.

Result Indicators for each Component	Cumulative Target value					Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Instruments	Responsibility
and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources with high replicability potential in PA buffer zones and sustainable management PA documented and disseminated and 400 producers trained in the application of best practices.							and corroborated by field visits.	Initiative Committee & DCBio.
An additional 10% of rural properties in the project-supported areas, regularly using some form of natural resource, land or agricultural management or biodiversity conservation practice, covering at least 200,000 ha.	To be established in YR1. ³⁴	(To be established studies in each project)			10%	Biannual project report.	Joint Supervision Missions based on sample survey results ³⁵ and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
15 initiatives for adding value and for improving the commercialization of native products originating from sustainably managed production developed, totaling 97,600 ha under specific sustainable management practices.	None.	9	11	15	15	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
Component 3								
Formulation of Action Plan of the National Sustainable <i>Cerrado</i> Program publicly launched and under implementation.	None.	-	completed	publicly launched	publicly launched	Biannual project report.	Published document and circulation figures.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
Four new public policies related to the conservation and sustainable use of the <i>Cerrado</i> 's natural resources developed.	None.	0	1	3	4	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.

³⁴ Baseline may have to be adjusted upon acceptance of projects.

³⁵ Baseline and yearly sample surveys are to be conducted by the executing agency.

Result Indicators for each Component	Cumulative Target value					Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Instruments	Responsibility
Geo-referenced systems for environmental monitoring, licensing of established rural properties, and enforcement developed at federal and state levels, and under implementation in at least one State.	To be established in YR1. ³⁶	-	-	1	2	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee & DCBio.
Six selected institutions which are working on matters related to the use of natural resources, strengthened through staff training in specific environmental management process and associated tools.	None.	3	5	6	6	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee and DCBio.
Three civil society networks and/or organizations strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.	None.	-	1	3	3	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable <i>Cerrado</i> Initiative Committee and DCBio.
Component 4								
All the projects of the Sustainable <i>Cerrado</i> Sustainable <i>Cerrado</i> Initiative being coordinated, monitored and annually evaluated, with the results widely publicized.	None.	100%	100%	100%	100%	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Bank, Sustainable <i>Cerrado</i> Initiative Committee and DCBio.
Information on the plant cover, biodiversity and land use of the <i>Cerrado</i> biome periodically updated and made freely available	None.	Database structure ready.	10% of the modules updated.	20% of the modules updated.	30% of the modules updated.	Biannual project report.	Website access statistics; user satisfaction statements and findings from Joint Supervision Missions.	MMA's Webmaster, Bank, Sustainable <i>Cerrado</i> Initiative Committee and DCBio.

(1) New and existing PAs will be considered to have their "basic protection measures in place" once they have met the following benchmarks: (i) PAs' physical limits defined, demarcated and widely publicized; (ii) basic infra-structure (guard houses, etc.) implemented; (iii) basic equipment (administrative, communications, patrolling, fire-fighting, etc.) installed; (iv) at least three full-time PA employees assigned; (v) awareness campaign targeting the population affected by the PA implemented; (vi) process to create the PAs' Management Council initiated, and (vii) management plan for the PA and its buffer-zones under preparation.

(2) There are 3 full protection PA in the target area of Goiás State: Altamiro de Moura Pacheco State park; Terra Ronca State Park, and Pirineus State Park.

³⁶ Baseline may have to be adjusted upon acceptance of projects.

- (3) There are 4 full protection State PA in Tocantins: Cantão State Park, Jalapão State Park, Lageado State Park, and Arvores Fossilizadas Natural Monument (Environmental Assessment 2008).
- (4) Of the 22 existing full protection PAs, 11 already have management councils, of which 7 will receive training. Four other councils will be created and trained, resulting in 15 full protection PAs with operational management councils. Of the 22 existing sustainable use PAs, only 6 have management councils, all of which will receive training. Five additional councils will be created and trained, resulting in 11 sustainable use PAs with operational councils by the end of project implementation.
- (5) Of the 22 existing full protection PAs, 11 have management plans that include protection strategies. The project will implement the protection strategies of 7 of these PAs, and prepare and implement protection strategies for 4 additional PAs which currently have no management plan. By the end of the project, 50% of existing PAs will have their basic protection needs addressed. Of the 22 existing federal sustainable use PAs, only 5 (27%) have management plans containing protection measures. The project will support preparation of protection strategies for 4 additional PAs.

Annex 4: Detailed Program Description

BRAZIL: Sustainable *Cerrado* Initiative

1. This venture is structured as a Sustainable *Cerrado* Initiative with an overall results framework (Annex 3). A set of four projects was approved for the four-year Initiative period and the combined results will fulfill the overall goal of the conservation and sustainable use of the *Cerrado* biome. Projects are directly implemented by federal or state government agencies working in the *Cerrado* biome. Projects were recommended for approval by the Sustainable *Cerrado* Initiative Committee, endorsed by the DCBio within the Brazilian Ministry of Environment, and accepted by the Bank. The initial project approval process was based on strict eligibility and selection criteria, including project ability to contribute to achieving the Sustainable *Cerrado* Initiative's overall objectives. The draft projects have gone through the typical Bank preparation process. Separate grant agreements will be signed directly with each executing agency. MMA will coordinate the Sustainable *Cerrado* Initiative, while each executing agency will be responsible for project implementation.

Sustainable *Cerrado* Initiative Design

2. **The rationale of the Sustainable *Cerrado* Initiative design is to balance two sets of actions:** one is to put the policy framework and coordination in place, thereby helping to guide future investments from both public and private sectors towards a more sustainable use of the agricultural landscape. At the same time, it will also facilitate the implementation of immediate actions that will decrease or halt the loss of biodiversity through support to protected areas and the sustainable management of the productive landscape.

3. In view of the biome's expanse and the large number of stakeholders, the Sustainable *Cerrado* Initiative has adopted an innovative design to achieve the necessary degree of decentralization and biome-wide coordination. It has established a framework for the planning, financing, implementation and evaluation of four decentralized projects. Each project addresses all of the Sustainable *Cerrado* Initiative's four major components, which closely follow key thematic and cross-cutting activities proposed under the National Sustainable *Cerrado* Program.

4. The desired level of coordination will be assured through component 4 (Coordination of the Sustainable *Cerrado* Initiative and Monitoring of the Biome). This will be mostly addressed by MMA and will support activities such as: special technical studies; exchange of information and experiences; monitoring and dissemination of public policies; public awareness and capacity-building events; integration with other government programs, projects and activities; and overall *Cerrado* biome monitoring.

Components and Activities Supported by the Initiative through the four Projects

5. **Component 1: Conservation of the *Cerrado* Biodiversity** (64% of the total cost. Total amount: US\$ 27.32 million, US\$ 5.69 million from GEF). This component aims at increasing

biodiversity conservation in the *Cerrado* region by strengthening the mosaic of legally protected areas (PAs) of unique biodiversity³⁷. This component has the following result indicators:

- An additional 2.0 million hectares of the *Cerrado* biome protected through the creation/expansion of Protected Areas (PAs).
- 30% of the *Cerrado* PAs targeted by the Sustainable *Cerrado* Initiative with their basic protection measures in place³⁸.

6. The protected areas considered in this Sustainable *Cerrado* Initiative are: (i) all of the “full protection” categories, as defined by the National Protected Areas System (SNUC) bill³⁹ — corresponding to The World Conservation Union’s (IUCN’s) protected areas categories Ia, Ib, II and III; and (ii) only the following “sustainable use” categories: Extractive Reserves (RESEXs), Sustainable Development Reserves (RDSs) and Private Natural Heritage Reserves (RPPNs) — corresponding to IUCN’s Category IV.

7. New and existing PAs will be considered to have their “basic protection measures in place” once they have met the following benchmarks:

- PA’s physical limits defined, demarcated and widely publicized;
- Basic infrastructure (guard houses, etc.) established;
- Basic equipment (administrative, communications, patrol, fire-fighting, etc.) installed;
- At least three full-time PA employees assigned;
- Awareness-raising campaign targeting the population affected by the PA implemented;
- Process to create the PA’s Management Council initiated; and
- Management plan for the PA and its buffer zones under preparation.

8. Typical activities already envisaged for this component to be carried out by the projects include:

- Studies to identify and prioritize suitable areas for creation of PAs. The selection of areas shall be based on recommendations from the results of the 2006 workshop “Updating the Priority Areas for the Conservation, Sustainable Use, and Sharing of Benefits from Brazilian Biodiversity”⁴⁰ supported by PROBIO, and on the official 2007 MMA “Updated Map of Priority Areas for the Conservation, Sustainable Use, and Sharing of Benefits from

³⁷ In the present context, “mosaic of protected areas” embraces a group or cluster of PAs — generally of different categories — including their surrounding buffer zones and connecting ecological corridors, designed to provide optimal protection for environmentally important regions.

³⁸ The ultimate goal should be the effective management of protected areas. However, considering that many existing protected areas are not effectively implemented, that many new areas would have to be created, and the four-year implementation period of the first Phase of this Sustainable *Cerrado* Initiative, the project would work towards achieving that ultimate goal while focusing on the necessary first step of ensuring the effective protection that can be achieved during the lifetime of the projects. The specific PAs to be targeted by the Sustainable *Cerrado* Initiative would be defined in each project.

³⁹ For details on Brazil’s SNUC legislation, see Law N° 9.985, of July 18, 2000 and Decree N° 4.340, of August 22, 2000.

⁴⁰ The MMA financed this workshop through the GEF-PROBIO project. It was coordinated by MMA in partnership with IBAMA, with support from Rede Cerrado, Rede Pantanal, the Fundação Pró-Natureza (FUNATURA) and Conservation International (CI), The Nature Conservancy (TNC), and World Wide Fund for Nature (WWF), with the participation of hundreds of researchers and representatives from NGOs and civil society. The Workshop Report is available on the MMA website: www.mma.gov.br/portaltbio.

the Brazilian Biodiversity”⁴¹. During prioritization, efforts will be made to ensure that: (i) a systematic conservation planning approach is adopted, using the key concepts of “irreplaceability” and “vulnerability”; (ii) the resulting mosaic is composed of different categories of PAs and should cover an area of at least 100,000 hectares; (iii) the state’s ecological and environmental zoning recommendations (if available), watershed management plans and/or biosphere reserves are fully considered; (iv) “Sustainable use” PAs (RESEX and RDS) will be created through an ecoregional analysis, combining a representativeness analysis with the demands of local communities; (v) the conservation strategy envisages managing the whole *Cerrado* landscape, including areas allocated to both production and protection; (vi) the economic, social and environmental cost-benefit analysis is fully considered; and, (vii) land-tenure issues and eventual resettlement schemes are taken fully into account, including relevant WB safeguard policies⁴².

- Legal establishment of new PAs or expansion of existing PAs, defining buffer zones and ecological corridors. The necessary participatory process for this activity will follow the SNUC bill and supplementary legislation.
- Measures to ensure the integrity of the PAs and consolidation processes. These actions will include: consultations with the local population to increase awareness and to establish the PA’s Management Council; studies and assessments to support the design of the PA’s Management Plan; acquisition of a minimum of infrastructure and equipment; land demarcation, and the hiring and training of qualified staff.

9. Component 2: Sustainable Use of the *Cerrado*’s Natural Resources (11% of total cost. Total amount: US\$ 4.62 million, US\$ 2.37 million from GEF). This component aims at promoting the management of the rural productive landscape including the adoption of sustainable agricultural practices by medium and large farmers and the sustainable use of native species by small farmers and local communities, so as to improve the use of available resources and biodiversity conservation while reducing environmental impacts. This component has the following result indicators:

- Twelve initiatives of traditional know-how and current best practices for the sustainable management of the *Cerrado*’s natural resources documented and disseminated. The focus will be on practices that significantly contribute to conserving key biodiversity and their habitats, and will not involve access to genetic resources. These initiatives will be carried out directly by the local communities or will have their strong involvement in order to ensure adequate access and benefit sharing, in accordance with the Bonn Guidelines.
- An increase of 10% of rural properties in the project-supported areas regularly using some form of natural resource, land or agricultural management, or biodiversity conservation practice, and/or “sustainable management” production⁴³ (e.g., protection of the riparian forests, managing fires, location of the Legal Reserve, management of wild species).
- Fifteen initiatives for adding value and improving the commercialization of native products originating from sustainably managed production, developed. These initiatives will be

⁴¹ The map was officially launched by the MMA’s Administrative Ruling Portaria No 9126, of January 23, 2007, and is available on the MMA or IBAMA websites: www.mma.gov.br/portaibio or www.ibama.gov.br, see Annex 20.

⁴² See WB’s website: www.worldbank.org and Annex 10 of this PAD.

⁴³ In this context, “sustainable management” is used in the broad sense, covering concepts such as “agro-extractivism”, “conservation agriculture” and “agro-ecology”.

carried out directly by the local communities or will have their strong involvement in order to ensure adequate access and benefit sharing, in accordance with the Bonn Guidelines.

10. Typical activities already envisaged for this component to be carried out by the projects include:

- Field studies to register, compile, and check the numerous successful experiences of sustainable use in the *Cerrado*, which are supported by community associations and cooperatives, CSOs, and networks of socio-environmental CSOs.⁴⁴ Also, field testing of “traditional” techniques based on the sustainable use of the *Cerrado*’s natural resources, especially in relation to native species with economic potential, such as food/spice sources and for timber, or medicinal or ornamental use. Care will be taken to ensure that any legal rights that communities may have over this information are protected⁴⁵. These studies must also assess the contribution of such practices to biodiversity conservation.
- Field studies to register compile and check best practices in “sustainable rural management” for all property sizes, applied to the *Cerrado* region. Emphasis will be placed on integrated property management, planning for soil and water conservation, low-cost and easily replicable agricultural practices, and adequate rehabilitation or management of native areas defined as Permanent Preservation Areas (APPs) or Legal Reserves (RLs). These studies must also assess the contribution of such practices to biodiversity conservation.
- Systematization and dissemination of this information through publications, seminars, workshops and community radio programs, etc. In cases where the documented techniques involve access to genetic resources, the community will be made aware of its legal rights according to Brazilian law and the CBD.
- Identification and implementation of rural extension and capacity-building activities to promote the adoption of best practices by farmers. Special attention will also be paid to promoting specific knowledge on the protection of the Permanent Preservation Areas (APPs), on the permitted economic exploitation of Legal Reserves (RLs)⁴⁶ and on the creation and management of Private Natural Heritage Reserves (RPPNs). The lessons learned through these activities will be used in component 3 to support the establishment of relevant policies.
- Implementation of community infrastructure for rural production, such as breeding areas and nurseries, demonstration farms, and discussion forums.
- Development of techniques to rehabilitate degraded areas for sustainable production to decrease the pressure on the conversion of new *Cerrado* areas.
- Design, testing and implementation of innovative mechanisms for adding value to products from native *Cerrado* species with high market potential through product development and by improving production and commercialization chains, credit availability, community

⁴⁴ The organization *Rede Cerrado* identified 60 civil society organizations focusing on the conservation and sustainable development in the *Cerrado* biome. They focused on: environmental education and ecosystem valuation; support for the creation of associations and community organization; seedling production; collection and processing of native fruit species; beekeeping of native species; ecotourism; management of wild animal species; extractivism; handicrafts; agro-ecology and agro-silviculture.

⁴⁵ For details, see: *Medida Provisória No 2.186-16 of August 23, 2001*, which deals with access to genetic resources, protection and access to “traditional” knowledge, sharing of biodiversity benefits, etc.

⁴⁶ See: *Lei No 4.771, of September 15, 1965*.

organization, etc. The resulting mechanisms should be monitored for an adequate period to ensure effectiveness and efficiency.

- Identification and dissemination of possible alternatives for charcoal production that will not negatively impact the native vegetation.

11. Component 3: Institutional Strengthening and Formulation of New Public Policies (19% of total cost. Total amount: US\$ 8.36 million, US\$ 3.85 million from GEF). This component aims at formulating new public policies for the conservation and sustainable use of the *Cerrado*, and strengthening government agencies to manage natural resources. It also intends to enable the private sector, civil society organizations and local communities to actively participate in environmental management and formulation of new public policies related to the conservation and sustainable use of the *Cerrado*'s natural resources. This component has the following result indicators:

- Formulation of the Action Plan of the National Sustainable *Cerrado* Program publicly launched and under implementation.
- Four new public policies (state or federal), related to the conservation and sustainable use of the *Cerrado*'s natural resources developed.
- Geo-referenced systems for environmental monitoring, licensing of rural properties, and enforcement, developed at federal and state level.
- Six selected institutions working on matters related to the use of natural resources strengthened through staff training in specific environmental management processes and associated tools.
- Three civil society networks and/or organizations⁴⁷ strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.

12. Typical activities already envisaged for this component to be carried out by the projects include:

- Studies and consultations necessary for concluding the design of the National Sustainable *Cerrado* Program. Particular attention will be paid to the building of partnerships with other sectors and agencies, definition of schedules, costs, staffing, among others.
- Supporting the National Sustainable *Cerrado* Program Commission (CONACER), and launching of the Action Plan of the National Sustainable *Cerrado* Program, with ample publicity.
- Studies to analyze the need for new public policies and/or regulatory norms for the conservation and sustainable use of the *Cerrado*'s natural resources, such as: (i) work with different credit institutions to develop lending mechanisms preferentially applied in initiatives with the best socio-environmental sustainability and lowest impact on the environment; (ii) adjustment of state regulations covering the production, commercialization and registry of sustainable management products, aiming to improve environmental and social benefits; (iii) a "*Cerrado* Bill" aimed at establishing a sustainable

⁴⁷ The networks supported must specifically mention the mission/objective of promoting the conservation and/or the sustainable use of the *Cerrado*'s natural resources in their bylaws.

use framework for the region; and, (iv) mechanisms for trading the development rights of rural properties based on the Forest Code and with a focus on biodiversity conservation.

- Design, development and implementation (or strengthening) of integrated geographic information systems for environmental monitoring; licensing and enforcement of rural properties⁴⁸ accessible via the Internet.
- Empowerment of key public institutions through the updating of tools and instruments; simplification of bureaucratic processes and training. Priority will be given to the systematic and long-term training of staff from the Public Prosecutor and Magistrate's Office, Federal, State and Municipal Environmental Agencies, Rural Extension Agencies and Land Administration Agencies.
- Opening up of new communication channels with sectors that traditionally put pressure on the *Cerrado* ecosystem such as large-scale farmers (monocultures), cattle-breeders, loggers/charcoal producers, miners, etc. with the aim of reverting and halting the current explosive expansion of these activities into pristine *Cerrado*; to provide information on better practices and diversification and to adopt environmentally compatible mechanisms such as certification. Approach charcoal producers for the adoption of silviculture, preferably with native species, as a substitute for deforestation of the *Cerrado*.
- Participatory training for potential local community leaders and entrepreneurs in areas such as: (i) social mobilization and information dissemination; (ii) environmental awareness; (iii) laws/regulations; and, (iv) sustainable business planning and rural production technology. Those trained will be supported in disseminating this knowledge within their communities.
- Information-sharing activities to ensure that the private sector, academia, CSOs and other civil society sectors are encouraged to actively participate in the formulation and application of public policies.
- Strengthening of local level socio-environmental networks identified with the *Cerrado*, through: (i) logistical support; (ii) improved communication through newsletters, community radio programs, websites, etc.; (iii) training on participatory processes, conflict resolution, etc.; and, (iv) development of studies for financial sustainability; among others.

13. Component 4: Coordination and Monitoring (6% of total cost. Total amount: US\$ 2.39 million, US\$ 1.09 million from GEF). This component aims at ensuring the effective and efficient implementation of this Sustainable *Cerrado* Initiative. It also intends to support the implementation of a publicly accessible database, containing current geo-referenced, relevant social and environmentally information on the *Cerrado* biome. This component has the following result indicators:

- All the projects of the Sustainable *Cerrado* Initiative being coordinated, monitored and annually evaluated, with the results widely publicized.
- Information on the vegetation cover, biodiversity and land use of the *Cerrado* biome updated periodically and made freely available by MMA.

⁴⁸ IBAMA and several state governments have already developed and tested such integrated systems, which are available for replication. See, for example, the systems in Tocantins or Mato Grosso.

14. Typical activities already envisaged for this component to be carried out by the projects include:

- Strengthening of the DCBio and other executing agencies through systematic staff training; introduction of planning and processing tools/instruments; logistical support; acquisition of office and field equipment and hiring of additional staff.
- Design and implementation of the M&E system for the Initiative. Implementation of participatory monitoring and evaluation of this Initiative and projects, with participation from the DCBio and other executing agencies, making the results available on the Internet.
- Facilitating the effective coordination of research and development activities (R&D) at the project level with other government programs and policies.
- Monitoring public policies related to the conservation and sustainable use of the *Cerrado* biome and dissemination of this information, proposing, when opportune, actions or modifications that may improve these policies.
- Organization of public-awareness and capacity-building events aimed at supporting and improving the quality of information related to the preservation, recuperation and sustainable use of the *Cerrado*'s natural resources.
- Coordination and integration of this Sustainable *Cerrado* Initiative with the National Sustainable *Cerrado* Program and other government programs or projects.
- Studies on the potential user's needs in relation to the periodical monitoring of the *Cerrado* biome's vegetation cover, biodiversity and land use aspects.
- Design and development of a database system to organize the biodiversity, environmental, land use and related information on the region. Support the necessary data collection (mainly from secondary sources) for the monitoring and evaluation of the *Cerrado* biome. Promote field biodiversity data collection in key regions of the *Cerrado* biome when necessary to complement the secondary data accumulated.
- Capacity building of the potential users on the biome monitoring system's operation.
- Preparation and dissemination of periodic reports on the Sustainable *Cerrado* Initiative and projects and on the conservation status of the *Cerrado* biome.
- Preparation of a proposal for Phase 2 of the Sustainable *Cerrado* Initiative.

Annex 5: Initiative Costs
BRAZIL: Sustainable *Cerrado* Initiative

Budget

1. The US\$ 42.69 million Sustainable *Cerrado* Initiative (Phase 1) will be financed by a GEF grant of US\$ 13 million over a period of 45 months, starting on March 15, 2010. The resources from this grant will be used to support four projects each with separate grant agreements, to be given to state and federal agencies selected according to pre-established criteria and process (see Annex 17) for selection criteria and the full list of proposals). The application of the GEF and counterpart funds will always be subject to a specific grant agreement between the Bank and the executing agency.

2. The total amount of the grant and the estimate for the GEF funding of each component is based on requests received from several states and institutions in the *Cerrado* biome. Total demand from these institutions alone exceeds the US\$ 27 million of the intended *Cerrado* Initiative (Phases 1 and 2).

3. The estimated costs by component distributed by each of the four projects is as follows:

Costs by Component and project	GEF US\$ million	Counterpart US\$ million	Total US\$ million
Component 1: Conservation of the <i>Cerrado</i> Biodiversity	5.69	21.63	27.32
Project 1: MMA	0.70	5.77	6.47
Project 2: Tocantins	1.09	4.04	5.13
Project 3: Goiás	1.40	5.24	6.64
Project 4: ICMBio	2.50	6.58	9.08
Component 2: Sustainable Use of the <i>Cerrado</i>	2.37	2.25	4.62
Project 1: MMA	0.20	1.12	1.32
Project 2: Tocantins	1.15	00	1.15
Project 3: Goiás	0.90	1.08	1.98
Project 4: ICMBio	0.12	0.05	0.17
Component 3: Institutional Strengthening	3.85	4.51	8.36
Project 1: MMA	2.20	0.56	2.76
Project 2: Tocantins	0.74	1.37	2.11
Project 3: Goiás	0.60	2.53	3.13
Project 4: ICMBio	0.31	0.05	0.36
Component 4: Coordination and Monitoring	1.09	1.30	2.39
Project 1: MMA	0.90	0.55	1.45
Project 2: Tocantins	0.02	0.59	0.61
Project 3: Goiás	0.10	0.15	0.25
Project 4: ICMBio	0.07	0.01	0.08
Total Cost	13.00	29.69	42.69

4. The estimated costs distributed among the four projects are as follows:

Project/Grantee	GEF Financing (US\$ millions)	Co-financing (US\$ millions)	Total amount (US\$ millions)
Project 1: MMA (FUNBIO)	4.00	8.00	12.00
Project 2: Tocantins (SRHMA)	3.00	6.00	9.00
Project 3: Goiás (SEMARH)	3.00	9.00	12.00
Project 4: ICMBio (ICMBio)	3.00	6.69	9.69
Total	13.00	29.69	42.69

5. The counterpart funds consist of resources from the federal and state governments. This also includes co-financing through IBRD loans⁴⁹, which must be strictly applied to activities that contribute to the present Sustainable *Cerrado* Initiative's components. The application of the GEF and counterpart funds will always be subject to a specific grant agreement between the Bank and the executing agency (proponent). The table below presents the counterpart funds by each project:

Name of co-financier (source).	Classification	Type	US\$ million	%
Grant 1: MMA project				
Hydrographic Basin Revitalization Program	Project Govt contribution	Federal Fiscal Resources	1.60	5.4
Federal Environmental Compensation Fund	Project Govt contribution	Federal Fund Resources	2.86	9.6
Brazilian Biomes Conservation and Recuperation Program	Project Govt contribution	Federal Fiscal Resources	3.54	12.0
Grant 2: Tocantins project				
Tocantins State allocation of funds not directly managed by the Environmental Agency but in support of project- related activities	Project Govt contribution	State Fiscal Resources	4.89	16.5
Tocantins State annual allocation for the Environmental Agency	Project Govt contribution	State Fiscal Resources	1.11	3.7
Grant 3: Goiás project				
Goiás State Government	Project Govt contribution	State Fiscal Resources	4.59	15.4
State Environmental Compensation Fund	Project Govt contribution	State Fund Resources	4.41	14.9
Grant 4 : ICMBio project				
Federal Environmental Compensation Fund	Project Govt contribution	Federal Fund Resources	6.69	22.5
Total:			29.69	100

⁴⁹ The IBRD loan to Tocantins will close in less than 24 months, although an extension will be considered in due time. The second loan to Goiás project has not been negotiated yet. In order to ensure adequate co-financing during the life time of the projects, both states agreed to increase the amount of co-financing to be provided from their fiscal resources and/or environmental compensation funds, in the event that IBRD funds do not become available to the states. Thus, the table indicates states resources as the current sources of co-financing. Nevertheless, the implementing agencies of the IBRD projects will collaborate with the GEF grants ensuring the complementarity of the conservation activities and the cost-effectiveness of projects' administration.

Annex 6: Implementation Arrangements

BRAZIL: Sustainable *Cerrado* Initiative

Implementation Period

1. The Sustainable *Cerrado* Initiative will be implemented over a four-year period (Phase 1). The expected starting date is March 15, 2010, and the closing date December 1, 2013. The expected starting and closing dates are presented separately for the project in their respective Annex (Annex 18: Goiás Project and Annex 19: ICMBio Project).

The Sustainable *Cerrado* Initiative

2. As a decentralized approach, the Sustainable *Cerrado* Initiative establishes a framework for the planning, implementation and evaluation of four separate projects.
3. Each selected project meets the eligibility criteria previously established in Annex 17 and the guidelines and recommendations of the Sustainable *Cerrado* Initiative Committee.
4. The projects will be negotiated directly with the Bank and MMA by each executing agency, ensuring that the final set of projects collectively addresses the targets set forth in the Initiative's results framework (Annex 3). Each project will have a specific grant agreement which will be signed by the Bank and the project's executing agency.

Beneficiary, Sustainable *Cerrado* Initiative Committee, Sustainable *Cerrado* Initiative Management Unit, Executing Agencies and Implementing Agency

Beneficiary

5. The beneficiary of the grant is the Federal Republic of Brazil. The Initiative will be under the general coordination of the Biodiversity and Forest Secretariat (SBF) of the MMA.
6. SBF will be responsible for: (i) conducting the dialogue with the World Bank on the policies for implementing the Sustainable *Cerrado* Initiative; (ii) general evaluation and monitoring of the Sustainable *Cerrado* Initiative's implementation, including consolidation of the information on its progress; and (iii) indicating and coordinating the chair of the Sustainable *Cerrado* Initiative Committee.

Sustainable *Cerrado* Initiative Committee

7. The Sustainable *Cerrado* Initiative Committee is responsible for general strategic decisions related to this Sustainable *Cerrado* Initiative and is in charge of: (i) establishing strategic guidelines for the Initiative, including the definition of priority areas and topics considered in specific project development; (ii) endorsing the letter of inquiry for each project, based on the Initiative's criteria (Annex 17); (iii) endorsing the prepared project for its compliance with the Initiative's criteria and guidelines; and, (iv) following up on the monitoring and evaluation of projects, and of the Initiative as a whole.
8. The Sustainable *Cerrado* Initiative Committee is composed of representatives from: (i) MMA; (ii) ICMBio; (iii) Ministry of Agrarian Development (MDA); (iv) EMBRAPA; (v) Brazilian Society for the Progress of Science (SBPC); (vi) Brazilian Association of State Environmental Entities (ABEMA); (vii) a social and an environmental CSO; and, (viii) the rural

productive sector. Other institutions may be invited by the Committee during Initiative's execution. The process applied for selecting the Committee is outlined in the Sustainable *Cerrado* Initiative's Operational Manual.

Sustainable *Cerrado* Initiative Management Unit (DCBio)

9. The Biodiversity Conservation Department (DCBio), established within the SBF of MMA, will play the role of the Sustainable *Cerrado* Initiative Management Unit. The use of MMA staff for the DCBio is primarily intended to optimize the Ministry's existing structure, to train the staff to execute externally funded projects and to mainstream MMA's activities within its internal staff.

10. The Sustainable *Cerrado* Initiative's Management Unit will be the link between the SBF, the Sustainable *Cerrado* Initiative Committee and all projects. The responsibilities of the Sustainable *Cerrado* Initiative Management Unit will be to promote activities related to the Initiative's implementation such as: (i) to act as the Executive Secretariat for the Sustainable *Cerrado* Initiative Committee; (ii) to provide specialized technical support for the preparation and implementation of the projects; (iii) to facilitate the effective coordination of research and development activities at the project level, with other government programs and policies; (iv) to assist in the coordination of the different actors involved in the Sustainable *Cerrado* Initiative; (v) to promote the monitoring and evaluation of the Initiative's execution, including the projects; and, (vi) to prepare periodic consolidated reports of the Initiative.

11. The Sustainable *Cerrado* Initiative Management Unit will be composed of: (i) a general coordinator; (ii) deputy coordinator; (iii) an administrative official; and, (iv) an environmental specialist. Whenever required by the Coordinator, specialists may be sought to address thematic particularities and provide inputs for the Sustainable *Cerrado* Initiative Committee's decisions.

Executing Agencies

12. The executing agencies of the four selected projects are presented below. In one case, the grant will be signed with one organization which will be responsible for the financial management of the project under the direct guidance of the executing agency. These are well established arrangements which are already successfully implementing IBRD loans or grants.

Project	Executing Agency	Grant Recipient
Project 1: MMA	Ministry of Environment (MMA)	Brazilian Fund for Biodiversity (FUNBIO)
Project 2: Tocantins	State Water Resources and Environmental Secretariat (SRHMA)	State Infrastructure Secretariat (SEINF)
Project 3: Goiás	State Environment and Water Resources Secretariat (SEMARH)	State Environment and Water Resources Secretariat (SEMARH)
Project 4: ICMBio	Chico Mendes Institute for Biodiversity Conservation (ICMBio)	ICMBio

13. Since the selection of executing agencies, the Bank has been following its internal project preparation and approval procedures. This includes an analysis of the specific contribution of the counterpart funds to the project's objectives. Retroactive counterpart funds may be considered, as long as the actions funded clearly contribute to the outcomes of the Sustainable *Cerrado* Initiative, and pending analysis and agreement by the Bank. The projects have presented all the

information typically requested by the Bank, including the capacity to undertake financial management and to ensure a fair and transparent procurement procedure/process, and an assessment of the application of the Bank's safeguards and procedures for addressing them.

Implementing Agency

14. The GEF Implementing Agency for this Sustainable *Cerrado* Initiative will be the International Bank for Reconstruction and Development (IBRD), here called "the Bank", which will sign grant agreements with the executing agencies of each project.

15. A Bank representative will be responsible for coordinating the dialogue between the Brazilian Government and the Bank regarding the implementation of the Sustainable *Cerrado* Initiative. Besides participating in meetings with relevant partners to discuss specific aspects of the Initiative and projects, the representative will also participate in the project's annual review process and supervision missions, and will provide guidance to the DCBio, as required, regarding the inclusion of activities to support the achievement of the Initiative's goals.

16. From the Bank side, the projects are being prepared in a joint effort between the Task Team Leader and his team, with close participation of the Bank GEF Regional Coordinator, the Sector Leader and the Sector Manager.

Monitoring and Evaluation

17. The monitoring and evaluation indicators of the Initiative are presented in Annex 3. They will also be a part of the implementation letter to be signed together with the grant agreement.

18. M&E will be conducted through: (i) the activities of the DCBio; (ii) the submission of a progress report by the project administration units to the DCBio twice a year regarding the projects' implementation and outcomes; (iii) the Initiative's biannual consolidated progress report prepared by the DCBio to the Bank; (iv) annual reviews by the Sustainable *Cerrado* Initiative Committee, the DCBio and the executing agencies; (v) Bank supervision missions that will be conducted at least once a year to each project, and twice a year to the Sustainable *Cerrado* Initiative, and a mid-term review at the end of year 2, to monitor results and recommend adjustments when necessary; and, (vi) special studies and field visits.

19. During the annual progress review meeting, each executing agency must submit a progress report to provide information on the implementation of their projects – results achieved, budget execution, activities foreseen, and other relevant information. Field visits will be made periodically by a team composed of representatives from the DCBio and the Bank to follow up and evaluate the execution of the activities proposed by the projects.

20. The progress made in achieving objectives will be assessed during the mid-term review and again at the conclusion of the projects. Studies and activities will be carried out to capture lessons learned, disseminate results and promote replication elsewhere in Brazil and globally. An Implementation Completion Report will be prepared within six months after the closing of the Sustainable *Cerrado* Initiative.

21. At least once a year during implementation, the Bank, with input from the Sustainable *Cerrado* Initiative Committee and the DCBio, will evaluate the progress of activities during the preceding period, and the need to add or eliminate activities under the projects to achieve the Initiative's objective.

Annex 7: Financial Management and Disbursement Arrangements

BRAZIL: Sustainable *Cerrado* Initiative

1. The Sustainable *Cerrado* Initiative has no specific financial management and disbursement arrangements since it will provide general guidelines for the implementation of four projects. The financial management and disbursement arrangements assessments were carried out for each project by Financial Management Specialists, who visited each project's executing agency to evaluate their financial management capacity (Part A) and the project's disbursement arrangements (Part B). The result of each assessment is included in each of the individual project description Annexes (Annex 18: Goiás Project and Annex 19: ICMBio Project).

Assessment of the Financial Management System

2. An assessment of each project's financial management capacity was carried out according to the OP/BP 10.02 rules and the guidelines for the assessment of financial management procedures in projects financed by the World Bank, issued by the Sectoral Financial Management Board on October 15, 2003.

3. The purpose of this assessment is to verify whether the recipients and the executing agency have or will have, by the date of effectiveness, appropriate and acceptable procedures in place and in force to ensure the project's efficient financial management, monitoring and disbursement. Such procedures include, but are not limited to: (i) appropriate accounting and management of all project revenues, payments, expenditures and transactions; (ii) regular issuance of financial statements in the IFR⁵⁰ format for disbursement purposes, within agreed deadlines; (iii) recording and control of goods and assets procured with grant resources; (iv) contract for the project's independent audit within agreed deadlines; and, (v) efficient disbursement of grant resources in compliance with the guidelines and procedures established by the World Bank.

4. The assessment also establishes a financial management risk analysis and a framework that indicates the main risks and procedures to be followed to mitigate these risks.

Financial Management and Disbursement Arrangements

5. The financial management and disbursement arrangements section states the role of each specific unit in the execution of financial management and the flow of resources and disbursement for the project. It also specifies which reports will need to be prepared during the project's implementation, and the computerized systems that will be used by the projects to control the financial and disbursement issues. The assessment also identifies how the external audit will be carried out and the frequency of financial management supervision missions to the projects.

⁵⁰ Interim Financial Report.

Annex 8: Procurement Arrangements

BRAZIL: Sustainable *Cerrado* Initiative

1. The Sustainable *Cerrado* Initiative has no specific procurement arrangements, since it provides general guidelines for the implementation of four projects. The results of each assessment are included in each of the individual project description Annexes. (Annex 18: Goiás Project and Annex 19: ICMBio Project).
2. The procurement arrangements were made for each project during their preparation. They were prepared by Bank Procurement Specialists, who visited the projects' executing agencies to evaluate their capacity to implement procurement plan. The Specialists also defined the frequency of procurement supervision and details of the procurement arrangements.
3. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 and revised October 2006; "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 and revised October 2006, and the provisions stipulated in the Grant Agreement. The various items under different expenditure categories will be described in general in each project. For each contract that is to be financed by grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame are agreed upon between each Recipient and the Bank in the Procurement Plan. Each project will have its own Procurement Plan, which will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Assessment of the Agency's Capacity to Implement Procurement

4. The Procurement Specialist will evaluate the capacity of the agency's key staff. The assessment will review the organizational structure for implementing the project and the interaction between the project staff responsible for procurement and the Ministry's or Secretary's relevant central unit for administration and finance. Moreover, key issues and risks concerning procurement for the implementation of the project, and the corrective measures for mitigating these risks, will be identified.

Procurement Plan

5. At appraisal, the grant recipients developed a procurement plan for each project implementation which provides the basis for the procurement methods. The Procurement Plans will be updated in agreement with the Bank's Project Team annually or as required, depending on the actual project implementation needs and institutional capacity improvements.

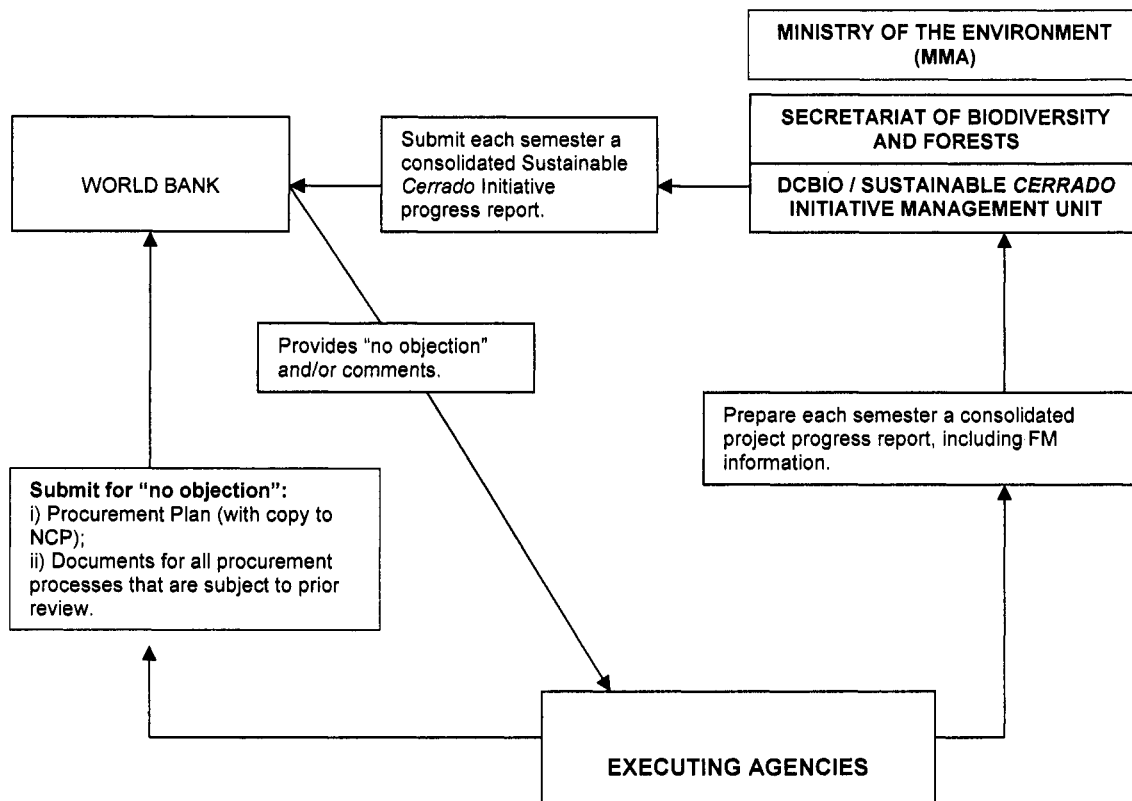
Frequency of Procurement Supervision

6. The Specialist will establish the frequency of prior- and post-review supervision missions.

Details of Procurement Arrangements Involving International Competition

7. The Specialist will identify the procurement arrangements and procedures to be used by the project's executing agency for international competition regarding acquisition of goods, work, non-consultancy services and consultancy services.

Initiative Procurements Arrangements



Annex 9: Economic and Financial Analysis

BRAZIL: Sustainable *Cerrado* Initiative

Economic Analysis

1. The design of this Initiative and its projects for promoting biodiversity conservation are deemed to be the most cost-effective, socially relevant and politically feasible. The Initiative will invest in the creation of new protected areas and in the establishment of adequate protection measures for the long-term conservation of the biodiversity-rich target areas, which would be significantly delayed without the support of the GEF for this Initiative. The innovative approach to promote conservation in production landscapes through land easement schemes is also considered more cost-effective than the traditional command-&-control-only approach, and will set up a model that can be replicated in all other biomes. For comparison, the total of this Initiative (US\$ 42.69 million) is equivalent to the value of soybeans produced in the *Cerrado* that is negotiated in less than two days in the Chicago Board of Trade.

2. The GEF funds requested for implementing this Initiative will leverage funds mainly from IBRD loans and Environmental Compensation Funds. This represents a significant financial contribution to biodiversity protection, unlikely to happen if the Federal or States governments were to count exclusively on their own fiscal resources.

3. **Component 1: Conservation of the *Cerrado* Biodiversity.** The costs of creating and strengthening Protected Areas estimated in this Initiative are similar to the ARPA project, adjusted for the smaller average size of full protection PAs in the *Cerrado* (170,000 ha) than in the Amazon (500,000 ha) and the greater threat faced by PAs in the *Cerrado*.

Type of Investment	Cost per Unit US\$ million	Number of years	Number of PAs	US\$ million
Creation of full protection PAs	0.25	--	12	3.00
Initial protection measures in new full protection PAs	0.50	--	12	6.00
Annual operation costs of the new full protection PAs	0.20	2	12	4.80
Annual operation costs of existing full protection PAs	0.20	3	20	12.00
Creation of sustainable use PAs	0.15		4	0.60
Annual operation costs of sustainable use PAs	0.06	3	5	0.90
TOTAL				27.30

4. The GEF resources allocated to this component (US\$ 5.69 million) will leverage counterpart funds, at a ratio of almost 1:4, mainly from the Environmental Compensation Funds. This is particularly relevant for MMA and ICMBio projects as the Federal Environmental Compensation Fund (FCA) does not earmark funds to specific biomes or ecosystems. Thus, the GEF funds will ensure that FCA financial resources will be dedicated to *Cerrado* biodiversity protection.

5. **Component 2: Sustainable Use of the *Cerrado*'s Natural Resources.** The Initiative will invest US\$ 4.62 million in this component, with roughly at 1:1 ratio, for a substantial impact on biodiversity conservation in the productive landscape.

6. The Initiative will invest about US\$ 2.2 million in support of 15 management activities for natural resources benefiting about 600 families, through the creation of collective property regimes and sustainable management plans for natural resources, especially in Extractive Reserves. This represents an average investment of US\$ 3,600 per family over the course of three years, which is similar to the support provided for productive subprojects under IBRD loans elsewhere in Brazil. The Initiative focuses on promoting the management and processing of natural resources which already have a regional or national market (*pequi, baru, buriti, mangaba*, golden grass).

7. In addition, the Initiative will invest US\$ 1 million on documenting and disseminating the best practices on natural resource management, effectively expanding the impact of the Initiative to a larger number of communities in the entire *Cerrado* region. These actions contribute directly to biodiversity conservation by: (i) improving the sustainable of the natural resources already been exploited in the region, and, (ii) providing better opportunities for the communities to continue living in those *Cerrado* areas.

8. The Initiative will also invest US\$ 1.4 million to support implementation of low-impact agricultural production practices, especially around the buffer zones of protected areas, covering about 400,000 hectares. This support should result in new opportunities for land owners and improve the conservation of biodiversity around and inside the PAs.

9. The enforcement of legal reserves (RL) and permanent preservation areas (APPs) forming ecological corridors linking PAs will also contribute to maximizing biodiversity conservation efforts. Most of the *Cerrado* areas pertain to agricultural production landscapes. Thus, mainstreaming biodiversity management in agricultural landscapes through an optimized mix of both command-and-control and economic incentives is the most cost-effective manner to increase the effectiveness of biodiversity protection measures. According to recently approved legislation, compliance with RL and APPs facilitates access to credit for land owners, leading to farmland intensification and increasing the output per area, with positive impacts in income and jobs.

10. Component 3: Institutional Strengthening and Formulation of New Public Policies. The Initiative will invest US\$ 8.36 million, with a 1:1.7 match, in the establishment of adequate institutional structures and the development of special support studies for the long-term implementation of the National Sustainable *Cerrado* Program at federal and state levels, which would be significantly delayed without the support of this Initiative. The Initiative will also support the development of specific state and regional policies for *Cerrado* protection, conservation and sustainable use, thus putting in place the necessary instruments to define development policies with an environmentally sustainable focus.

11. A lasting contribution of this Initiative will be the investment of a total of US\$ 1.5 million (US\$ 1.3 million from GEF) to support the development of a National *Cerrado* Biome Monitoring System. This geo-referenced system will, for the first time, systematically monitor the vegetation cover of the biome and create a database with various ecological and land use aspects of the *Cerrado*, providing the Government with an important and continuously updated tool to support planning, evaluation and enforcement of public policies, programs and projects, and to support similar functions in the private sector. Its database will be developed using a modular approach and according to the most immediate needs, to reduce costs and ensure the system's reliability.

12. In addition, the Goiás and Tocantins projects will develop their own State Environmental Information Systems which will contribute to increase the cost-effectiveness of the National System. These geo-reference systems (at a more detailed scale) will provide direct input to the National System and will be used in defining zoning and land use policies in each state.

13. This Initiative will also support the implementation of a system of land easement mechanisms complementary to the Brazilian Forest Code, a cost-effective way to increase protection of natural habitats in the production landscape. This policy creates a market for existing natural habitats inside private lands to be “rented” by farmers who do not have enough area assigned as Legal Reserve (RL). This policy allows for a decrease in the deforestation rate as farmers would have an economic incentive to maintain the natural area. Moreover, as each private property should have 20% in RL⁵¹, the conservation impact of such a policy would be substantial, with the cost to the government limited to policy monitoring and enforcement.

14. **Component 4: Coordination and Monitoring.** The combined coordination costs of all four projects under this Initiative represent 5.6% of the total cost of the Initiative, a proportion comparable to, or even lower than, that at several other GEF-financed projects, such as the ARPA project (8%), Ecosystem Restoration of Riparian Forests in São Paulo (16.4%) and Rio de Janeiro Sustainable Integrated Management in Productive Landscapes (17.5%).

15. This cost-effectiveness is obtained through the centralization in MMA of the monitoring and evaluation of all projects of this Initiative. This optimizes costs by using existing federal-budget-supported staff and infrastructure, since the MMA is already responsible for biome monitoring and for ensuring and supervising the implementation of the National Sustainable *Cerrado* Program. The Nucleus for the *Cerrado* and *Pantanal* (NCP), within the DCBio, was created with this purpose, and specific actions for its strengthening were included in the MMA project.

16. In addition, the Tocantins and Goiás financial and procurement management will be conducted by existing PIUs, in parallel to the financial management of IBRD loans, resulting in cost-effective management and more efficient use of resources. This would result in significant savings in project supervision and management and, therefore, a more efficient use of financial and human resources.

Financial Sustainability

17. The Protected Areas to be created under this Initiative will be included in the annual budget of the Federal and state agencies responsible for PA management. These PAs will also be eligible to receive funds in lieu of environmental mitigation of infra-structure projects as defined in the federal law and from the Environmental Compensation Funds.

18. The National Sustainable *Cerrado* Program is recognized in the Federal Government Multi-Year Plan (Plano Pluri-Anual), ensuring the financial sustainability of the DCBio, and the support of CONACER. The DCBio, composed by specialized technical permanent employees, will be strengthened through training by the MMA project. Likewise, the Goiás, Tocantins and ICMBio projects will be implemented by permanent staff of the executing agencies.

⁵¹ Private properties in Mato Grosso and Tocantins should have 35% in RL.

Annex 10: Safeguard Policy Issues
BRAZIL: Sustainable *Cerrado* Initiative

1. The analysis based on the components of the Sustainable *Cerrado* Initiative and the typical social and environmental situation in the *Cerrado*, and later confirmed by the specific components of the projects, indicates that several safeguard policies could be triggered by each project. The list below indicates those safeguards triggered for the entire Sustainable *Cerrado* Initiative (i.e., whole set of projects).

2. An environmental assessment was prepared for the Sustainable *Cerrado* Initiative, and a separate environmental assessment was prepared for the MMA Project. The Goiás and Tocantins projects build on the full Environmental Assessment prepared for the IBRD loans which will collaborate with the respective state projects. The MMA and ICMBio projects build on the several Bank-implemented GEF projects which have been successfully executed by MMA and IBAMA, most notably ARPA. The environmental assessments' summaries were included in each of the individual project description Annexes (Annex 18: Goiás Project and Annex 19: ICMBio Project).

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[x]	[]
Pest Management (OP 4.09)	[x]	[]
Physical Cultural Resources (OP/BP 4.11)	[x]	[]
Involuntary Resettlement (OP/BP 4.12)	[x]	[]
Indigenous Peoples (OP/BP 4.10)	[x]	[]
Forests (OP/BP 4.36)	[x]	[]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP 7.50)	[]	[x]

3. **Environmental Analysis.** The draft EA and EMP for the Sustainable *Cerrado* Initiative were submitted to the Bank on May 8, 2007. The final EA/EMP report was disseminated in Brazil through the MMA website (<http://www.mma.gov.br>), and contains a more detailed description of possible positive and negative environmental impacts of Sustainable *Cerrado* Initiative-supported activities, as well as a framework of identified preventive/corrective measures as a guideline for project EAs and EMPs. The document was also sent to the representatives of government and non-governmental organizations and civil society, who participated in the consultations during preparation of the Sustainable *Cerrado* Initiative, and addressed all comments received. The EA/EMP was submitted to the InfoShop on 02/13/2008 (Document N.

* By supporting the proposed project, the Bank does not intend to influence the final determination of the parties' claims on the disputed areas.

E1810). The Sustainable *Cerrado* Initiative is notably a conservation program, and has been classified by the World Bank as a Category B proposal. The rationale of the Sustainable *Cerrado* Initiative is to achieve positive environmental outcomes on a biome-wide basis through direct measures – the establishment and consolidation of protected areas and the identification and facilitation of sustainable use strategies – and indirectly through engaging productive sector stakeholders whose activities as currently undertaken may result in biodiversity loss, through mainstreaming biodiversity conservation and sustainable use concerns into productive landscape policy and planning issues in the *Cerrado*.

4. Given the framework character of the Sustainable *Cerrado* Initiative and the fact that activities will be undertaken by means of projects, the necessary environmental analysis should be built into the procedures for developing each project proposal according to the Sustainable *Cerrado* Initiative EA framework and its subsequent review by the Sustainable *Cerrado* Initiative Committee and the MMA, and according to the World Bank environmental safeguard policies.

5. Direct, positive environmental impacts stemming from the Sustainable *Cerrado* Initiative implementation will likely include: (i) reduction of the rate of biodiversity loss; (ii) support for the development/testing and dissemination of sustainable use practices, resulting in decreased soil erosion, riparian forest recovery, and conservation of biodiversity; (iii) diversification of agricultural production favoring native species to substitute monocultures; (iv) creation and strengthening of protected areas to ensure effective environmental conservation; (v) the creation of mosaics of natural habitats through strategic distribution of Sustainable *Cerrado* Initiative actions and recuperation of natural habitats; (vi) development and implementation of public policies directed at the *Cerrado* conservation and sustainable use, promoting the engagement of the productive sector; and, (vii) improved capacity of government institutions and civil society to participate in decision-making and implement public policies that support the sustainable use and conservation of the *Cerrado*, fostering better management and control of the threats that lead to the degradation of the region's biodiversity and resources.

6. **Environmental Management Plan.** The Sustainable *Cerrado* Initiative is a framework for the facilitation and coordination of actions to establish and consolidate protected areas, promote the conservation and sustainable use of the biodiversity of the *Cerrado*, develop public policy, build the capacity of stakeholders and collect and disseminate relevant socio-environmental data.

7. The keys to identifying, preventing or mitigating adverse environmental impacts and enhancing positive impacts are to be found, firstly, at the level of the procedures for development, approval, implementation and monitoring of the projects and, secondly, in the procedures to be adopted for coordinating, monitoring and evaluating the projects. The Sustainable *Cerrado* Initiative lists obligatory “qualifying” criteria and additional preferential criteria for assessing project proposals (see Annex 17), and the EMP lists additional criteria for assessing project proposals. The Sustainable *Cerrado* Initiative will not fund any activity that may lead to significant environmental impact, such as clear-cutting of forests or unsustainable exploitation of natural resources.

8. **Natural Habitats.** Activities under some Sustainable *Cerrado* Initiative components should lead to positive impacts on natural habitats, such as their conservation and recuperation. Nevertheless, OP 4.04 is triggered and therefore all projects' planning activities that may affect natural habitats must follow World Bank policies, identifying monitoring and management

activities to prevent or mitigate any possible negative impact. Local and national legislation concerning natural habitats must be followed and habitat recuperation and sustainable use activities should give priority to the use of appropriate combinations of native species.

9. Pest Management. The need to use pesticides or herbicides should be indicated in each project, as well as the measures for Integrated Pest Management (IPM) to be adopted. When the use of pesticides or herbicides is justified, an analysis of potential negative impacts resulting from the use of these chemicals and the risks associated with the inappropriate handling or storing of their containers should be conducted. The projects should also include measures to reduce those risks, in compliance with Law No. 7802/89. The Pest Management Framework is part of the EA and was submitted to InfoShop on 02/12/2008 (Document N. E1810).

10. The Operational Manual determines that for all projects, the use of these substances, whenever needed, should be limited to low toxicity products according to Class IV of Decree 98816/90, which correspond to Class “U” products in the World Health Organization’s classification. Or, if appropriate Class “U” products are not available, the PCU may authorize the use of WHO Class III products.

11. Physical Cultural Resources. Under Brazilian legislation provisions for the protection of cultural property are part of the environmental licensing procedures. The National Institute for Historical and Cultural Heritage (IPHAN) is the Brazilian institution responsible for handling archeological and cultural property issues. Whenever “chance findings” occur it is mandatory, under federal and state law, for Brazilian Government agencies to seek IPHAN’s support to address “chance finding” issues. In the very unlikely event that the project activities were to have such a potential impact, these will be immediately stopped until a protection plan is put in place in accordance with OP 4.11.

12. Involuntary Resettlement. The creation of new and the consolidation of existing protected areas will be consistent with (i) the Brazilian legislation on protected areas (SNUC - Law 9985/00, Decree 4340/02 and Decree 5758/06); (ii) the CBD Work Programme on Protected Areas; (iii) the list of priority areas for conservation, sustainable use and benefit-sharing in the *Cerrado* biome, as approved by CONABIO in December 2006 and amended by MMA Administrative Ruling n° 9 of January 23, 2007; and, (iv) the principle of avoiding the need for resettlement as a result of the creation of protected areas as successfully adopted in other Bank- implemented GEF projects in Brazil (i.e., ARPA). Under this principle, if local communities exist in areas identified as important for the establishment of protected areas, those community areas would be created as RESEXs. Although involuntary population displacement and/or impacts on livelihoods is not envisaged at present, when unavoidable, involuntary resettlement must conform to Brazilian legislation, World Bank policies and the Sustainable *Cerrado* Initiative Resettlement Framework, and will involve extensive public consultation for all areas. The Involuntary Resettlement Framework was submitted to InfoShop on 05/13/2008 (Document N. RP676).

13. Indigenous Peoples. Many indigenous peoples live in the *Cerrado* region and this Initiative will not create any protected area on Indigenous Lands. No negative impacts are thus foreseen on indigenous people or other ethnic groups. As a precaution, in accordance with the Bank’s OP 4.10, a Policy Framework for Indigenous Peoples Framework (IPF) was prepared for the Sustainable *Cerrado* Initiative containing guidelines and procedures for the preparation and disclosure of an Indigenous People Plan in the event that any activity affect indigenous

communities. While no activity under the Sustainable *Cerrado* Initiative may negatively impact indigenous lands or cultural properties, indigenous communities that express an interest in participating in project activities should be welcome to do so. The Indigenous Peoples Framework was submitted to InfoShop on 04/29/2008 (Doc. IPP292)

14. Forests. Typical activities should support mainly conservation and restoration activities, and sustainable forestry activities (mainly non-timber), traditional communities and small-scale rural producers, and should be planned and executed in such a way to minimize or prevent negative impacts on forest areas. Activities resulting in deforestation and loss of native vegetation cover will not be allowed. No large-scale timber activities will be supported by the Sustainable *Cerrado* Initiative. The management of any non-timber or timber (in limited scope) products will follow management plans approved by the Sustainable *Cerrado* Initiative and fully compatible with the World Bank's OP4.36.

Annex 11: Initiative Preparation and Supervision
BRAZIL: Sustainable Cerrado Initiative

	Planned	Actual
PCN review	September 02, 2004	September 02, 2004
Initial PID to PIC		July 07, 2005
Initial ISDS to PIC		July 26, 2005
Appraisal	June 04-10, 2009	June 04-10, 2009
Negotiations	January 5-8, 2010	January 06, 2010
		February 03, 2010
		February 26, 2010
		March 18, 2010
Board/RVP approval	March 18, 2010	April 22, 2010
Planned date of effectiveness	April 30, 2010	
Planned date of mid-term review	December 30, 2011	
Planned closing date	December 1, 2013	

1. Key institutions responsible for preparation of the Program: Ministry of Environment, Goiás State Secretariat for the Environment and Water Resources, Tocantins State Water Resources and Environmental Secretariat, Chico Mendes Institute for Biodiversity Conservation and the World Bank.

2. Bank staff and consultants who worked on the Initiative included:

Name	Title	Unit
Agnes Velloso	Consultant	LCSSEN
Bernadete Lange	Environmental Specialist	LCSRFB
Cristina Oliveira Roriz	Operations Analyst	LCSRFB
Caroline Moreira	Team Assistant	LCR
Daniella Arruda	Team Assistant	LCSRFB
Daniele La Porta	E T Consultant	LCSSEN
Erik Fernandes	Adviser	ARD
Fabiola Vasconcelos	Team Assistant	LCSRFB
Flavio Chaves	Research Analyst	LCC5C
Frederico Rabello	Procurement Analyst	LCOPR
Garo Batmanian	Sr. Environmental Specialist	LCSRFB
Isabella Micali Drossos	Senior Counsel	LEGLA
Joao Vicente	Financial Mgmt Analyst	LCSFM
Juliana Menezes Garrido Pereira	Infrastructure Specialist	LCSFT
Karen A. Luz	Sr Biodiversity Spec.	ENV
Ken Pierce	Consultant	LCSRFB
Mark Lundell	Sector Leader	LCSSD
Nicolas Drossos	Consultant	LCSFM
Paula Silva Pedreira de Freitas	Operations Analyst	LCSSEN
Ricardo Tarifa	Forestry Specialist	LCSRFB
Regis Cunningham	Sr. Finance Officer	LOAG1
Sinuê Aliram	Procurement Analyst	LCOPR
Susana Amaral	Financial Mgmt Analyst	LCSFM
Zeze Weiss	Sr. Civil Society Specialist	LCSSO

3. Projects' staff who worked on the Initiative included:

Name	Title	MMA Unit
Adriana Panhol Bayma	Environmental Analyst	DCBio
Avay Miranda Junior	Environmental Analyst	DCBio
Augusto Santiago	Former NCP Coordinator	NCP/ DCBio
Belizário Franco Neto	Tocantins project Coordinator	SEPLAN - TO
Carla Lessa	Environmental Analyst	ICMBio
Eduardo Boucinha de Oliveira	Environmental Analyst	SBF
Bráulio Sousa Dias	Conservation Director	SBF
Débora Leite Silvano	Environmental Analyst	DCBio
Eduardo Boucinha	Environmental Analyst	DCBio
Fátima Pires de Almeida	Environmental Analyst	ICMBio
Iona'i Ossami de Moura	Environmental Analyst	DCBio
Marília Marini	Environmental Analyst	ICMBio
Mauro Oliveira Pires	Former NCP Coordinator	SECEXNCP
Laura Tillmann Viana	Environmental Analyst	DCBio
Leonel Pereira	Former Head of Office	SBF
Lívia Leite Santos	Natural Resources Manager	Goiás
Luciana Costa Mota	Environmental Analyst	ICMBio
Patrícia Saraiva	Environmental Analyst	DCBio
Paulo d'Ávila Ferreira	Ecosystems Director	GO
Paulo Henrique Vicente de Paiva	Technical Manager	SEMARH - GO
Paulo Carneiro	ICMBio Project Coordinator	ICMBio
Sandra Trevizoli S. Gomes	Environmental Analyst	ICMBio

4. Bank funds expended to date on projects preparation:

BB/ Bank Admin Fund: US\$ 4,118.65
 BBGEF/BB Global Env Fund: US\$ 198,017.07
 BB-Total: US\$ 202,135.72

5. Estimated Supervision costs:

Estimated annual supervision cost – Initiative Total: US\$ 90,000.

Annex 12: Documents in the Project File

BRAZIL: Sustainable Cerrado Initiative

Project documentation

- **Sustainable Cerrado Initiative - Project Information Document, Report n° AB1786, 2005.**
- **Sustainable Cerrado Initiative - Integrated Safeguards Data Sheet, Report n° AC1786, 2008.**
- **GEF/PDF**, “*Request for Pipeline Entry Approval*”, Washington, October 2004.
- **NCP/SBF/MMA**, “*Templates and Guidelines for the Preparation of a Letter of Intent*” (only in Portuguese), Brasília, July 2005.
- **NCP/SBF/MMA**, “*Templates and Guidelines for the Preparation of a Sub-project Proposal*” (only in Portuguese), Brasília, July 2005.
- **Projeto Cerrado Sustentável do Tocantins, 2008.**
- **Sustainable Cerrado Initiative - Resettlement Framework, December 2008**
- **Sustainable Cerrado Initiative - Indigenous Peoples Framework, April 2008, updated: April 2009.**
- **Sustainable Cerrado Initiative - Pest Management Framework, April 2009**
- **Iniciativa Cerrado Sustentável – Avaliação Ambiental do Projeto e plano de gestão ambiental. Maio, 2007. Document: E1810.**

Background Documentation

- **Machado, 2000.** “*A fragmentação do Cerrado e a avifauna na região de Brasília*”. PhD theses.
- **World Bank**, “*Brazil – Equitable, Competitive and Sustainable – Overview and Contributions for Debate*”, Washington, November 2002.
- **CONABIO**, “*Deliberations of the CONABIO regarding the types of projects to be submitted to the GEF as financial mechanism for the Biological Biodiversity Convention*” (only in Portuguese), Brasília, 2004.
- **CI & CEMEX**, “*Hotspots: Earth’s Biologically Richest and Most Endangered Terrestrial Ecoregions*”, Mexico City, 1999.
- **Dinerstein E. et al.**, “*A Conservation Assessment of the Terrestrial Ecoregions of Latin America and the Caribbean*”, IBRD, Washington, 1995.
- **MMA**, “*Directives for an Integrated Policy for the Conservation and Sustainable Use of the Cerrado and Pantanal*” (only in Portuguese), Brasília, 2001.
- **Rede Cerrado**, “*The Cerrado and the Absence of Public Policies*” (only in Portuguese), Brasília, 2003.
- **Aide-Mémoire** (only in Portuguese) of meeting between MMA, WB and GT Cerrado for the definition of directives for the GEF Sustainable Cerrado Initiative, Brasília, 14 March 2005.
- **Ribeiro J. R. et al.**, “*Is all the Cerrado equally vulnerable? What can we learn from the biogeographical distribution of plants?*”, EMBRAPA-Cerrados, Brasília and Edinburgh Botanical Garden, Scotland, draft July 2005.
- **Klink C & Machado R. B.**, “*Conservation of the Brazilian Cerrado*”, Conservation Biology, p.707-713, Vol. 19, N° 3, June 2005.
- **GT Cerrado**, proposal for “*Brazil’s National Program for the Conservation and Sustainable Use of the Cerrado Biome*” (only in Portuguese), MMA, Brasília, September 2004.

- **MMA/SBF/NCP**, “*Sustainable Cerrado Project – Phase I .Concept Note*” (only in Portuguese), MMA, Brasília, September 2004.
- **IBGE**, “*Brazilian Biome Map*” (only in Portuguese), Brasília, 2004.
- **Machado et al.** at Conservation International (CI) www.conservation.org.br.
- **Jesus & Sano**, 2002, *Simpósio de Ecologia e Biodiversidade*, UnB and EMBRAPA.
- **Mittermeier, R. A. et al.** 2004 "Earth's Biologically Richest and Most Endangered Terrestrial Ecoregions". CEMEX books on Nature, 2004.
- **Vilela et al.** 2005. “*Pasture Degradation and Long-Term Sustainability of Beef Cattle Systems In The Brazilian Cerrado*”.
- **Hass, Braz and Cavalcanti**, 2005. “*Fragmentation and the Role of Conservation Units in Biodiversity Conservation*”.

Relevant Legislation (all only in Portuguese)

- **Presidential Decree N°. 5.092**, dated 21 May 2004, which defines priority areas for the conservation of biodiversity.
- **Presidential Decree N°. 5.577**, dated 8 November 2005, which institutes the National Sustainable Cerrado Program Commission (CONACER).
- **MMA Decree (Portaria) N°. 126**, dated 27 May 2004, which defines the methodologies for the identification of priority areas for conservation, sustainable use and partition of the Brazilian biodiversity benefits.
- **MMA Decree (Portaria) N°. 327**, dated 14 June 2007, which institutes the Sustainable Cerrado Initiative Committee.
- **Presidential Decree N°. 2.741**, dated 20 August 1998, which promulgates the National Policy for the Control of Desertification.
- **CONAMA Resolution N°. 238**, dated 22 November 1997, which approves the National Policy for the Control of Desertification.
- **Presidential Decree N°. 3.420**, dated 20 April 2000, which creates the National Forestry Program (PNF).
- **Presidential Decree N°. 4.339**, dated 22 August 2002, which institutes the National Policy on Biodiversity.
- **Presidential Decree N°. 4.703**, dated 21 May 2003, which alters the National Program on Biological Diversity (PRONABIO) and the National Biodiversity Commission (CONABIO).
- **Federal Law N°. 4.771**, dated 15 September 1965, which institutes the National Forestry Code.
- **Federal Law N°. 6.938**, dated 31 August 1981, which institutes the National Policy for the Environment and the National Environment System (SISNAMA).
- **Federal Law N°. 9.433**, dated 08 January 1997, which institutes the National Water Resource Policy.
- **Federal Law N°. 9.985**, dated 18 July 2000, which institutes the National Protected Areas System (SNUC).
- **Presidential Decree N°. 4.340**, dated 22 August 2002, which organizes the implementation of the SNUC law.
- **Presidential Provisional Decree N°. 2.166-67**, dated 24 August 2001, which alters sever key environmental laws.
- **MMA Decree (Portaria) N°. 361**, dated 12 September 2003, which institutes the Cerrado Working Group (*GT Cerrado*).

Annex 13: Statement of Loans and Credit
BRAZIL: Sustainable *Cerrado* Initiative

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P099469	2010	(APL 2) 2 nd National Environment	24.30	0.00	0.00	0.00	0.00	24.30	0.0	0.00
P101508	2010	BR-RJ Sustainable Rural Development	39.50	0.00	0.00	0.00	0.00	39.40	1.83	0.00
P119215	2010	BR AF Minas Gerais Swap	461.0	0.00	0.00	0.00	0.00	461.00	0.00	0.00
P108654	2010	BR Pernambuco Sustainable Water	190.00	0.00	0.00	0.00	0.00	190.00	0.00	0.00
P106663	2010	BR Sao Paulo Feeder Roads Project	166.65	0.00	0.00	0.00	0.00	55.73	-110.50	0.00
P103770	2010	BR ALAGOAS Fiscal & Public Mgmt Reform	195.45	0.00	0.00	0.00	0.00	74.96	-120.00	0.00
P104995	2010	BR Municipal APL5: Santos	44.00	0.00	0.00	0.00	0.00	44.00	0.00	0.00
P111996	2010	BR RJ Mass Transit II	211.70	0.00	0.00	0.00	0.00	210.67	-0.50	0.00
P006553	2010	BR SP APL Integrated Wtr Mgmt	104.00	0.00	0.00	0.00	0.00	104.00	3.78	0.00
P117244	2010	BR Rio State DPL	485.00	0.00	0.00	0.00	0.00	485.00	0.00	0.00
P104752	2009	BR Paraiba 2nd Rural Pov Reduction	20.90	0.00	0.00	0.00	0.00	20.90	0.00	0.00
P099369	2009	BR Ceara Regional Development	46.00	0.00	0.00	0.00	0.00	45.89	0.07	0.00
P095205	2009	BR 1st Prog. DPL for Sust. Env Mgmt	1,300.00	0.00	0.00	0.00	0.00	1,300.00	1.30	0.00
P094315	2009	BR Municipal APL4: Sao Luis	35.64	0.00	0.00	0.00	0.00	33.49	-1.90	0.00
P106208	2009	BR Pernambuco Educ Results& Account.	154.00	0.00	0.00	0.00	0.00	97.84	-55.77	0.00
P106765	2009	BR Ceara Inclusive Growth (SWAp II)	240.00	0.00	0.00	0.00	0.00	137.05	27.29	0.00
P106767	2009	BR RGS Fiscal Sustainability DPL	1,100.00	0.00	0.00	0.00	0.00	450.00	0.00	0.00
P107146	2009	BR Acre Social Economic Inclusion Sust D	120.00	0.00	0.00	0.00	0.00	104.00	-0.70	0.00
P107843	2009	BR Fed District Multisector Manag. Proj.	130.00	0.00	0.00	0.00	0.00	129.68	29.23	0.00
P110614	2009	BR: Sergipe State Int. Proj.: Rural Pov	20.80	0.00	0.00	0.00	0.00	17.55	2.81	0.00
P088716	2009	BR Health Network Formation & Quality Im	235.00	0.00	0.00	0.00	0.00	234.41	4.07	0.00
P106038	2008	BR Sao Paulo Trains and Signalling	550.00	0.00	0.00	0.00	0.00	307.04	34.30	0.00
P083997	2008	BR Alto Solimoes Basic Services and Sust	24.25	0.00	0.00	0.00	0.00	21.59	5.04	0.00
P101324	2008	BR-Second Minas Gerais Dev't Partnership	976.00	0.00	0.00	0.00	0.00	235.40	6.34	0.00
P088966	2008	BR Municipal APL3: Teresina	31.13	0.00	0.00	0.00	0.00	28.64	4.42	0.00
P095626	2008	BR (APL2)Family Health Extension 2nd APL	83.45	0.00	0.00	0.00	0.00	83.24	26.15	0.00
P089013	2008	BR Municipal APL: Recife	32.76	0.00	0.00	0.00	0.00	32.68	13.96	0.00
P094199	2008	BR-(APL) RS (Pelotas) Integr. Mun. Dev.	54.38	0.00	0.00	0.00	0.00	39.36	5.42	0.00
P089929	2008	BR RGN State Integrated Water Res Mgmt	35.90	0.00	0.00	0.00	0.00	31.20	20.73	0.00
P082651	2007	BR APL I Para Integrated Rural Dev	60.00	0.00	0.00	0.00	0.00	51.20	45.20	0.00

P089793	2007	BR State Pension Reform TAL II	5.00	0.00	0.00	0.00	0.00	4.99	3.17	0.00
P095460	2007	BR-Bahia Integr.Hway Mngmt.	100.00	0.00	0.00	0.00	0.00	87.90	24.43	0.00
P089011	2007	BR Municipal APL1: Uberaba	17.27	0.00	0.00	0.00	0.00	13.05	9.49	0.00
P050761	2006	BR-Housing Sector TAL	4.00	0.00	0.00	0.00	2.70	0.96	3.66	-0.29
P090041	2006	BR ENVIRONMENTAL SUST. AGENDA TAL	8.00	0.00	0.00	0.00	0.00	4.88	4.85	0.69
P089440	2006	BR-Brasilia Environmentally Sustainable	57.64	0.00	0.00	0.00	0.00	21.22	19.30	0.00
P093787	2006	BR Bahia State Integ Proj Rur Pov	84.35	0.00	0.00	0.00	0.00	30.72	0.22	0.00
P092990	2006	BR - Road Transport Project	501.25	0.00	0.00	0.00	0.00	228.70	209.95	0.00
P081436	2006	BR-Bahia Poor Urban Areas Integrated Dev	49.30	0.00	0.00	0.00	0.00	38.96	38.96	0.00
P083533	2005	BR TA-Sustain. & Equit Growth	12.12	0.00	0.00	0.00	0.00	7.70	7.70	0.00
P069934	2005	BR-PERNAMBUCO INTEG DEVT: EDUC QUAL IMPR	31.50	0.00	0.00	0.00	0.00	9.15	9.15	0.00
P087711	2005	BR Espirito Santo Wtr & Coastal Pollu	107.50	0.00	0.00	0.00	0.00	31.06	-40.26	-17.93
P076924	2005	BR- Amapa Sustainable Communities	4.80	0.00	0.00	0.00	0.23	2.35	2.58	1.99
P060573	2004	BR Tocantins Sustainable Regional Dev	60.00	0.00	0.00	0.00	0.00	18.19	18.19	0.00
P076977	2003	BR-Energy Sector TA Project	12.12	0.00	0.00	0.00	0.00	5.63	5.63	0.00
P049265	2003	BR-RECIFE URBAN UPGRADING PROJECT	46.00	0.00	0.00	0.00	0.00	8.13	8.13	0.00
P066170	2002	BR-RGN Rural Poverty Reduction	45.00	0.00	0.00	0.00	0.00	15.49	-6.95	15.55
P060221	2002	BR FORTALEZA METROPOLITAN TRANSPORT PROJ	85.00	0.00	0.00	0.00	62.60	9.79	65.37	13.65
P051696	2002	BR SÃO PAULO METRO LINE 4 PROJECT	304.00	0.00	0.00	0.00	0.00	27.67	-67.10	27.90
P006449	2000	BR CEARA WTR MGT PROGERIRH SIM	239.00	0.00	0.00	0.00	0.00	96.74	-6.00	1.00
Total:			8,945.66	0.00	0.00	0.00	65.53	5,753.44	253.04	42.56

BRAZIL
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2005									
2005	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2001	AG Concession	0.00	30.00	0.00	0.00	0.00	30.00	0.00	0.00
2002	Amaggi	17.14	0.00	0.00	0.00	17.14	0.00	0.00	0.00
2005	Amaggi	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2002	Andrade G. SA	22.00	0.00	10.00	12.12	22.00	0.00	10.00	12.12
2001	Apolo	6.04	0.00	0.00	0.00	3.54	0.00	0.00	0.00
1998	Arteb	20.00	0.00	0.00	18.33	20.00	0.00	0.00	18.33

2006	BBM	49.40	0.00	0.00	0.00	49.40	0.00	0.00	0.00
2001	Brazil CGFund	0.00	19.75	0.00	0.00	0.00	18.15	0.00	0.00
2004	CGTF	54.01	0.00	7.00	65.12	54.01	0.00	7.00	65.12
1994	CHAPECO	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1996	CHAPECO	1.50	0.00	0.00	5.26	1.50	0.00	0.00	5.26
2003	CPFL Energia	0.00	40.00	0.00	0.00	0.00	40.00	0.00	0.00
1996	CTBC Telecom	3.00	8.00	0.00	0.00	3.00	8.00	0.00	0.00
1997	CTBC Telecom	0.00	6.54	0.00	0.00	0.00	6.54	0.00	0.00
1999	Cibrasec	0.00	3.27	0.00	0.00	0.00	3.27	0.00	0.00
2004	Comgas	11.90	0.00	0.00	11.54	11.90	0.00	0.00	11.54
2005	Cosan S.A.	50.00	5.00	15.00	0.00	50.00	5.00	15.00	0.00
	Coteminas	0.00	1.84	0.00	0.00	0.00	1.84	0.00	0.00
1997	Coteminas	1.85	1.25	0.00	0.00	1.85	1.25	0.00	0.00
2000	Coteminas	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1980	DENPASA	0.00	0.52	0.00	0.00	0.00	0.48	0.00	0.00
1992	DENPASA	0.00	0.06	0.00	0.00	0.00	0.06	0.00	0.00
	Dixie Toga	0.00	0.34	0.00	0.00	0.00	0.34	0.00	0.00
1998	Dixie Toga	0.00	10.03	0.00	0.00	0.00	10.03	0.00	0.00
1997	Duratex	1.36	0.00	3.00	0.57	1.36	0.00	3.00	0.57
2005	EMBRAER	35.00	0.00	0.00	145.00	35.00	0.00	0.00	145.00
1999	Eliane	14.93	0.00	13.00	0.00	14.93	0.00	13.00	0.00
1998	Empesca	1.33	0.00	2.67	0.00	1.33	0.00	2.67	0.00
2006	Endesa Brasil	0.00	50.00	0.00	0.00	0.00	50.00	0.00	0.00
2006	Enerbrasil Ltda	0.00	5.50	0.00	0.00	0.00	0.00	0.00	0.00
2006	FEBR	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
2000	Fleury	0.00	0.00	6.00	0.00	0.00	0.00	6.00	0.00
1998	Fras-le	4.00	0.00	9.34	0.00	4.00	0.00	6.04	0.00
2006	GOL	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005	GP Capital III	0.00	14.00	0.00	0.00	0.00	0.14	0.00	0.00
	GP Cptl Rstrctd	0.00	2.22	0.00	0.00	0.00	2.16	0.00	0.00
2001	GPC	0.00	0.00	9.00	0.00	0.00	0.00	9.00	0.00
	GTFP BIC Banco	44.91	0.00	0.00	0.00	44.91	0.00	0.00	0.00
	GTFP BM Brazil	4.22	0.00	0.00	0.00	4.22	0.00	0.00	0.00
	GTFP Indusval	5.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
1997	Guilman-Amorim	18.08	0.00	0.00	14.37	18.08	0.00	0.00	14.37
1998	Icatu Equity	0.00	5.46	0.00	0.00	0.00	4.16	0.00	0.00
1999	Innova SA	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
1980	Ipiranga	0.00	2.87	0.00	0.00	0.00	2.87	0.00	0.00
1987	Ipiranga	0.00	0.54	0.00	0.00	0.00	0.54	0.00	0.00
2006	Ipiranga	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Itambe	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	Itau-BBA	12.86	0.00	0.00	0.00	12.86	0.00	0.00	0.00
2002	Itau-BBA	70.61	0.00	0.00	0.00	38.47	0.00	0.00	0.00
1999	JOSAPAR	7.57	0.00	7.00	0.00	2.57	0.00	7.00	0.00
2005	Lojas Americana	35.00	0.00	0.00	0.00	35.00	0.00	0.00	0.00
1992	MBR	0.00	0.00	10.00	0.00	0.00	0.00	10.00	0.00
2006	MRS	50.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00
2002	Microinvest	0.00	1.25	0.00	0.00	0.00	0.82	0.00	0.00
	Net Servicos	0.00	10.93	0.00	0.00	0.00	10.93	0.00	0.00

2002	Net Servicos	0.00	1.60	0.00	0.00	0.00	1.60	0.00	0.00
2005	Net Servicos	0.00	5.08	0.00	0.00	0.00	5.08	0.00	0.00
1994	Para Pigmentos	2.15	0.00	9.00	0.00	2.15	0.00	9.00	0.00
1994	Portobello	0.00	0.59	0.00	0.00	0.00	0.59	0.00	0.00
2000	Portobello	4.28	0.00	7.00	0.00	4.28	0.00	7.00	0.00
2002	Portobello	0.00	0.90	0.00	0.00	0.00	0.90	0.00	0.00
2000	Puras	0.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00
2003	Queiroz Galvao	26.67	0.00	10.00	0.00	26.67	0.00	10.00	0.00
2004	Queiroz Galvao	0.60	0.00	0.00	0.00	0.08	0.00	0.00	0.00
2006	RBSec	22.83	1.51	0.00	0.00	0.00	1.51	0.00	0.00
	Randon Impl Part	2.33	0.00	3.00	0.00	2.33	0.00	3.00	0.00
1997	Sadia	2.55	0.00	2.33	3.28	2.55	0.00	2.33	3.28
1997	Samarco	3.60	0.00	0.00	0.00	3.60	0.00	0.00	0.00
1998	Saraiva	0.00	1.24	0.00	0.00	0.00	1.24	0.00	0.00
2000	Sepeitiba	26.24	0.00	5.00	0.00	11.24	0.00	5.00	0.00
2002	Suape ICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1999	Sudamerica	0.00	7.35	0.00	0.00	0.00	7.35	0.00	0.00
2006	Suzano petroq	50.00	0.00	10.00	140.00	39.50	0.00	10.00	110.50
2001	Synteko	11.57	0.00	0.00	0.00	11.57	0.00	0.00	0.00
2006	TAM	50.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
1998	Tecon Rio Grande	3.55	0.00	5.50	3.71	3.55	0.00	5.50	3.71
2004	Tecon Rio Grande	7.87	0.00	0.00	7.76	7.59	0.00	0.00	7.48
2001	Tecon Salvador	2.95	1.00	0.00	3.10	2.95	0.77	0.00	3.10
2003	Tecon Salvador	0.00	0.55	0.00	0.00	0.00	0.55	0.00	0.00
2004	TriBanco	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2006	TriBanco	0.35	0.00	0.00	0.00	0.35	0.00	0.00	0.00
2002	UP Offshore	9.01	9.51	0.00	23.29	0.00	2.51	0.00	0.00
2002	Unibanco	16.89	0.00	0.00	0.00	16.89	0.00	0.00	0.00
Total portfolio:		1,164.15	253.88	144.84	503.45	703.91	223.86	141.54	400.38

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2000	BBA	0.01	0.00	0.00	0.00
1999	Cibrasec	0.00	0.00	0.00	0.00
2006	Ipiranga II	0.00	0.00	0.00	0.10
2002	Banco Itau-BBA	0.00	0.00	0.00	0.10
Total pending commitment:		0.01	0.00	0.00	0.20

Annex 14: Country at a Glance

BRAZIL: Sustainable Cerrado Initiative

Brazil at a glance

12/9/09

POVERTY and SOCIAL

2008

	Brazil	Latin America & Carib.	Upper-middle-income
Population, mid-year (millions)	192.0	565	949
GNI per capita (Atlas method, US\$)	7,300	6,781	7,878
GNI (Atlas method, US\$ billions)	14013	3,833	7,472

Average annual growth, 2002-08

	Brazil	Latin America & Carib.	Upper-middle-income
Population (%)	12	12	0.8
Labor force (%)	2.1	2.2	17

Most recent estimate (latest year available, 2002-08)

Poverty (% of population below national poverty line)	22	..	..
Urban population (% of total population)	84	79	75
Life expectancy at birth (years)	72	73	71
Infant mortality (per 1,000 live births)	18	22	21
Child malnutrition (% of children under 5)	2	5	..
Access to an improved water source (% of population)	91	91	94
Literacy (% of population age 15+)	90	91	94
Gross primary enrollment (% of school-age population)	130	117	110
Male	134	119	112
Female	125	115	108

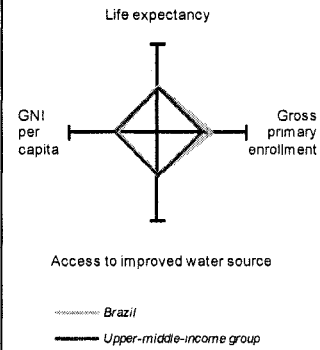
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1988	1998	2007	2008
GDP (US\$ billions)	330.4	843.8	1,333.3	1,575.2
Gross capital formation/GDP	22.7	17.0	17.7	18.9
Exports of goods and services/GDP	10.9	6.9	13.7	14.3
Gross domestic savings/GDP	27.9	15.0	19.3	19.1
Gross national savings/GDP	23.9	13.0	17.6	17.1
Current account balance/GDP	13	-4.0	0.1	-18
Interest payments/GDP	19	17	11	10
Total debt/GDP	30.7	26.6	17.3	16.2
Total debt service/exports	25.9	80.7	24.2	25.1
Present value of debt/GDP	..	..	19.6	15.6
Present value of debt/exports	..	..	117.2	111.2

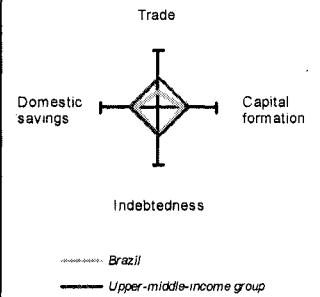
(average annual growth)

	1988-98	1998-08	2007	2008	2008-12
GDP	2.3	3.3	5.7	5.1	2.8
GDP per capita	0.7	2.0	4.6	4.1	0.8
Exports of goods and services	5.4	9.1	6.7	-0.6	14.8

Development diamond*



Economic ratios*



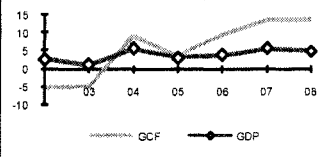
STRUCTURE of the ECONOMY

(% of GDP)	1988	1998	2007	2008
Agriculture	10.1	5.5	6.0	6.7
Industry	43.6	25.7	28.1	28.0
Manufacturing	31.0	15.7	17.4	16.0
Services	46.2	68.8	66.0	65.3
Household final consumption expenditure	59.5	64.3	60.8	60.7
General gov't final consumption expenditure	12.6	20.6	19.9	20.2
Imports of goods and services	5.7	8.9	12.1	14.2

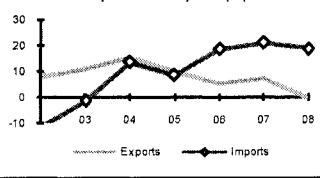
(average annual growth)

	1988-98	1998-08	2007	2008
Agriculture	2.5	4.4	5.9	5.8
Industry	1.5	2.8	4.8	4.3
Manufacturing	2.6	3.0	4.7	3.2
Services	3.3	4.0	6.0	5.3
Household final consumption expenditure	3.9	3.0	8.8	6.9
General gov't final consumption expenditure	0.7	2.9	4.7	5.6
Gross capital formation	2.6	2.8	13.5	13.8
Imports of goods and services	14.6	5.5	20.8	18.5

Growth of capital and GDP (%)



Growth of exports and imports (%)



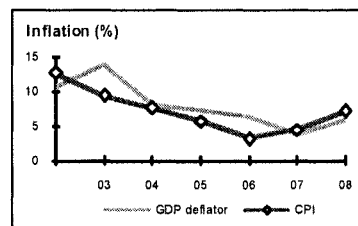
Note: 2008 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

*The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

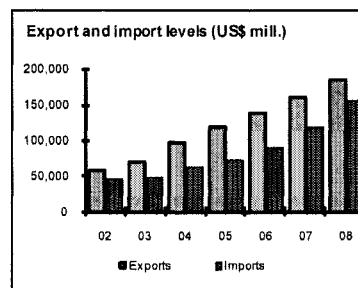
PRICES and GOVERNMENT FINANCE

	1988	1998	2007	2008
Domestic prices				
(% change)				
Consumer prices	980.2	17	4.5	7.1
Implicit GDP deflator	6511	4.2	3.7	5.9
Government finance				
(% of GDP, includes current grants)				
Current revenue	10.8	18.8	23.9	24.8
Current budget balance	-2.0	0.4	2.3	3.0
Overall surplus/deficit	#####	-0.8	-2.3	-16



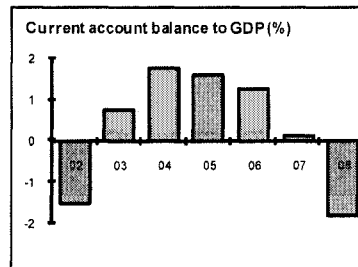
TRADE

	1988	1998	2007	2008
(US\$ millions)				
Total exports (fob)	32,809	50,736	160,649	164,216
Coffee	2,091	3,253	11,629	20,163
Soybeans	3,175	2,178	8,030	13,462
Manufactures	18,389	29,387	87,254	88,483
Total imports (cif)	14,605	57,714	120,622	155,475
Food	376	2,514	0	2,582
Fuel and energy	4,104	4,109	16,345	24,978
Capital goods	4,195	16,093	25,124	32,190
Export price index (2000=100)	88	99	114	128
Import price index (2000=100)	44	104	94	100
Terms of trade (2000=100)	199	95	121	127



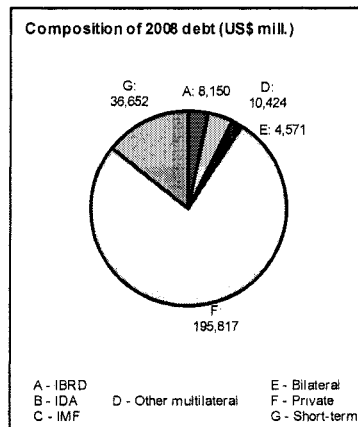
BALANCE of PAYMENTS

	1988	1998	2007	2008
(US\$ millions)				
Exports of goods and services	35,650	59,037	164,603	228,393
Imports of goods and services	17,500	75,722	157,795	220,247
Resource balance	18,150	-16,685	26,808	8,146
Net income	-13,776	-18,168	-29,291	-40,562
Net current transfers	-20	1,458	4,029	4,224
Current account balance	4,150	-33,415	1,551	-28,192
Financing items (net)	-2,931	25,446	85,933	31,161
Changes in net reserves	-1,249	7,970	-87,484	-2,969
Memo:				
Reserves including gold (US\$ millions)	9,140	44,556	180,334	216,881
Conversion rate (DEC, local/US\$)	9.53E-8	12	19	18



EXTERNAL DEBT and RESOURCE FLOWS

	1988	1998	2007	2008
(US\$ millions)				
Total debt outstanding and disbursed	10,1295	224,632	231,032	255,614
IBRD	1,824	171	6,704	8,150
IDA	0	0	0	0
Total debt service	9,448	48,465	53,941	55,420
IBRD	429	77	480	481
IDA	0	0	0	0
Composition of net resource flows				
Official grants	46	103	178	211
Official creditors	-340	3,632	-754	2,076
Private creditors	3,194	16,728	19,105	27,188
Foreign direct investment (net inflows)	2,804	31913	34,585	45,058
Portfolio equity (net inflows)	189	-1,768	26,217	-7,565
World Bank program				
Commitments	0	0	1,335	2,962
Disbursements	0	0	374	1,606
Principal repayments	268	61	115	146
Net flows	-268	-61	258	1,459
Interest payments	161	15	364	335
Net transfers	-429	-77	-106	1,125



Note: This table was produced from the Development Economics LDB database.

12/9/09

Annex 15: Incremental Cost Analysis

BRAZIL: Sustainable *Cerrado* Initiative

“Business as usual” Scenario

1. Today, of all the world’s hotspots, the *Cerrado* has the lowest percentage of areas under “strict” protection (2.7%) with many of them still not fully implemented. As a result, according to the latest IUCN list, the *Cerrado* has 112 endangered terrestrial fauna species. The main threat is land conversion for agriculture. The framework for the National Protected Areas Plan (PNAP) exists, but it is not specified to the *Cerrado* particularities, and no correlation has been established with the National Sustainable *Cerrado* Program. A specific goal for the creation of protected areas in the *Cerrado* has also not been established yet.
2. The work of the federal, state and municipal governments often overlaps, frequently resulting in a duplication of efforts, less cost-effective public services and low quality environmental management. Additionally, the GoB is over-reliant on command and control policies that seek to curb illegal activities, rather than listening to these key sectors, learning about their needs, and seeking a more balanced approach that encourages good practices.
3. The scenario without the GEF would not adequately address the conservation challenges in the *Cerrado* region and would likely not catalyze support from the private sector, as governments’ current approach is over-reliant on command and control policies that seek to curb illegal activities. In addition, according this business as usual scenario each state and the Federal Government would be working separately, in which case there would most likely be several spatially and conceptually uncoordinated efforts aimed at addressing the environmental problems in the *Cerrado*. This could represent significant global and regional costs in terms of biodiversity loss, land degradation and the complete disappearance of the *Cerrado* over the next 20 years.
4. The cost of the baseline Program is estimated at US\$ 29.69 million, mainly from Environmental Compensation Funds. The Federal Environmental Compensation Fund (FCA) which will provide US\$ 9.3 million for MMA and ICMBio projects does not earmark funds to specific biomes. Thus, the baseline scenario would have been lower without the perspective of this GEF funded Program.

Global Environmental Benefits and Strategic Fit

5. The global benefits of the Sustainable *Cerrado* Initiative will be: (i) increased biodiversity conservation and sustainable use of globally relevant species and hotspots; (ii) protection of watersheds in areas of global importance; (iii) increased opportunities for generating income while at the same time reducing pressure on biological resources; (iv) transition to more long-term livelihoods by supporting the sustainable use of the productive landscape and involvement of the civil society; (v) contribution to the long-term reduction in deforestation and ecosystem destruction; and, (vi) contribution to the global 2010 CBD targets.

Incremental Cost Reasoning and GEF Role

6. The GEF Alternative will ensure greater protection of endangered biodiversity of global importance in the *Cerrado* biome. It will provide financing linked to investments in policy development and implementation, as well as protection of ecosystems, all of which will have

major impacts on land use. This will ensure that globally significant biodiversity is maintained through the promotion of direct protection and the sustainable use of *Cerrado* resources, thereby greatly contributing to reducing biodiversity loss while decreasing poverty and improving the quality of life of the population living in the *Cerrado* biome.

7. The incremental cost analysis was analyzed during each project's preparation and presented in each of the individual project documents (Annex 18: Goiás Project and Annex 19: ICMBio).

Result-based framework of the Sustainable *Cerrado* Initiative

Expected Outcomes	Cost Category	US\$ million	Domestic Benefit	Global Benefit
Biodiversity conserved in <i>Cerrado</i> biome protected areas system	Business as Usual	21.63	<ul style="list-style-type: none"> •Creation of PAs would not follow a biome and integrated planning and common goal for the entire biome. •National and state policies would not consider the particularities of the <i>Cerrado</i> biome. •Investment would focus on the limited number of existing PAs. 	<ul style="list-style-type: none"> •Protection of globally important biodiversity •Slower protection of important water reserves threatened by unsustainable use of <i>Cerrado</i>'s natural resources.
	With GEF Alternative	27.32	<ul style="list-style-type: none"> •More efficient and effective conservation of <i>Cerrado</i> biodiversity. •PA-related actions would ensure the ecological quality and connectivity of protected ecosystems. •Consider the needs of local populations and productive sectors. 	<ul style="list-style-type: none"> •Significant increase in the protection of ecosystem of global importance: <i>Cerrado</i>. •Protection of large water catchment areas of continental importance. •Protection of endangered or critical endangered species under protection as part o PA system.
	Incremental	5.70		
Sustainable use of biodiversity incorporate in the productive landscape	Business as Usual	2.25	<ul style="list-style-type: none"> •Biodiversity conservation in specific sites due to limited development of conservation. •Sustainable activities without an integrated strategy for conservation and sustainable use. 	<ul style="list-style-type: none"> •Limited global benefit and increase in biodiversity conservation due to positive impacts in specific isolated small spots.
	With GEF Alternative	4.61	<ul style="list-style-type: none"> •Commercialization of biodiversity-related products. •Decrease in the productive sector's pressure on the ecosystem. •Creation of biodiversity corridors due to capacity building. •Stimulation of adoption of sustainable use in the productive landscape, and restoration of native vegetation. •Dissemination of lessons learned throughout the country would. •Increase of biodiversity corridors due to sustained changes in the productive sector behavior and restoration of native vegetation. 	<ul style="list-style-type: none"> • Increase in biodiversity conservation, decrease in loss of globally significant biodiversity. •Increase in biodiversity-friendly economic processes. •Dissemination of lessons learned will increase productive sector. awareness and capacity for biodiversity conservation. •Prevention and control of invasive species.
	Incremental	2.36		
Strengthening	Business as	4.51	•Limited impact on increased	•Limited global benefit since

Expected Outcomes	Cost Category	US\$ million	Domestic Benefit	Global Benefit
the policy and regulatory framework for mainstreaming <i>Cerrado</i> biodiversity.	Usual		dialogue and exchange of information. •Limited and uncoordinated effort to assist biodiversity-related activities.	the program does not have an Action Plan or the political decision to be implemented.
	With GEF Alternative	8.36	•Coordinated biodiversity conservation activities, allowing other relevant policies and projects be developed and implemented according to the designed and coordinated program. •Generation of more policy-relevant biodiversity information improved national decision-making. •Increased dialogue among key stakeholders; long-term strategic planning. • Effective implementation of conservation activities. •Increased sustainable and systematically participatory process, due to the strengthening of key institutions.	•Raised awareness as to importance of environmental services among government institutions. •Better implementation of the global 2010 CBD targets, contributing to the long-term reductions to deforestation and destruction of ecosystems that provide critical global benefits. •Increased promotion and coordination of policies and practices that contribute to increased biodiversity conservation.
	Incremental	3.85		
Coordination	Business as Usual	1.30	•Initiative coordination activities would not happen.	
	With GEF Alternative	2.39	•Increased knowledge sharing, awareness of key stakeholders. •Better national decision-making and more effective monitoring. •Coordinated activities among key stakeholders.	•Coordinated approaches and increased dialogue between key stakeholders, •Dissemination of lessons learned will help encourage the use of similar approaches in other global-relevant hotspots.
	Incremental	1.09		
Total Business-as-usual Scenario: US\$ 29.69				
GEF Alternative Costs: US\$ 42.69 million of which US\$ 13.00 million is being requested from the GEF				

Role of Co-finance

8. The difference between the costs of the “business as usual” scenario (US\$ 29.69 million) and the GEF Alternative (US\$ 42.69 million) is estimated at US\$ 13 million. This represents the incremental cost for achieving global environmental benefits related to conservation and sustainable use of the *Cerrado*, and is the amount requested from the GEF.

Annex 16: STAP Roster Review
BRAZIL: Sustainable *Cerrado* Initiative

1. The project team is grateful to the STAP reviewer for comments to strengthen the contents and presentation of this proposal. A description of specific actions taken in response to the STAP comments is in *italic* following the original STAP comment.
2. STAP Reviewer: Mr. Thomas Lovejoy, Ph.D., President of the H. John Heinz III Center for Science, Economics and the Environment.

STAP Expert Review and Team Responses

3. The *Cerrado* is a huge biodiversity conservation priority globally, continentally and nationally. The document provides all the necessary information to support such a statement.
4. The general structure of the project is sound involving policy, protected areas and sustainable use outside of the protected areas. It will depend on the details of the projects and their implementation which means that the composition of the Sustainable *Cerrado* Initiative Committee will be critical. There are many possible experts who might be considered. I offer the following as examples: Maria Teresa Jorge Padua, Kleber Del Claro, Carlos Klink, Roberto Cavalcanti, Heraldo Vasconcelos, David Oren, and Angelo Machado.
5. My greatest concern is the rate of conversion of and tremendous pressure on the remaining *Cerrado*, and whether there are ways to implement policy immediately to slow or freeze conversion until the project can actually protect critical remaining elements. Riparian *Cerrado* should be protected under existing law and policy in any case, and restored wherever possible for protection of the freshwater elements of the *Cerrado* biome. The charcoal producers should be encouraged simultaneously to use silvicultural resources and the pig iron industry should be required to buy only from sustainable sources immediately.

Response by the project team: *The project currently under preparation with MMA will focus on developing a “Cerrado Conservation Bill” as well as launching the “National Sustainable Cerrado Program”. The issue of protecting existing riparian forest and the promotion of alternative charcoal production are now included in this revised project document.*

6. The project document mentions the *Cerrado* elements to be found in other biomes and states. This needs to paid attention to immediately at the policy level. *Cerrado* elements in the midst of the forest in southern Amazonas are being identified from satellite images by agricultural interests, and roads cut through forest so the isolated *Cerrados* can be converted to soybeans (unprotected by the forest code). It is virtually certain that these isolated *Cerrados* have endemic species which will be systematically eliminated unless this practice is immediately put on hold. *Cerrado* in Amapá and Roraima occupies substantial area and the discussions should be initiated with those governments right away (there is an old and I believe quasi-moribund project to protect Amapá *Cerrado* involving Champion --now International Paper).

Response by the project team: *Cerrado elements in other biomes are indeed important. However, considering the size of the core Cerrado region (2 million km²), the lack of other major investments in the region and the transaction costs of allowing more projects, the project team and the Government of Brazil decided to focus this Sustainable Cerrado Initiative in priority*

regions with the Core Cerrado, with the government intending to seek other mechanism to protect those Cerrado elements found in other biomes.

7. The PROBIO analysis of priorities is the proper basis for building a process for identifying conservation priorities, but it should be augmented with subsequent new information, and with inventory. All of this should be built into a permanent *Cerrado* GIS system accessible to all interested parties via the internet. Plant biodiversity (recognizing the endemics species, genera and families) should get a high priority inventory work. This should also include freshwater biodiversity. Clearly there will be serious water quality problems with biodiversity impacts from agricultural runoff.

Response by the project team: *These recommendations are now addressed in component 4 of this revised project document.*

8. The emphasis on the larger remaining elements of *Cerrado* is correct. It would not be surprising if a 1000 ha fragment would protect a lot of the characteristic elements of a *Cerrado* ecosystem, but it certainly will not protect larger elements such as the maned wolf. Accordingly the emphasis on mosaics tying *Cerrado* elements together with restored corridors is very important.

Response by the project team: *The Sustainable Cerrado Initiative includes a component aimed at protecting endangered species which are not fully addressed by the network of protected areas. The protection of riparian forest is now explicitly part of component 2 of this project.*

9. One element not mentioned explicitly is fire. These are fire adapted ecosystems and will require fire for their proper management. This becomes increasingly difficult to do the more fragmented the landscape and small fragments become more vulnerable to fire when re-colonization probabilities are reduced. The mosaic approach can help but fire needs to be considered explicitly.

Response by the project team: *Fire management is an important issue which is now explicitly addressed under component 2. Training on this issue should be provided under component 3.*

10. The project needs to include climate change in its planning and ongoing considerations. Current models show modest reduction in precipitation and therefore groundwater for the *Cerrado* biome, so it may not be as big a problem as it is for some other ecosystems, but it would be a mistake to treat climate change as a negligible factor.

Response by the project team: *This can be such an huge issue that The Bank and the Government of Brazil will be seeking other types of cooperation to study the adaptation of the Cerrado to Climate change*

11. This is an enormously important project. The sooner it starts the better.

Annex 17: Projects' Selection Process and Results

BRAZIL: Sustainable *Cerrado* Initiative

1. The Sustainable *Cerrado* Initiative (US\$ 13 million) will support four projects (each with a total match of, at least, 1:2), each with separate grant agreements, for state and federal agencies selected according to pre-established criteria defined by the Program.
2. The MMA *Cerrado* Policy and Biome Monitoring project and the Goiás Sustainable *Cerrado* project were pre-selected to integrate the Sustainable *Cerrado* Initiative. These projects fully meet the "Project Qualification and Preferential Criteria" (see Table 1 below), the operational procedures of the Sustainable *Cerrado* Initiative and went through the final review by the Committee. The other two projects were selected according to process described below.

Project Selection, Preparation, and Appraisal Process

3. The selection, preparation, and appraisal of projects within this Program were processed in two main stages:
 - Presentation of a Letter of Intent by a candidate Executing Agency defining key strategic project proposal issues, which was submitted for endorsement by the Sustainable *Cerrado* Initiative Committee based on the criteria presented below (Table 1).
 - Preparation of a Full project⁵², containing targets and strategic and operational details of the proposal, which underwent typical Bank preparation process, and the GEF's CEO endorsement.
 - Detailed templates and guidelines for the preparation of both of these documents were included in the Operational Manual. The process aimed at guaranteeing that the selected projects represent the best possible combination of efforts to achieve the Sustainable *Cerrado* Initiative's goals efficiently. A description of the composition and roles of the Sustainable *Cerrado* Initiative Committee, Executing Agency and DCBio can be found in Annex 6 of this Project Document.
4. The following categories of institutions were eligible to submit project proposals: (i) Federal or State Government agencies active within the core area of the *Cerrado* biome, and (ii) Formal civil society organizations working in the *Cerrado* biome.
5. The Sustainable *Cerrado* Initiative Coordination Unit published a call for proposals on April 20, 2007, and received 20 concept notes for evaluation. Of these, seven were rejected owing to non-compliance with the rules set forth in the call for proposals. The SBF coordinated technical analyses of the 13 valid proposals. The proposals were ranked according to individual technical merit and the list was presented to the Sustainable *Cerrado* Initiative Committee with comments and recommendations.
6. The Sustainable *Cerrado* Initiative Committee, taking these comments and recommendations into consideration, evaluated the proposals according to the criteria established by the Sustainable *Cerrado* Initiative (see Table 1), and strategic considerations, to assure that the final set of projects would feasibly achieve the Sustainable *Cerrado* Initiative objectives.

⁵² The sub-project proposal follows a simplified form of the WB's PAD.

Table 1: Project Selection Criteria.

Qualifying Criteria ⁵³	Additional Preferential Criteria
Consistency with Policies	
<ul style="list-style-type: none"> Consistency with priorities defined by the Convention on Biological Diversity (CBD) agreed upon at the 1992 UN Rio Summit. Consistency with the GEF's Eligibility Criteria — essential for providing global benefits and incrementality. Consistency with the objectives, implementation strategy and operational directives of the Federal Government's National Sustainable <i>Cerrado</i> Program. Direct contribution to the objectives, components and results defined for this Program. 	<ul style="list-style-type: none"> (Not applicable).
Integration with Other Institutions	
<ul style="list-style-type: none"> For civil society proposals, clear integration with some specific public policy at the federal, state or municipal level. For state or national-level proposals, full integration with other same-level government agencies, policies, programs and projects. Avoid duplication with other initiatives in the <i>Cerrado</i> biome. 	<ul style="list-style-type: none"> With a comprehensive integration between federal, state and municipal agencies, policies, programs and projects. With intense articulation and participation of the State Environmental Councils (or equivalent institution) in activity planning, and with monitoring and evaluation of the results/impacts. Complements other related initiatives in the biome. Takes into consideration lessons from other initiatives in the biome.
Legal Competencies	
<ul style="list-style-type: none"> Strictly under the attribution, jurisdiction and legal competence of the proponent. 	<ul style="list-style-type: none"> (Not applicable).
Scope of Geographic Area	
<ul style="list-style-type: none"> The core area of the <i>Cerrado</i> biome, as defined by the Brazilian Biomes Map (IBGE⁵⁴, 2004). Internationally recognized environmentally important areas, whether public or private. 	<ul style="list-style-type: none"> Priority areas for the conservation, sustainable use and equitable sharing of benefits arising from Brazilian biodiversity, as defined by Presidential Decree N° 5.092, dated 21 May 2004, MMA Decree N° 126, dated 27 May 2004, and MMA Administrative Ruling N° 9, dated 23 January 2007.⁵⁵ Areas with proven social or economic potential for the sustainable use of the <i>Cerrado</i>'s natural resources. Areas with strategic value for the conservation of the natural resource's integrity — especially of water, such as springs, marshes/fenlands, river margins and other Permanent Preservation Areas (APPs)⁵⁶, underground water recharging points, etc. Areas recognized as Biosphere Reserve or World Heritage Site. Areas under intense pressure from agriculture, ranching or agro-silviculture, especially in frontier expansion regions or those with problems due to environmental malpractices. Presence of "traditional" community areas, including surrounding or neighboring areas.

⁵³ That is, "*sine qua non*" — outside these criterion, the sub-project will not be considered.

⁵⁴ Brazilian Federal Institute for Geography and Statistics, linked to the Ministry of Planning

⁵⁵ These areas were selected by the GEF-supported PROBIO Project, based on the following criteria: species richness, endemism, species rarity, degree of threat. The updated (2007) map of Priority Areas is available at www.mma.gov.br/port/bio.

⁵⁶ See 2nd Article 2 of the Federal Law N°. 4.771, dated 15 September 1965, which institutes the National Forestry Code.

Participation in the Proposal Preparation Process	
▪ Proposal prepared in consultation with civil society.	▪ Provision for stakeholder participation in project implementation and M&E.
GEF Grant Amount	
▪ Minimum grant of US\$ 3 million per proposal. ▪ Will be applied in activities that would not otherwise be performed if the donation resources were not made available (incrementality) ⁵⁷ .	Not applicable.
Relationship between GEF and Counterpart Funds⁵⁸	
▪ Minimum of 1 GEF per 2 counterparts, i.e. 1:2.	▪ above 1:2.
Implementation Period	
▪ Maximum of 4 years	▪ Between 2 and 3 years.
Preliminary Feasibility Analysis	
▪ Basic budget compatible with proposed activities and availability of counterpart funds.	▪ Not applicable.
Monitoring and Evaluation of Results/Impacts	
▪ Contemplates systematic monitoring with specific responsible person, annual evaluation and following the Sustainable <i>Cerrado</i> Initiative's standards.	▪ Participatory monitoring and evaluation with beneficiaries.

7. The Bank received the selection documentation and the list of project proposals that were approved and ranked by the Sustainable *Cerrado* Initiative Committee. The process for project selection was considered satisfactory by the Bank and the selected proposals were analyzed according to their economic and political viability, cost, implementation capacity of the proponent, consistency with the selection criteria, and, contribution to the overall Program objectives. The analysis also evaluated risk of failure for political/administrative reasons or insufficient assurance of counterpart funds. The Bank's selection of the best combination of financially viable projects delivering satisfactory results to achieve the overall Program goals. The total cost for this set of projects is US\$ 42.69 million (US\$ 13.0 million from the GEF).

Results of the Selection Process

Table 2: Projects selected by the Sustainable *Cerrado* Initiative Committee and included in the Program.

Proponent	Project title and total cost (US\$)	Amount requested from GEF (US\$)	Committed counterpart funds
1. Chico Mendes Institute for Biodiversity Conservation	<i>Cerrado</i> Biodiversity: protection at the ecosystem and species levels, fostering sustainable use by local communities. Total Cost: US\$ 9,690,000	3,000,000	6, 690,000
2. Tocantins State Secretariat of Water Resources and Environment	Sustainable <i>Cerrado</i> in Tocantins Total Cost: US\$ 9,000,000	3,000,000	6,000,000
TOTAL		6,000,000	12,690,000

Table 3: Additional proposals for projects approved but not included in Phase 1 of the GEF Sustainable *Cerrado* Initiative due to budget constraints.

⁵⁷ Note: GEF funds may not be applied in activities that are constitutional state obligations.

⁵⁸ The Executing Agency would propose its matching funds to the sub-projects based on new expenditures that contribute directly to the Sustainable *Cerrado* Initiative's outcomes, and these would have to be approved by the World Bank.

Proponent	Project title and total cost (US\$)	Amount requested from GEF (US\$)	Committed counterpart funds
Family Producers Compound Cooperative	The <i>Cerrado</i> does not exist by itself: strengthening a network process for the sustainable use of the <i>Cerrado</i> . Total cost: US\$ 5,917,801	1,972,600	3,945,201
EMBRAPA Cerrados – Brazilian Agricultural Research Company	Implementation of actions for the sustainable use of the <i>Cerrado</i> Biome biodiversity. Total cost: US\$ 8,157,142	2,719,047	5,438,095
Total additional demand for GEF resources (Phase I):		4,691,647.00	9,383,296.00

Table 4: Proposals presented but not approved by the reviewers and the Sustainable *Cerrado* Initiative Committee.

Proponent	Project title and total cost (US\$)	Amount requested from GEF (US\$)	Committed counterpart funds
ISPN	Sustainable use of the <i>Cerrado</i> biodiversity. Total cost: US\$ 8,720,572	2,857,143	5,863,429
Brasília Environmental Institute	<i>Cerrado</i> Biosphere Reserve – Brasília's heritage. Total cost: US\$ 6,909,812	2,334,950	4,574,862
FINATEC (UnB)	Biodiversity conservation in private lands: adding environmental sustainability to rural properties in the Brazilian <i>Cerrado</i> . Total cost: US\$ 6,996,000	2,332,000	4,664,000
IBAMA-GO	Conservation and production: biodiversity allies. Total cost: US\$ 8,914,286	2,971,429	5,942,857
SEMARH-BA	<i>Cerrado</i> conservation in Bahia. Total cost: US\$ 12,657,227	4,142,857	8,514,370
SEMA-MT	Conservation and sustainable use of the <i>Cerrado</i> in Mato Grosso. Total cost: US\$ 11,211,000	3,426,214	7,784,786
ECODATA	Management and conservation of natural resources in the Upper Tocantins Watershed. Total cost: US\$ 7,409,428	2,388,857	5,020,571
IEF-MG	Protection and sustainable use of the <i>Cerrado</i> natural resources in Minas Gerais. Total cost: US\$ 10,285,714	3,428,571	6,857,143
AMEDI	Forests of the Upper Parnaíba River Total cost: US\$ 6,785,709	2,261,903	4,523,806
Total cost	US\$ 79,889,749	26,143,924	53,745,824

Annex 18: Appraisal Document for GOIÁS Sustainable *Cerrado* Project – State of Goiás

Date: April 05 , 2010 Country Director: Makhtar Diop Sector Manager: Karin Erika Kemper Project ID: P091827 Focal Area: Biodiversity Environmental Assessment: Partial Assessment Lending Instrument: Global Environmental Facility		Team Leader: Garo J. Batmanian Sectors: General agriculture, fishing and forestry sector (100%) Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)							
Project Financing Data									
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:									
For Loans/Credits/Others: Total Bank financing (US\$m.): 3.00 Proposed terms:									
Financing Plan (US\$m)									
Source	Local	Foreign	Total						
BORROWER/RECIPIENT	9.00	0.00	9.00						
GLOBAL ENVIRONMENT FACILITY	0.00	3.00	3.00						
Total:	9.00	3.00	12.00						
Recipient: State of Goiás									
Responsible Agency: Secretaria de Meio Ambiente e Recursos Hídricos do Estado de Goiás Goiânia, GO									
Estimated disbursements (Bank FY/US\$m)									
FY	2010	2011	2012	2013					
Annual	0.30	1.00	1.30	0.40					
Cumulative	0.30	1.30	2.60	3.00					
Project implementation period: Start: May 21, 2010. End: June 30, 2013. Expected effectiveness date: May 21, 2010. Expected closing date: June 30, 2013.									
Project development objective To enhance biodiversity conservation in, and to improve environmental and natural resource management of, the <i>Cerrado</i> in the territory of the State of Goiás through appropriate policies and practices.									
Global Environment objective The objectives of the proposed project are fully consistent with those under the mainstreaming of biodiversity management in productive landscapes – OP13 (Conservation and Sustainable Use of Biological Diversity Important to Agriculture), OP3 (Forest Ecosystems), Strategic Priority BD-1 (Catalyzing Sustainability of Protected Areas), and Strategic Priority BD-2 (Mainstreaming									

Biodiversity in Productive Landscapes and Sectors).

Project description

This Project is part of the Sustainable *Cerrado* Initiative that addresses global environmental biodiversity protection priorities, through decentralized actions together with an integrated, biome-wide, coordination.

Component 1: Biodiversity Protection by Creation, Expansion and Consolidation of Protected Areas within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*. The objectives of this component are: (a) the identification and creation of new environmental protection areas in areas of high biological importance in the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; and (b) the consolidation of existing protected areas within the *Paraná-Pirineus* Corridor and within selected areas in the State of Goiás' territory identified as highly important for biodiversity conservation.

Component 2: Sustainable Use of the Production Landscape within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*. Enhance: (a) connectivity among *Cerrado* Biome fragments through the implementation of land easement mechanisms complementary to the National Forest Code, the promotion of the agglomeration of off-site legal reserves in distinct landholdings as well as the connectivity of the legal reserves with the areas of permanent preservations, particularly in riparian forests; and (b) active participation by private sector and civil society, including local communities, in environmental management and sustainable use of the *Cerrado* natural resources, including the definition of legal mechanisms and policies for the implementation of a trading system for legal reserves among landowners with, *inter alia*, the inclusion of a multi-tool strategy to incorporate smart subsidies, geographic information monitoring system, cost-benefit analysis, continued education and awareness to encourage the participation of private landowners in said trading system.

Component 3: Institutional Strengthening and Policy Development. Strengthen: (a) the State of Goiás' environmental institutions in order to enhance their technical and analytical capacity for joint adaptive management of the *Cerrado* Biome within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; (b) civil society organizations in order to enhance their technical and analytical capacity for participatory and active management of the *Cerrado* Biome within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; and (c) policy development and definition of complementary legal instruments necessary for the implementation of an operational trading system for legal reserves in the State of Goiás' territory.

Component 4: Environmental Monitoring of Rural Properties in the *Cerrado* Biome in Goiás. Support the development of an environmental monitoring system capable of providing accurate and timely information to decision makers in the State of Goiás' environmental institutions for environmental management and to the general public through the establishment of an environmental information system updated periodically, monitored and freely available to the public.

Component 5: Project Coordination, Monitoring and Evaluation. Ensure adequate coordination and management of the Project, through appropriate financial management, procurement and audit activities as well as training, planning, monitoring, evaluation and communication of results to be carried out by the Project Coordination Unit within SEMARH.

Which safeguard policies are triggered, if any?

This project is classified as Environmental Category B.

The safeguards triggered for this project are: Environmental Assessment (OP/BP 4.01); Natural

Habitats (OP/BP 4.04); Involuntary Resettlement (OP/BP 4.12); Physical Cultural Resources (OP/BP 4.11); Indigenous Peoples (OP/BP 4.10); and, Forests (OP/BP 4.36).

Significant, non-standard conditions, if any, for:

Board presentation: None.

Proposed grant conditions for effectiveness: (i) the execution and delivery of this Agreement on behalf of the State of Goiás have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Operational Manual has been adopted by the State of Goiás; and (iii) the Project Coordination Unit has been duly created by the State of Goiás in form and substance satisfactory to the World Bank.

Covenants applicable to project implementation: (i) the State of Goiás shall ensure, until the completion of the execution of the Project that the Project Coordination Unit in charge of the daily implementation, coordination, monitoring and evaluation of the Project is maintained within SEMARH, and has competent staff in adequate numbers, under terms of reference and with qualifications and experience satisfactory to the World Bank, hired, when applicable, including the following key staff: a coordinator, a deputy coordinator, a financial management specialist, a procurement specialist and five technical and administrative staff; (ii) the State of Goiás, through SEMARH, shall carry out the Project in accordance with the Operational Manual, including the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Resettlement Framework for the Highway Program, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval; (iii) the State of Goiás, through the Project Coordination Unit, shall prepare and furnish to the World Bank on or about each November 30, commencing on any such date after the Effective Date, or such other date as the World Bank shall agree upon, an annual operational plan for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; and, (iv) on or about January 31, 2012, or such other date as the World Bank shall agree upon, the State of Goiás shall, through the Project Coordination Unit: (a) carry out jointly with the World Bank a mid-term review of the implementation of operations under the Project (Midterm Review), covering the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

Other Undertakings: The State of Goiás, through the Project Coordination Unit, shall no later than six months after the Effective Date, hire the independent auditors required for the audits, under terms of reference and with qualifications and experience satisfactory to the World Bank.

I. INTRODUCTION

1. Goiás State, with 34.1 million ha and a population of 5.2 million inhabitants, is entirely within the *Cerrado* Biome. The state has a growing, modern and diversified economy. The state's gross domestic product amounts to US\$ 13.1 billion (the tenth largest state product in Brazil⁵⁹). Notwithstanding its complexity, Goiás' economy is still highly dependent on natural resources. Agricultural activity accounts for 23% of the GDP and for approximately 24% of employment. Goiás has the fourth largest cattle herd in Brazil and is the third largest soybean producer in the country, thus contributing significantly to Brazilian exports and to the country's trade surplus.

2. In Goiás habitat destruction and habitat fragmentation are the main threats to sustaining genetically viable populations of native species. Goiás currently has 5.77% of its territory within protected areas. The areas composing the State Protected Areas System (SEAP) correspond to 3.58% of the territory (12.17 million ha), of which 1.1 million ha are sustainable use protected areas and 113,300 ha are full protection areas. The federal protected areas correspond to 2.19% (744,400 ha) of the State's territory, of which 364,400 ha are full protection PAs and 378,000 ha are sustainable use PAs.

3. The state of Goiás has concluded identification of priority areas for biodiversity conservation. The state adopted the *systematic conservation planning*⁶⁰ approach to indicate priority areas for biodiversity conservation. The results of this activity are guiding the development of a plan for the expansion and consolidation of the state's protected areas system. The plan will seek, *inter alia*, to define a strategy to cope with the backlog presented by land tenure regularization, infrastructure and staffing, to optimize the allocation of scarce human and financial resources.

4. This project will provide financing linked to investments in rural development or infrastructure, which would have major impacts on land use, to ensure that the globally significant biodiversity is maintained in the landscape and in protected areas. This will be achieved without negatively impacting traditional communities, through the establishment of biological corridors and promoting the sustainable use of *Cerrado* resources and sustainable agricultural practices, thereby reducing the loss of biodiversity and contributing to poverty reduction, improving quality of life for the population living in the biome.

II. RESULTS FRAMEWORK AND MONITORING

Overall Project Objective	Project Outcome Indicator	Use of project Outcome Information
To enhance biodiversity conservation in, and improve environmental and natural resource management of, the <i>Cerrado</i> in the territory of the State of Goiás, through appropriate policies and practices.	<ul style="list-style-type: none">• At least one policy for <i>Cerrado</i> conservation in Goiás state adopted and contributing to biodiversity conservation.• Biodiversity conservation and/or sustainable use mechanisms adopted in one priority production landscape of the <i>Cerrado</i> biome in the State of Goiás.	YR1-YR2 will determine if implementation strategy needs adjustment. YR3 feed into Program evaluation.

⁵⁹ Brazil has 26 states and a Federal District.

⁶⁰ Cf. Margulis and Pressey, Systematic Conservation Planning. *Nature*, vol. 405, 11 May 2000.

Intermediate Project Results	Results Indicators	Use of Results Monitoring
Component 1 Increased protection of the <i>Cerrado</i> Biome in the State of Goiás.	1.1 At least an additional 80,000 hectares of the <i>Cerrado</i> biome protected through the creation of full protection protected areas. 1.2 At least 50% of the basic protection measures in place ⁶¹ in state full protection protected areas within the <i>Paraná-Pireneus</i> Corridor, covering about 1.0 million ha.	YR1-YR2 may flag implementation opposition and the need to evaluate project implementation strategy. YR 3 for evaluation.
Component 2 Sustainable use of the <i>Cerrado</i> 's natural resources expanded within the production landscape.	2.1 Over 10% of rural properties in the project target area (at least 200,000 ha) applying biodiversity protection and/or sustainable management through implementation of the Legal Reserve (RL) market, to ensure maintenance of RL and Permanent Preservation Areas for the creation of biodiversity corridors.	YR1-YR2 may flag implementation opposition, flaws in problem analyses and analytical premises or difficulties.
Component 3 Government institutions responsible for the conservation and sustainable use of the <i>Cerrado</i> 's natural resources and members of the organized civil society, strengthened and participating in the joint adaptive management of the biome.	3.1 Three selected institutions (State Environmental Council, SEMARH and FEMA) strengthened through training in specific environmental management processes and associated tools. 3.2 Two civil society networks (protected area participatory management councils) strengthened through the establishment of formal rules and procedures and training to represent civil society's opinions. 3.3 New public policies (complementary legal instruments necessary for the implementation of the Legal Reserve market) developed and operating in Goiás.	YR 1-YR2 may reveal obstacles to broader participation. YR 1-YR2 may flag bottlenecks on the supply side of FEMA and demand side for resources from FEMA. YR 3 for designing strategy at State level. YR1-YR2 will determine if implementation strategy needs adjustment.
Component 4 Rural properties in the <i>Cerrado</i> biome in Goiás state systematically monitored.	4.1 State Environmental Information monitored, periodically updated and made freely available to the public.	YR1-YR2 should reveal key biome data required by decision makers. YR1-YR2 should reveal level of participation triggered by availability of information.
Component 5 Project technical aspects coordinated, monitored and periodically evaluated with its results amply publicized.	5.1 Technical coordination unit team completed to carry out coordination, monitoring, reporting, and evaluation activities.	YR1-YR2 should flag project deficiencies in time to be corrected.

Arrangements for Results Monitoring

5. M&E will be carried out by the project's Technical Coordination team based at SEMARH, in accordance to the outcome and results indicators expressed by the above results framework. Financial operations and reporting will be carried out by the State Environment and Water Resources Secretariat (SEMARH). The project's Technical Coordinator, together with the Program Coordinator, will regularly assess project implementation based on physical, financial and technical reports, convening co-executing agencies and partners as needed.

⁶¹ New and existing PAs will be considered to have their "basic protection measures in place" once they have met the following benchmarks: (i) PA's physical limits defined, demarcated and amply divulged; (ii) Basic infra-structure (guard houses, etc.) implemented; (iii) Basic equipment (administrative, communications, patrolling, fire-fighting, etc.) installed; (iv) At least, three full-time PA employees assigned; (v) Awareness campaign targeting the population affected by the PA implemented; (vi) Process to create the PA's Management Council initiated, and (vii) Management plan for the PA and its buffer-zones under preparation.

6. A progress report will be prepared prior to supervision missions (at least every six months) for submission to the Bank and to DCBio in order to monitor the contribution and adherence of the project to the Sustainable *Cerrado* Initiative overall goals and guidelines. These reports shall contain, at least, the project's monitored performance, according to specific results framework, and its financial inputs (expenditure) per results. Additionally, an "Annual Project M&E Report" will also be submitted to the DCBio and the Bank. This Report will demonstrate the monitored performance in two parallel formats: (i) project's monitored performance, according to specific results framework; and (ii) project's expected contributions to the "Sustainable *Cerrado* Initiative". In addition, the Report will contain at least: (i) project's financial inputs, per result, and (ii) activities to be added, modified or eliminated, so as to meet the project's objectives and the Initiative's overall objectives.

Arrangements for Results Monitoring

Project Outcome Indicators	Baseline	Cumulative Target Value			Data Collection and Reporting		
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
At least one policy for <i>Cerrado</i> conservation in Goiás state adopted and contributing to biodiversity conservation.	Macro state policies in place (Forest Code, State System of Protected Areas, but not effective.	Policy development.	Legal instrument effective.	Policy adopted and contributing to biodiversity conservation.	Biannual project report.	Joint Supervision Missions ⁶² based on documental evidence, reports from MIS and through field visits.	SEMARH, Bank.
Biodiversity conservation and/or sustainable use mechanisms adopted in one priority production landscape of the <i>Cerrado</i> biome in the State of Goiás.	No unified Environment. Info System. No RL market.	Unified Environmental Information System established in the state, and studies for creation of protected areas concluded.	RL Market established and process for legal creation of protected areas initiated.	RL Market implemented in the pilot area and protected areas created.	Biannual project report.	Joint Supervision Missions based on documental evidence, reports from MIS and corroborated through field visits.	SEMARH, Bank.
Results Indicators for Each Component							
Component 1							
1.1 At least an additional 80,000 ha of the <i>Cerrado</i> biome protected through the creation of full protection PAs.	0.0	Studies for creation of protected areas concluded.	Process for creation of protected areas initiated.	80,000 ha of full protection protected areas created.	Biannual project report.	Joint Supervision Missions based on documental evidence and reports from MIS.	SEMARH, Bank.
1.2 At least 50% of the basic protection measures in place ⁶³ in state full protection	Two State Parks with part of their basic protection	Needs assessment completed; implementation of	Implementation of recommendations partially concluded in one	Implementation of recommendations concluded in second State Park	Biannual project report.	Joint Supervision Missions based on documental evidence, reports from MIS and	SEMARH, Bank.

⁶² Joint Supervision Missions are to be carried out by the Bank, Executive Committee and DCBio/MMA.

⁶³ New and existing PAs will be considered to have their basic protection measures in place once they have met the following benchmarks: (i) PA's physical limits defined, demarcated and amply divulged; (ii) Basic infra-structure (guard houses, etc.) implemented; (iii) Basic equipment (administrative, communications, patrolling, fire-fighting, etc.) installed; (iv) At least, three full-time PA employees assigned; (v) Awareness campaign targeting the population affected by the PA implemented; (vi) Process to create the PA's Management Council initiated, and (vii) Management plan for the PA and its buffer-zones under preparation.

Project Outcome Indicators	Baseline	Cumulative Target Value			Data Collection and Reporting		
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
protected areas within the <i>Paraná-Pireneus</i> Corridor, covering about 1.0 million ha.	measures in place.	recommendations initiated (15%).	State Park (30%).	(50%).		corroborated through field visits.	
Component 2							
2.1 Over 10% of rural properties in the project target area (at least 200,000 hectares) applying biodiversity protection and/or sustainable management through implementation of the RL market, to ensure maintenance of RLs and APP for the creation of corridors.	None.	Study for selecting pilot areas completed; land census and mapping of RLs initiated.	Land census and mapping completed; RL Market negotiations initiated to benefit at least 100,000 ha.	200,000 ha benefited by operation of the RL Market.	Biannual project report.	Joint Supervision Missions based on documental evidence, data from SIAD, reports from MIS and corroborated through field visits.	SEMARH, Bank.
Component 3							
3.1 Three selected institutions (CEMAM, SEMARH and FEMA) strengthened through training in specific environmental management processes and associated tools.	Environmental Council established and operational. None. (Technical experts with no specific training).	Establishment of rules and procedures, and capacity building initiated. 15% of the technical staff trained.	Establishment of rules and procedures, and capacity building completed. 30% of the technical staff trained.	50% of the technical staff trained.	Biannual project report	Joint Supervision Missions based on documental evidence, and reports from MIS.	SEMARH, Bank.
3.2 Two civil society networks (protected area participatory management councils) strengthened through the establishment of formal rules and	None.	Identification of leading CSOs, capacity building initiated.	One protected area management council operational.	Second protected area management council operational.	Biannual project report	Joint Supervision Missions based on documental evidence and reports from MIS.	SEMARH, Bank.

Project Outcome Indicators	Baseline	Cumulative Target Value			Data Collection and Reporting		
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
procedures and training to represent civil society's opinions.							
3.3 New public policies (complementary legal instruments necessary for the implementation of the Legal Reserve market) developed and operating in Goiás.	None.	Preparation of the model for the RL Market partially completed.	Model completed and RL Market established.	RL Market operational in the pilot area.		Joint Supervision Missions based on documental evidence, reports from MIS and corroborated through field visits.	
Component 4							
4.1 State Environmental Information monitored, periodically updated, and made freely available to the public.	None.	--	System operational with state general environmental data, and RL and APP data from the pilot area.	System operational and freely available to the public.	Biannual project report	Website access statistics; user satisfaction statements, joint Supervision Missions based on documental evidence and reports from MIS.	SEMARH, Bank.
Component 5							
5.1 Technical Coordination Unit team completed to carry out coordination, monitoring, reporting, and evaluation activities.	Structure and staff from SEMARH will be partially structured for project coordination.	Technical Coordination Unit completed, with representatives from SEMARH.	Technical Coordination Unit completed, with representatives from SEMARH.	Technical Coordination Unit completed, with representatives from SEMARH.	Biannual project report	Joint Supervision Missions based on documental evidence and reports from MIS.	SEMARH, Bank.

III. DETAILED PROJECT DESCRIPTION

7. This Project is part of the Sustainable *Cerrado* Initiative that addresses global environmental biodiversity protection priorities, through a framework for the planning, financing, implementation and evaluation of four decentralized projects, together with an integrated, biome-wide, coordination. Each project contributes to: (i) conservation of the *Cerrado* biodiversity, (ii) sustainable use of the *Cerrado*'s natural resources, (iii) institutional strengthening and formulation of public policies related to the conservation and sustainable use of the *Cerrado*'s natural resources, and, (iv) coordination and monitoring.

8. **The project development objective is to enhance biodiversity conservation in, and improve environmental and natural resource management of, the *Cerrado* in the territory of the State of Goiás, through appropriate policies and practices.** The project will focus on the *Paraná-Pirineus* Corridor area and APA do *João Leite*, through the strengthening of the protected areas system (SEAP) and through the introduction of market based environmental policy instruments for mainstreaming biodiversity conservation in production landscapes.

9. The proposed project will be implemented over a three-year period and has four components.

10. **Component 1: Biodiversity Protection by the creation, expansion and consolidation of Protected Areas within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*** (Cost: US\$ 6.64 million, of which US\$ 1.40 million from GEF). This component aims at (a) the identification and creation of new environmental protection areas in areas of high biological importance in the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; and (b) the consolidation of existing protected areas within the *Paraná-Pirineus* Corridor and within selected areas in the State of Goiás' territory identified as highly important for biodiversity conservation.

11. This component has the following results indicators: (1.1) at least an additional 80,000 hectares of the *Cerrado* biome protected through the creation of full protection protected areas; and, (1.2) at least 50% of the basic protection measures in place⁶⁴ in state full protection protected areas within the *Paraná-Pirineus* Corridor.

12. To consolidate existing PAs within the Corridor this component will support a detailed assessment of the current situation of existing PAs in the Corridor, including stakeholders' mapping (agro-industry; small producers, decision-makers etc.).

13. The typical assessments includes the following activities: (i) identification of public unclaimed lands; (ii) the combined analysis of priority conservation targets and of existing unclaimed public areas; (iii) legal support to land tenure regularization of public unclaimed lands⁶⁵; (iv) development of studies and procedures in order to deal with restriction of access in

⁶⁴ New and existing PAs will be considered to have their "basic protection measures in place" once they have met the following benchmarks: (i) PA's physical limits defined, demarcated and amply divulged; (ii) Basic infra-structure (guard houses, etc.) implemented; (iii) Basic equipment (administrative, communications, patrolling, fire-fighting, etc.) installed; (iv) At least, three full-time PA employees assigned; (v) Awareness campaign targeting the population affected by the PA implemented; (vi) Process to create the PA's Management Council initiated, and (vii) Management plan for the PA and its buffer-zones under preparation.

⁶⁵ No project funds will be used to purchase land

protected areas; and, (v) draft the decrees for creation of protected areas with the appropriate legal instruments.

14. This component will finance social and environmental studies, technical assistance, training, workshops, acquisition of processing equipment, and travel.

15. Component 2: Sustainable Use of the Production Landscape within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite* (Cost: US\$ 1.98 million, of which US\$ 0.90 million from GEF). This component aims at promoting (a) connectivity among *Cerrado* Biome fragments through the implementation of land easement mechanisms complementary to the National's Forest Code, the promotion of the agglomeration of off-site legal reserves in distinct landholdings as well as the connectivity of the legal reserves with the permanent preservation areas, particularly in riparian forests; and (b) active participation by private sector and civil society, including local communities, in environmental management and sustainable use of the *Cerrado* natural resources, including the definition of legal mechanisms and policies for the implementation of a trading system for legal reserves among landowners with, *inter alia*, the inclusion of a multi-tool strategy to incorporate smart subsidies, geographic information monitoring system, cost-benefit analysis, continued education and awareness to encourage the participation of private landowners in said trading system.

16. This component has the following results indicator: (2.1) over 10% of rural properties in the project target area (at least 200,000 ha) applying biodiversity protection and/or sustainable management through implementation of the RL Market, to ensure maintenance of RL and APP for the creation of biodiversity corridors.

17. This component will finance technical and legal studies meetings for mobilizing local communities, training, acquisition of equipments, and production of dissemination materials (guidelines, manuals).

18. Component 3: Institutional Strengthening and Policy Development (Cost US\$ 2.63 million, of which US\$ 0.20 million from GEF). This component aims at strengthening: (a) the State of Goiás' environmental institutions in order to enhance their technical and analytical capacity for joint adaptive management of the *Cerrado* Biome within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; (b) civil society organizations in order to enhance their technical and analytical capacity for participative and active management of the *Cerrado* Biome within the *Paraná-Pirineus* Corridor and the Environmental Protection Area of *João Leite*; and (c) policy development and definition of complementary legal instruments necessary for the implementation of an operational trading system for legal reserves in the State of Goiás' territory.

19. This component has the following results indicators: (3.1) three selected institutions (CEMAM, SEMARH and FEMA) strengthened through training in specific environmental management processes and associated tools; (3.2) two civil society networks (protected area participatory management councils) strengthened through the establishment of formal rules and procedures and training to represent civil society's opinions; and, (3.3) new public policies (complementary legal instruments necessary for the implementation of the Legal Reserve market) developed and operating in Goiás.

20. Capacity enhancement will be provided to FEMA and SEMARH staff and CEMAm for: (i) developing and operating the new land use monitoring system; (ii) designing and implementing biodiversity conservation strategies; (iii) dealing with involuntary resettlement issues; (iv) developing co-management systems with civil society organizations in at least two PAs within the Corridor; (v) training of the executing agencies on GEF tracking tools; and, (vi) managing the State Environmental Fund.

21. In 2003, Goiás legally established the off-site legal forest reserve (Portaria 01/2003, State Decree 5392/2001, and State Forests Law 2166/2001). Up to 2006, the creation of 34,000 ha of off-site RLs was approved in the State. This is the result of the 303 off-site RL creation processes involving local landowners through directly negotiations (among landowners).⁶⁶ The RL market intends to implement a trade system to optimize and scale up this approach.

22. This component will also support the development of an operational, legal and administrative model for the RL Market; and will elaborate, submit and approve the adequate legal instrument recommended by the model, to allow the implementation of this landscape management policy. To implement the RL Market, this component will also develop and implement a GIS-based Unified Environmental Information Monitoring System for the State. This System will be compatible and consistent with the *Cerrado* Biome Monitoring System to be developed by MMA, and will include specific data, at an adequate scale, to address state-level needs and priorities.

23. This component will finance social and environmental studies, training, workshops acquisition of equipment, and travel.

24. Component 4: Environmental monitoring of rural properties in the *Cerrado* Biome in Goiás (*Cost: US\$ 0.50 million, US\$ 0.40 million of which from GEF*). This component aims at supporting the development of an environmental monitoring system capable of providing accurate and timely information to decision makers in the State of Goiás' environmental institutions for environmental management and to the general public through the establishment of an environmental information system updated periodically, monitored and freely available to the public

25. This component has the following results indicator: (4.1) state environmental information monitored, periodically updated and made freely available to the public.

26. This component will finance studies, training, technical assistance and limited acquisition of software and computers.

27. Component 5. Project coordination, monitoring and evaluation (*Cost: US\$ 0.25 million, US\$ 0.10 million of which from GEF*). This component aims at ensuring adequate coordination and management of the Project, through appropriate financial management, procurement and audit activities as well as training, planning, monitoring, evaluation and communication of results to be carried out by the Project Coordination Unit within SEMARH.

28. This component has the following result indicator: (5.1) technical coordination unit team completed to carry out coordination, monitoring, reporting, and evaluation activities.

⁶⁶ FERREIRA, L.G; FERREIRA, N.C. AND IGLIORI, D. – Sistema de Reserva legal extra-propriedade em Goiás: análise de custos e benefícios econômicos e ambientais à escala da paisagem. Boletim Goiano de geografia. V.27;n.1;p.11-47.ed.especial.2007.

29. This component will finance travel, training, and limited acquisition of software and computers.

IV. PROJECT COSTS

Project Cost By Component and/or Activity	Local US\$ million	GEF US\$ million	Total US\$ million	%	Source of counterpart funds
Component 1. Biodiversity protection	5.24	1.40	6.64	55.3	GECA; GST
Component 2. Sustainable use	1.08	0.90	1.98	16.5	GECA; GST
Component 3. Strengthening capacity	2.43	0.20	2.63	21.9	GST
Component 4. Environmental monitoring	0.10	0.40	0.50	4.2	GECA; GST
Component 5. Project coordination	0.15	0.10	0.25	2.1	GST
Total Costs	9.00	3.00	12.00	100	

30. The project will cost US\$ 12 million: US\$ 3 million from the GEF grant and US\$ 9 million from counterpart funds. Counterpart funds will come from two sources: the Goiás State Treasury; and from Goiás Environmental Compensation Fund (GECA) from the business sector according to state law No. 14247.

Name of co-financier (source).	Classification	Type	US\$ (million)	%
Goiás State Treasury	Project Govt contribution	State Fiscal Resources	4.59	51
Goiás State Government: Environmental Compensation Fund ⁶⁷	Project Govt contribution	State Fiscal Resources	4.41	49
TOTAL:			9.00	100

V. IMPLEMENTATION ARRANGEMENTS

31. A grant agreement will be signed between the World Bank and the State of Goiás to carry out the implementation of the project under the Sustainable *Cerrado* Initiative.

32. The Project Coordination Unit within the State Environment and Water Resources Secretariat (NPE/SEMARH) will be responsible for: (i) supporting the executive coordination for planning, execution of activities under their institutional mission and for supervision of activities carried out by service providers; (ii) supporting the executive coordination on the preparation of Terms of Reference for purchasing necessary products and/or services; and, (iii) project implementation coordination amongst co-executing agencies and partners for ensuring the timely delivery of products and activities. The Project Coordination Unit would be

⁶⁷ By law, these resources must be applied in the consolidation of basic protection measures of full protection protected areas. For example, in the case of the agreement with FURNAS, the following distribution of resources was defined: Agreement 15370 (Consolidation of the Altamiro de Moura Pacheco State Park; US\$ 481,878.14); Agreement 15371 (Terra Ronca State Park; US\$ 2,110,452.62); and Agreement 15372 (Pirineus State Park; US\$ 702,262.31).

composed by the following staff: a coordinator, a deputy coordinator, a financial management specialist, a procurement specialist and five technical and administrative staff.

Partners and Responsibilities

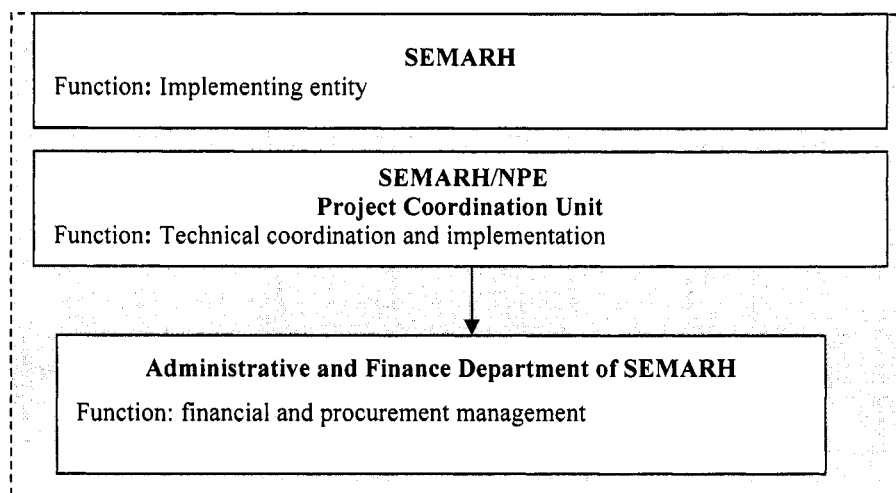
Executing agencies	Responsibilities
SEMARH	<p>Technical activities: Giving technical support to project implementation; Technically supervising the development of project activities, including effective coordination of research and development activities, at the project level, with other government; Coordinating the project's different actors; Reporting on tasks; Project monitoring and evaluation; Strengthening of protected areas under component 1; Implementation of all actions under component 2; Environmental and biodiversity monitoring actions; Civil society strengthening actions; and Establishment of the necessary legal instruments for the operation of the RL market.</p> <p>Financial and Administrative activities: Procurement operations and reporting; Financial management; Financial report; Annual Budget and Project Planning; Preparing terms of reference (ToRs), technical specifications for project activities; and Technical Reports to the World Bank and Initiative Committee.</p>

33. The SEMARH will carry out the financial and administrative coordination of the project. If needed, a permanent consultant may be hired by SEMARH to support the additional work required by this project. The consultant would assist the PR-GEUGP in coordinating the financial execution of the project and in preparing periodic progress reports and financial management reports, and to provide specific technical assistance to the departments to strengthen the planning, management and control systems, in accordance with agreed terms of reference.

34. The State Agriculture Secretariat (SEAGRO) and the State Attorney's Office will partner with SEMARH in support of project implementation. The SEAGRO will identify public lands for creation of Pas the responsibility for which falls under its legal mandate. The Land Tenure Department of the State Attorney's Office will be responsible for claiming these areas.

35. **GEF Implementing Agency.** The World Bank is the GEF Implementing Agency for the Sustainable *Cerrado* Initiative which includes this project.

36. A Bank representative will be responsible for coordinating the dialogue between the SEMARH and the World Bank regarding the Program and implementation of this project. Besides organizing and participating in meetings with relevant partners to discuss specific aspects of the project, the representative will also partake in the annual review process of the Initiative and project, and will provide guidance to the project coordinator as required, regarding inclusion of activities to support the achievement of agreed outcomes.



Grant Conditions of Effectiveness

37. The proposed project does not require any exceptions from Bank Policies and meets the following regional requirements of readiness for implementation: (i) fiduciary (financial management and procurement) arrangements in place; (ii) project staff mobilized; (iii) counterpart funds budgeted/released; (iv) procurement plan prepared; (v) disclosure requirements met; (vi) environmental and social assessment arrangements completed; and (vii) M&E capacity in place and indicators specified.

38. Proposed conditions for effectiveness: (i) the execution and delivery of this Agreement on behalf of the State of Goiás have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Operational Manual has been adopted by the State of Goiás in form and substance satisfactory to the World Bank; and (iii) the Project Coordination Unit has been duly created by the State of Goiás in form and substance satisfactory to the World Bank.

39. Covenants applicable to project implementation: (i) the State of Goiás shall ensure, until the completion of the execution of the Project that the Project Coordination Unit in charge of the daily implementation, coordination, monitoring and evaluation of the Project is maintained within SEMARH, and has competent staff in adequate numbers, under terms of reference and with qualifications and experience satisfactory to the World Bank, hired, when applicable, including the following key staff: a coordinator, a deputy coordinator, a financial management specialist, a procurement specialist and five technical and administrative staff; (ii) the State of Goiás, through SEMARH, shall carry out the Project in accordance with the Operational Manual, including the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Resettlement Framework for the Highway Program, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval; (iii) the State of Goiás, through the Project Coordination Unit, shall prepare and furnish to the World Bank on or about each November 30, commencing on any such date after the Effective Date, or such other date as the World Bank shall agree upon, an annual

operational plan for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; and, (iv) on or about January 31, 2012, or such other date as the World Bank shall agree upon, the State of Goiás shall, through the Project Coordination Unit: (a) carry out jointly with the World Bank a mid-term review of the implementation of operations under the Project (Midterm Review), covering the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

40. Other Undertakings: The State of Goiás, through the Project Coordination Unit, shall no later than six months after the Effective Date, hire the independent auditors required for the audits, under terms of reference and with qualifications and experience satisfactory to the World Bank.

VI. FINANCIAL MANAGEMENT

Summary of Financial Management Arrangements

41. The SEMARH will carry out project implementation. The State of Goiás and the Bank selected this entity because of its statutory attributions and previous experience in implementing Bank financed projects. According to the agreed implementation arrangements, the Project will be handled by the Project Coordination Unit, within the *Núcleo de Projetos Especiais* – NPE. This existing unit within SEMARH will be responsible for project implementation coordination, planning, monitoring, and evaluation of all project activities. The Administrative and Finance Department of SEMARH (*Superintendência de Administração e Finanças* –SAF) will handle the project financial management, including budgeting, disbursements, accounting, reporting, and procurement of goods and services.

42. The project financial management (FM) arrangements were designed according to the findings of the FM assessment carried out on January 19 - 20, 2010. The responsibilities between the different groups and the bank accounts and flow of funds are illustrated in the flow of funds chart below.

43. During project implementation, SEMARH will use the following disbursement methods: (i) reimbursement for retroactive financing; (ii) advances, and (iii) direct payments. For accounts rendering and documentation of expenses, the PCU will use Statements of Expenditures (SOEs), Records and Summary Sheets. It will use this account for payments, using the official State IT system, known as *Sistema Orçamentário e Financeiro* – SIOF.

44. According to the Risk Assessment Matrix (see below), the residual overall FM risk associated with the Project is rated as **moderate**. A FM action plan was agreed on with the Beneficiary to further strengthen the FM function and deal with the identified weaknesses related to planning, budgeting, IT systems, reporting, payments and PGE routines. These are weaknesses that could impact the project's implementation and achievement of its development objectives. The Bank FM team will accompany the project readiness and financial management efficiency during preparation, negotiations and implementation as described below.

Risk Assessment and Mitigation

45. Country Level. There were no country issues identified that could negatively impact on the project FM arrangements. Brazil's Federal Government system provides reliable information. Adequate systems exist to manage and track the receipt and use of funds and there is a high level of fiscal transparency, both of which will support any lending or grant program. At the Goiás State level, fiscal transparency, accounting, reporting, internal controls and external audit are generally satisfactory.

46. Project Level. The major risk identified is weak budget preparation and control at SEMARH. These will be mitigated by adequate corrective actions, presented in the table below. In order to further minimize associated risks, regular FM site supervision missions will take place to review the relevance of the FM arrangements and to ensure adherence to grant design and fiduciary compliance.

<i>Risk</i>	<i>Risk rating</i>	<i>Risk issues/measures</i>
Inherent Risk		
Country Level	L	Brazil's Federal Government system provides reliable information. Adequate systems exist to manage and track the receipt and use of funds and there is a high level of fiscal transparency, both of which will support any lending program. The risk to both Bank and country funds is low. The Government is committed to addressing its PFM weaknesses. Federal FM laws and regulations applicable to sub-nationals provide a strong PFM framework for sub-nationals.
Sub-national Level Goiás State)	M	Fiscal transparency, accounting, reporting, internal controls and external audit are generally satisfactory. Office of the State General Attorney (<i>Procuradoria Geral do Estado – PGE</i>) not engaged with the project. This will be handled by the Bank Procurement Team.
Entity Level (SEMARH)	M	Generally satisfactory financial management arrangements in place at SEMARH. In order to handle the additional GEF work load the NPE team should be increased, adding two specialists in financial management and procurement.
Project Level		Satisfactory FM capacity and coordination.
Control Risk		
Budget	M	Weak planning and budget preparation functions will be improved through improved coordination between the operational-procurement and FM teams, identifying the sources of funds and the project components and disbursement categories, using common chart of accounts, specific for the Project. The budget will be based on the Annual Operational Plan and procurement plan, showing the project estimated expenses on a quarterly basis.
Accounting	L	Good treasury management and accounting procedures using the state IT system SIOF. Payments are sometimes delayed by SEFAZ's delayed approvals.
Internal Controls	M	Satisfactory internal controls and ex and post reviews of expenses by State Internal Control, reporting directly to the State Supreme Audit Institution – TCE-GO.
Funds Flow	M	Satisfactory and simplified funds flow design.
Financial Reporting	M	SEMARH uses satisfactory IT systems: TOP System supplied by the SIOF. The NPE will evaluate the possibility to create a module for direct IFR and SOE, Records and Summary Sheet preparation using only the SIOF. Alternatively, a new module will be created at the SEMARH/FEMA TOP System.

Auditing	M	Acceptable but not timely audit reports for previous Bank loan to other state entity (BR P055954). The audit TORs will be prepared prior to grant signing and the audit firm will be hired within the first quarter after effectiveness.
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47. **Strengths & Weaknesses.** The identified significant strengths that provide a basis of reliance on the project financial management arrangements at SEMARH are the following: (i) more than four years experience with World Bank project implementation; (ii) able and experienced staff at the administration and finance departments; (iii) reliable IT systems; (iv) international accounting and reporting standards; (v) satisfactory ex-ante and ex-post internal controls by the State *Controle Interno* and external controls/audits by the TCE-GO.

48. According to the financial management assessment (FMA), the following FM weaknesses were identified: (i) operational experience, but lack of financial and administrative experience at SEMARH and NPE with Bank financed projects; (ii) relatively weak planning and budgeting functions; (iii) lack of and need to build a financial reporting module at the IT systems; (iv) occasional delays in payments' approvals by the Finance Secretariat (*Secretaria da Fazenda – SEFAZ*); and, (v) limited engagement with the project Office by the State General Attorney (*Procuradoria Geral do Estado – PGE*).

Pending issues (not considered conditions for effectiveness and or disbursements)

Action Plan	Responsible	Date
Project Chart of Accounts	PCU	By Grant signing
IT System Reporting Module	PCU	By Grant signing
FM Team Strengthening	PCU	By Grant signing

Financial Management (FM) Arrangements

49. Overall, SEMARH's FM arrangements are considered acceptable for the achievement of the project's developmental objectives. Its budgeting, accounting, internal controls, funds flow, financial reporting, and auditing arrangements are satisfactory. SEMARH will coordinate the: (i) recording of all transactions and balances relating to the project; (ii) preparation of regular, timely and reliable financial statements; (iii) safeguard the project's assets; and (iv) auditing arrangements acceptable to the Bank. The current SEMARH structures are well staffed with qualified professionals. However, some potential project FM risks were identified during the FMA and are presented in the Risk Assessment Matrix.

50. The FM arrangements for the project are set to support the State of Goiás (the Recipient), developmental objectives: to enhance biodiversity conservation in, and improve environmental and natural resource management of the *Cerrado* in the territory of the State of Goiás, through appropriate policies and practices.

51. The total project will be of US\$ 12 million, partially financed by a GEF grant of US\$ 3 million, over a three-year period. Project activities are structured around five components, as described in part III of the present Annex 18.

52. The Project will be implemented by the SEMARH. The Project Coordination Unit, hosted within SEMARH, will be responsible for project coordination, planning, monitoring, and evaluation of all project activities. The Administrative and Finance Department of SEMARH (*Superintendência de Administração e Finanças –SAF*) will be responsible for the project's financial management, including budgeting, disbursements, accounting, reporting, and procurement of goods and services.

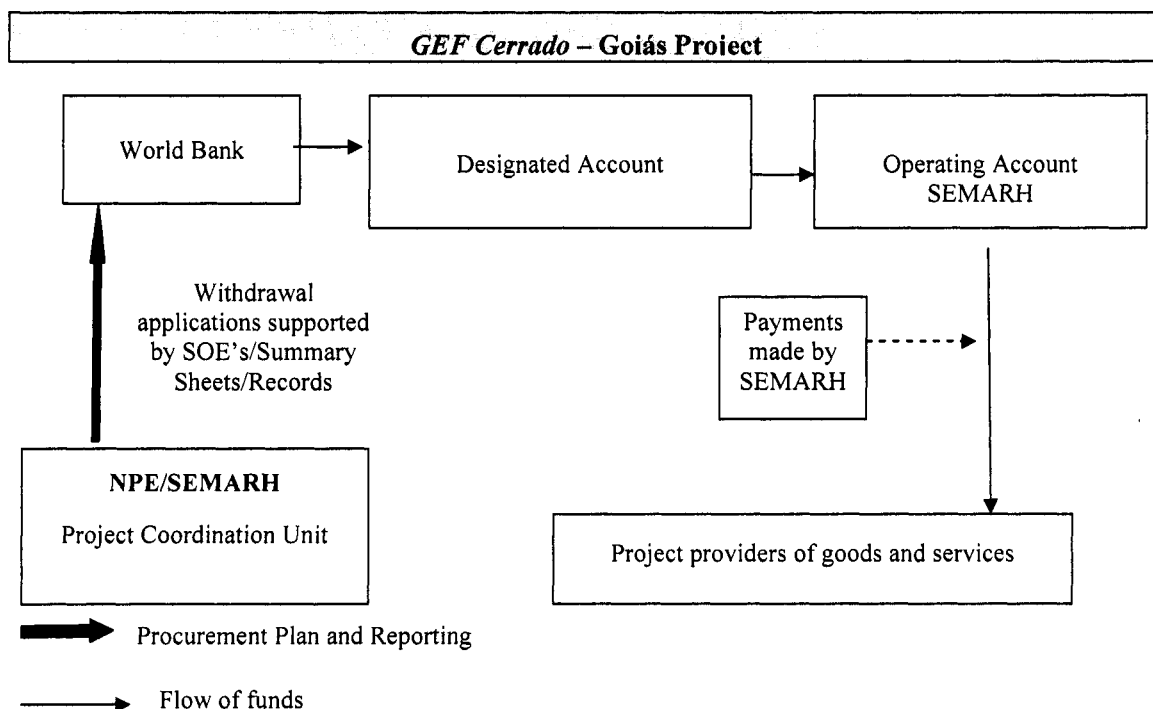
53. The Project Coordination Unit would be composed of the following staff: a coordinator, a deputy coordinator, a financial management specialist, a procurement specialist and five technical and administrative staff.

54. More specifically, the NPE and SEMARH will carry out the finance and administrative tasks of the project, using State of Goiás policies, practices and procedures. Commitment of expenditures (“*empenho*”), accounting and payments, will be registered in the State’s financial IT system (SIOF) by SAF that will also handle the disbursement and reporting functions. The funds flow and disbursement arrangements are presented below.

Funds Flow and Disbursement Arrangements

55. In accordance with normal Bank procedures, disbursements will be for eligible expenditures incurred or to be incurred under the Project and the percentage of expenditures to be financed for Eligible Expenditures in each Category, as stipulated in the grant agreement (Section IV. Withdrawal of Grant Proceeds). The grant funds will flow from the Grant Account to a Designated Account denominated in US\$ BRL, in New York, in the name of the SEMARH, identifying the project. The funds will then flow from the Designated Account to an operating denominated in BRL, in the name of the SEMARH, identifying the project.

56. There will be no need for Counterpart payments for the same expenses, since the Bank can finance 100% any given project activity. However, 75% of project’s activities will be paid with Counterpart funds that will be reported to the Bank through IFRs. In order to guarantee availability of the Counterpart funds another operating bank account will be opened in the name of the SEMARH, identifying the project. The SEMARH will make payments to providers of goods and services furnished to all project implementing entities using the State SIOF official system. In consultation with LOA, the funds will flow according to the following chart:



57. Disbursements Arrangements. During project implementation, the disbursement methods that would be used are the following: (i) advances; (ii) direct payments, and (iii) reimbursement (for retroactive financing), advances and direct payments. The documentation of the uses of Grant proceeds will be realized by SOE's, Records and Summary Sheets. The State of Goiás will withdraw the proceeds of the grant in accordance with Section IV of Schedule 2 to the Grant Agreement, while the supporting documentation will be detailed in the disbursements letter – DL to the Recipient

58. . The frequency of reporting eligible expenditures paid from the DA will be at least quarterly. The Ceiling of the DA will be fixed at US\$ 600,000. The Minimum Application Size for Reimbursements and Direct Payments will be US\$ 120,000 equivalent.

59. Supporting Documentation. The following supporting documentation is required for Reimbursements and to document expenditures paid from the DA: (i) Summary Sheet with Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for Goods, Works and Non Consulting Services costing US\$ 100,000 equivalent per contract or more; (ii) under contracts with Consulting Firms costing US\$ 100,000 equivalent per contract or more; (iii) under contracts with Individual Consultants costing US\$ 50,000 equivalent per contract or more; (iv) Statement of Expenditure for payments that do not exceed the thresholds established above; (v) Designated Account Bank Statement(s), applicable only to DA applications; and (vi) Designated Account Reconciliation Statement, applicable only to the DA applications. Direct Payment requests will be documented with records evidencing eligible expenditures, (e.g., copies of receipts, supplier invoices). Further details will be included in the Disbursements Letter (DL) that the Bank will send to the State of Goiás.

60. Financial Reporting. SEMARH's budgeting and accounting are part of the overall State FM system and therefore all transactions will run through the public State accounting systems, following accounting and reporting procedures stipulated in the prevailing Law *Lei n.º 4.320/64 e alterações, Plano Plurianual – PPA, Lei de Diretrizes Orçamentárias do Estado – 16.676/09, Lei do Orçamento Anual – 16.860/09 e Decreto – 7.046/10*, which follow international standard procedures. The SIOF will be used for accounting and budget execution, while the tailored parallel but satisfactory IT systems (SEMARH/FEMA TOP System) will be used for disbursements, monitoring and reporting (IFRs).

61. Quarterly IFRs (interim unaudited financial reports), for the Project will be prepared and furnished to the World Bank not later than forty five days after the end of each calendar quarter, covering the quarter. The ability to produce IFRs has been verified during the implementation of the Tocantins Sustainable Development project. The final format of the report was agreed during negotiations and annexed to the minutes of negotiations, and will be part of the Project Operational Manual-POM. The description of the IFRs is indicated below.

- *IFR 1.* Sources and Uses of Funds, by category; cumulative (project-to-date, year-to-date) and for the last calendar semester;
- *IFR 2.* Uses of Funds by project components, cumulative (project-to-date, year-to-date) and for the period, showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis, and

Counterpart Funds: the counterpart fund contribution for the GEF will be informed in the IFRs separately.

62. **Internal Controls.** The ex-ante and ex-post internal controls are satisfactory and overviewed *Controle Interno do Estado*.

63. **External Audits.** External audit will follow Bank's audit policy and guidelines issued by the FMSB on June 30, 2003 and in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). The audit report should be delivered to the Bank up to six months after the end of the previous calendar year, as stated in the Bank's Financial Management Audit Guidelines (June 2003).

64. The independent audit firm will be hired within three months after effectiveness with audit TORs finalized by grant signing, approved by the Bank, and annexed to the POM. The NPE will furnish the annual audit reports to the Bank not later than six months after the end of each fiscal year.

65. **Governance and Anti-Corruption.** In line with the Bank's GAC objective to help develop capable and accountable states and institutions that can devise and implement sound policies, provide public services, set the rules that govern markets, and control corruption, thereby helping to reduce poverty, during project preparation it was agreed (i) the full use of the Transparency Portal (*Portal de Transparencia*) of the *State Controle Interno* (irregularities will be communicated quarterly to the TCE-GO for further action) and (ii) the development of a specific page for the project in the Portal of SEMARH with the related the anti-corruption rules and denunciations procedures.

66. **Supervision Plan.** The financial management supervision missions should include FM annually missions and site visits, to review the performance and adequacy of FM arrangements at the decentralized level, strengthening monitoring of expenditure documentation procedures, IFR and external independent audit report reviews.

67. **Allocation of Grant Proceeds.** Expenditures for the following items and activities may be financed out of the proceeds of the Grant and shall be used exclusively for carrying out the Activities:

Allocation of Grant Funds (by Disbursement Category)

Expenditure Category	Amount of the Grant Allocated in US Dollars (US\$ million)	Percentage of expenditures to be financed inclusive of taxes %
(1) Goods, works, non-consultants' services, consultant Services, workshops and training	2.7	100
(2) Operational costs	0.30	100
Total Project Costs	3.00	100

68. For the purposes of this table:

- the term "Workshops and Training" means: (i) training materials and rental of training facilities; and (ii) reasonable fees, travel, accommodation and per diem of trainers, training institutions and trainees;
- the term "Operating Costs" means recurrent costs associated with the coordination and implementation of the Project by the Recipient, through the Project Coordination Unit, including: (i) operation and maintenance of vehicles, repairs, fuel and spare parts; (ii) equipment and computer maintenance; (iii) shipment costs (whenever these costs are

not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities; (vii) travel, accommodation and per diem costs for technical staff carrying out supervisory and quality control activities; (viii) communication costs including advertisement for procurement purposes; and (ix) all costs associated with audits; and

- the term “Non-consultants Services” means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of rental of software, data collection services and other services which are not rendered by consultants and which are not covered in the definitions of Workshops and Training and Operating Costs.

69. The retroactive financing is allowed for up to \$300,000 equivalent for payments made during the twelve months immediately before the date of the Grant Agreement for Eligible Expenditures under Categories 1 and 2 of the disbursement table.

VII. PROCUREMENT ARRANGEMENTS

70. Procurement for the proposed project would be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 revised October 2006; and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 revised October 2006, and the provisions stipulated in the Grant Agreement.

71. The Bank’s Standard Bidding Documents and Standard Request of Proposal would be used for the Bank-financed ICB goods and consultant services, respectively. For NCB procurement of goods and non-consulting services, the PCU would use bidding documents acceptable to the Bank and including, in respect of goods, “*Pregão Eletrônico*” set forth in the Guarantor’s Law No. 10520 of July 17, 2008. The local (Goiás) system for e-procurement needs a formal World Bank’s homologation.

72. The various items under different expenditure categories are described in general below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the Bank in the Procurement Plan.

73. The Procurement Plan agreed between the Recipient and the Bank include the contracts to be financed by the Grant during the first 18 months of project implementation. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

74. Procurement of Works: Small works procured under this project would include: construction of visitors centers, training centers, park offices or similar facilities.

75. Procurement of Goods: Goods procured under this project would include, among others: computers, software, IT and other equipment, and vehicles. The procurement will be done using the Bank’s SBD for all ICB and National SBD (prepared by SEAIN version 1999, revised in 2001 and 2002) agreed with or satisfactory to the Bank.

76. Procurement of goods may also be carried out in accordance with the method known as “*Pregão Eletrônico*”, as provided in the Brazil’s *Pregão* Law No. 10,520, of July 17, 2002, under an “e-procurement” system acceptable by the Bank, for contracts estimated to cost less

than US\$ 500,000. Scattered printing services, small technical services, computer equipment and peripherals, office equipment and furniture, sundry items, air tickets and logistics for training events and workshops have been identified to be procured under this method.

77. Procurement of non-consulting services: Non-consulting services procured under these projects would include logistics and transportation for seminars and workshops, printing services, training material, video production, communication campaigns, and telecommunication costs. The procurement would be done using (a) Bank's SBD for all ICB and (b) NCB with bidding documents acceptable to the Bank, including, having observed the thresholds, the "*Pregão Eletrônico*". For small value services, shopping procedures and/or "*Pregão Eletrônico*" may be used.

78. Selection of Consultants: Consulting services to be procured under this project would include, among others: studies for the establishment of protected areas, technical assistance, capacity building activities, and studies for the establishment of the Legal Reserve Market. In this project there may be need to hire universities, government owned research institutions or public training institutions according to the provision of paragraph 1.11 (c) of the Consultant Guidelines.

79. Others: The project will finance the participation of staff and representatives of the entities included under the project, in conferences and seminars, including participation fees, travel and accommodation as well as per diem.

80. The procurement guidelines and SBDs to be used for each procurement method, as well as model contracts for works and goods procured, must be included in the Operational Manual.

Assessment of the agency's capacity to implement procurement

81. All procurement activities for this project will be carried out by SEMARH's procurement department CPL (*Comissão Permanente de Licitação*). CPL possesses on a president and six other staff members. Most staff members have been with CPL for a long time and have a significant experience in dealing with procurement under national rules and procedures, especially in procuring goods and services. The team is not familiar with Bank procurement rules and procedures.

82. SEMARH applies the Federal Law 8666/93 and Federal Law 10.520/02. The procedures and methods related to the quality of internal procurement practices of the implementing agency and its conformity with the practices are acceptable by the Bank (the "*ComprasnetGO*" needs homologation). The proposed procurement arrangements would include the use of "*Pregão Eletrônico*" up to the NCB threshold. The law 10.520/02 allows the use of "*Pregão Eletrônico*" in all the Brazilian territory for qualifying purchases. The acceptance of *Pregão Eletrônico* by the Bank must be included in the grant agreement.

83. An assessment of SEMARH capacity to undertake procurement under the project was carried out on January 19-20, 2010. The assessment reviewed the organizational structure and the capacity of SEMARH to carry out the different phases of the procurement cycle in accordance with Bank procurement rules. It included an analysis of the procurement rules, procedures, systems and documents used by SEMARH for their normal operations. It also included a revision of the organization of CPL, the background of their procurement staff and their experience in carrying out procurement functions, and the record keeping, monitoring and archive systems.

84. Support and Control Systems. All procurement actions are subject to the review of the “*Tribunal de Contas do Estado de Goiás*” (TCE-GO), Internal Control and CENTRAC - “*Central de Aquisições e Contratações de Goiás*”. There are no problems or issues in TCE and Internal Control reports. This project will not require a complex support and control system, because of methods used (“*Pregão Eletrônico*” and Shoppings) have a satisfactory system of control but, the SEMARH should be asked to provide guarantees that the system will allow prompt monitoring of procurement and contracts.

85. Record-keeping. The files are organized following the requirements established by law. The physical space of the archives is adequate, but they have some lack of space and cabinets to orderly file procurement documentation. Nevertheless, filing and record keeping should be improved under the proposed project.

86. Staffing. The quality and quantity of the staff is essential to good procurement administration. Considering the actual capacity of procurement team, they should be trained in procurement guidelines of World Bank. It is recommended that more people be hired to monitor and help the team. The assessment determined that “SEMARH” must require one experienced professional (full time or ad hoc) with knowledge on Bank’s procurement that should be retained during the project implementation.

87. There are solid procurement practices in place, with national procurement rules and procedures well understood and correctly applied by CPL, but the team is not knowledgeable regarding the Bank’s Guidelines.

88. Based on the capacity assessment it was determined that the SEMARH has acceptable capacity in procurement but must improve its capacity to carry out other Bank procurement methods.

89. There is a need to improve procurement monitoring and progress reports, and to increase transparency by publishing procurement processes on the corporate website (www.comprasnet.go.gov.br). Greater efforts should also be put into procurement planning and SEMARH’s staff must be familiarized with the revised Bank procurement guidelines. Consequently the following action plan was agreed with SEMARH:

DESCRIPTION	OBJECTIVES	TIMEFRAME
Should provide space for the procurement function including locked cabinets for contracts under the Project	Improve efficiency on the procurement function	Within 3 month after effectiveness
Training all the procurement and technical staff on Bank-procurement policies	To increase the procurement processing capacity	Within 3 month after effectiveness
Hiring a procurement expert and sufficient support staff for the commission of bidding	To reinforce the procurement implementing capacity	Within 3 months after signed
Electronic system to control procurement procedures	Monitoring of program and management tool	Within the first 6 months of implementation
SEMARH publishes information on Bank procurement under the project on SEMARH website.	To ensure compliance with the agreed procedures	Within 1 month after Agreement signature

90. The overall risk is considered as **substantial**.

Procurement Plan

91. The State of Goiás has prepared a draft procurement plan for the project implementation. It was agreed that the final version of the Procurement Plan will be sent to Bank team by March 10, 2010. Approved, the procurement plan will be filed in the project files. The procurement plans consists of: (i) goods, small civil works and non-consulting services, including contract packaging, applicable procedures and process scheduling; and (ii) a consultant and training provider's selection process plan for the projects' training and consultant services, including contract packaging, applicable procedures, and selection criteria. The procurement and consultant selection process plans will be updated periodically, and shall be submitted to the Bank. Such updating shall include the (i) list of contracts completed, under execution, under procurement, to be procured in the upcoming calendar semester and, tentatively in the subsequent semester; (ii) costs of completed and under execution contracts, estimated costs for upcoming contracts; (iii) schedule of bidding; and (iv) particular methods of procurement of goods, small civil works and non-consulting services or selection of consultants in accordance with a format agreed with the Bank. The working instructions shall be detailed in the Operational Manual indicating the standard bidding documents and request for proposals to be used, the samples for reporting on procurement, forms of contract, timetables, model of TOR and any other relevant information related to procurement for each particular operation. The Procurement Plan will be updated annually in agreement with the Project Team or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement Methods

92. National Competitive Bidding (NCB). All non-consultant services and goods contracts estimated to cost US\$500,000 equivalent per contract or more will be procured under contracts awarded on the basis of ICB procedures. All ICB contracts shall be prior reviewed by the Bank.

93. Shopping. Goods and technical services estimated to cost less than US\$ 100,000 equivalent per contract, and works estimated to cost less than US\$ 200,000 equivalent per contract, may be procured on the basis of shopping procedures.

94. Quality and Cost-Based Selection (QCBS). These procedures will be used for consulting services, technical assistance and training contracts.

95. Selection based on Consultants' Qualifications (CQS). These procedures will be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified according to 3.7 of the Guidelines.

96. Least-Cost Selection (LCS). These procedures will be used for services of a standard or routine nature, as per paragraph 3.6 of the Guidelines.

97. Individual Consultants Based on Qualifications (IC). These procedures will be used for assignments, which meet the criteria specified in Section V of the Guidelines.

98. Single-Source Selection (SSS). These procedures will be used for assignments, which meet the criteria specified in Section III of the Guidelines.

Bank Reviews

99. The Bank review requirements are included in the procurement plan.

Frequency of Procurement Supervision

100. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the implementing agency has recommended one annual supervision mission to visit the field to carry out a post review of procurement actions.

Details of the Procurement Arrangements Involving International Competition

101. Goods, Works, and Non Consulting Services

(a) No ICBs are expected under this project.

(b) Goods and services contracts estimated to cost over US\$ 200,000 per contract and all direct contracting will be subject to prior review by the Bank. The Procurement Plan should indicate whether other contracts should be subject to prior review.

102. Consulting Services

(a) List of consulting assignments with short-list of international firms to be contracted within the first 18 months of project execution: none anticipated.

(b) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$ 500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Thresholds Summary

Expenditure category	Contract value threshold (US\$ thousands)	Procurement method	Contracts subject to prior review
Goods	>500	ICB	All processes
	$500 \geq < 200$	NCB or “ <i>Pregão Eletrônico</i> ”	First process in each year and all cases to cost over US\$ 200,000
	≤ 100	Shopping or “ <i>Pregão Eletrônico</i> ”	First two processes in each year
Non-consulting services (incl. training, communication)	>500	ICB	All processes
	$500 \geq < 100$	NCB or “ <i>Pregão Eletrônico</i> ”	First process in each year and all cases to cost over US\$ 250,000
	≤ 100	Shopping or “ <i>Pregão Eletrônico</i> ”	First two processes in each year
Consulting (firms)	>200	QCBS	First two processes in each year and all cases above US\$100,000
	≤ 100	QCBS/CQS/LCS	First process in each year and all cases above US\$100,000

Expenditure category	Contract value threshold (US\$ thousands)	Procurement method	Contracts subject to prior review
Consulting (individual)		Section V in the Guidelines	All cases above US\$ 25,000 and all single-source contracts
Direct contracting			All cases regardless of the amounts involved

VIII. ENVIRONMENTAL AND SOCIAL ASSESSMENT

103. For this project, the same safeguard framework as that for the Goiás Highway Program will be used, which was revised, updated and improved from the Program's first phase framework. The updated safeguard framework includes (i) an Environmental and Social Impact Assessment Report on the First Phase of the State of Goiás Highway Network Management Program; (ii) an Environmental Sectoral Report; (iii) an Involuntary Resettlement Policy; (iv) a process framework for mitigating restrictions on access to natural resources in the State of Goiás; (v) a policy for dealing with highway developments and conservation units in the vicinity of areas occupied by indigenous and traditional population groups in the State of Goiás; and (vi) a Public Consultation Manual. These documents were reviewed by the Bank and were found acceptable. They are included in the Highway Program's Operational Manual disclosed in Brazil on April 10, 2007 on the SEMARH website and will be included in the Operational Manual of this proposed project. A consultation process to present the safeguard documents to the stakeholders and to discuss them was carried out with key stakeholders on April 12, 2007.

104. All activities included in the Goiás Sustainable *Cerrado* Project present low environmental impact, and low impact on traditional communities of the *Cerrado* region. The safeguards triggered by the project will be: (i) Environmental Assessment; (ii) Natural Habitats; (iii) Physical Cultural Resources; (iv) Involuntary Resettlement; and (v) Indigenous Peoples. The project has been considered a category B project, where one or more safeguard policies are triggered, but the impact of the effects is limited and is technically and institutionally managed.

105. **Environmental Assessment.** Environmental impacts resulting from actions under the project are expected to be all positive, with increased biodiversity conservation. Any probability of negative impact should be identified and mitigated in accordance with the provisions of the framework designed during the preparation of the first loan. The Environmental Assessment was submitted to InfoShop on June 28, 2007 (Document N. E1680.v1).

106. **Natural Habitats.** It is not expected that the implementation of project activities will have any negative impact on natural habitats. Selection of habitat fragments to integrate the Legal Reserve Market will follow strategic planning based on priority state areas for biodiversity conservation and should result in greater habitat connectivity. No investment in the sustainable use of natural resources is planned under either project.

107. Physical Cultural Resources. This safeguard should not be triggered by the GEF project, but might be triggered by components other than the environmental component of the Highway Management Program. However, "chance findings" during paving works are possible, and to handle such findings, Brazil has a well-developed legislative and normative framework, which is under the oversight of the National Institute for Protection of Historical and Archeological Sites (IPHAN). Additionally, the State of Goiás has proven experience and appropriate procedures to recover "chance findings" in line with these procedures and rules. These procedures are described and highlighted in the updated Sectoral Environment Assessment. The procedures to handle with Physical Cultural Resources are described in the EA/EMP for the Sustainable *Cerrado* Initiative and it was submitted to InfoShop on 02/12/2008 (Document N. EA1810).

108. Indigenous People. No negative impacts are foreseen on indigenous people or other ethnic groups. As a precaution, in accordance with the Bank's OP 4.10, an Indigenous Peoples Framework (IPF) was prepared for the Sustainable *Cerrado* Initiative containing guidelines and procedures for the preparation and disclosure of an Indigenous Peoples Plan in the event that any activity affects indigenous communities. The Sustainable *Cerrado* Initiative IPF was submitted to the InfoShop on 04/29/2008 (Document N. IPP292).

109. Involuntary Resettlement. The creation of new protected areas under the project, in already selected priority areas for biodiversity conservation, should not result in any process of involuntary resettlement. Nevertheless, the involuntary resettlement framework was prepared for civil works during the preparation of the Highway Program – Phase I. The Highway Program – Phase I Involuntary Resettlement Framework was submitted to InfoShop on 06/28/2007 (Document N. RP668 v1). Additionally, the Sustainable *Cerrado* Initiative Resettlement Framework was submitted to InfoShop on 05/13/2008 (Document N. RP676). These frameworks will be used, if appropriate.

110. Although involuntary population displacement and/or impacts on livelihoods are not envisaged at present, when involuntary resettlement is unavoidable for the creation of protected areas, SEMARH will carry out a cadastre (socio-economic and technical) of affected populations when the environmental studies for said protected areas are being prepared. The cadastre will evaluate the livelihoods and standards of living of each affected family. Once the cadastre is defined, SEMARH will discuss it with the affected population, and finalize it on the basis of such discussions. SEMARH will then evaluate the technical assistance and financial needs to allow the affected population to restore their livelihoods and standards of living or improve them. A Resettlement Plan will then be prepared by SEMARH which will indicate an action plan for implementation. This Plan will be discussed and agreed with the affected population and, at least, the following options will be offered for urban families: (i) indemnity and (ii) resettlement; and for rural families (i) indemnity, (ii) resettlement or (iii) auto-resettlement. The Plan will have to be approved by the affected population and submitted to the Bank for approval before any procurement process for the creation of protected areas starts. The Plan will be published on SEMARH's website and made available to the affected populations before and during works execution. All steps will be carried out in close consultation with the affected population following the provisions of the Public Consultation Manual. The plan will be prepared taking into account the schedule proposed for the process of creating protected areas.

111. **Forests:** The proposed activities support mainly conservation and restoration activities, causing positive impacts on *Cerrado* forests – especially along water courses with the compliance of rural properties with permanent preservation areas, and in critical areas for habitat connectivity with compliance and restoration of legal reserves. The project will also support sustainable extractive activities involving non-timber products, such as fruit and grass, and ecotourism activities. In compliance with OP 4.36, all sustainable income-generating activity supported by the project will be planned and executed in such a way to minimize or prevent negative impacts on any type of *Cerrado* formation, including open forests and “*cerradão*”.

IX. INCREMENTAL COST ANALYSIS

“Business as usual” Scenario

112. Under a business as usual scenario each State and the Federal Government would be working separately and there would most likely be several spatially and conceptually un-coordinated efforts aimed at addressing the environmental problems in the *Cerrado*. Considering the scarcity of resources to cope with environmental problems and the urgency of protecting the *Cerrado*, this could represent significant global and regional costs in terms of biodiversity loss, land degradation, and the complete disappearance, within the next 20 years, of the *Cerrado* biome.

113. Perhaps the most convincing reasons to undertake this project under the Sustainable *Cerrado* Initiative, rather than submitting individual ad-hoc proposals to the GEF are the expected synergies, improved coordination and greater consistency across states and with the Federal Government on important land use policies. For example, the multi-stakeholder Initiative Committee created under the Initiative provides a forum for frequent and regular meetings among the State and Federal Governments, as well as civil society representatives to discuss the Program’s implementation policies and activity performance that affect the conservation of the *Cerrado*.

114. To increase biodiversity protection the State Government would invest treasury resources (US\$ 4.0 million) and funds from compensation fees from companies in the consolidation of existing full protection protected areas. Also the State would invest US\$ 1.5 million in the general institutional strengthening of SEMARH and FEMA.

115. In the production landscape, the State Government has invested US\$ 1.0 million in initial studies for structuring a Legal Reserves Market in the state. This innovative landscape management mechanism, if improved and tested, should foster greater compliance of rural land owners with the Forest Code (by maintaining or recovering their obligatory legal reserves), and allow an improved biodiversity management through the strategic planning of ecological corridors and the agglomeration of Legal Reserves, creating larger *Cerrado* fragments and promoting greater connectivity. Still under this business as usual scenario, the State Government would only carry out initial studies (US\$ 0.1) and would not be able to develop a state environmental monitoring system over the next few years, and would therefore not have this important tool for monitoring and planning, at a scale relevant for the state and its municipalities.

116. The business as usual scenario would mainly benefit the state level in the area of biodiversity information and would also most likely have local benefits in terms of limited

biodiversity conservation in small areas. It would entail some limited, uncoordinated efforts for assisting biodiversity-related activities and biodiversity conservation in the State's productive landscape.

Global Environmental Benefits and Strategic Fit

117. The GEF Alternative will facilitate the implementation of a consistent strategy geared towards sustainable development of the rural areas of Goiás reversing the current trend of biome biodiversity loss in the productive landscape. It will enable the preparation and development of an overall program to monitor land use and to establish incentive mechanisms to maintain the *Cerrado* areas in private properties. It will focus on two high conservation value areas, ensuring the conservation of biodiversity of global-importance.

118. National-level benefits generated from the comprehensive approach will include (i) increased coordinated conservation and sustainability activities; (ii) better state-level decision making; (iii) increased awareness of key stakeholders, especially in the productive sector, civil society; (iv) generation of more policy-relevant biodiversity information; (v) generation of quality-oriented policies that can be replicated to other states within the *Cerrado* Biome; and, (vi) more effective implementation of conservation activities.

119. Among the global benefits of the GEF Alternative will be: (i) increased biodiversity conservation and sustainable use of globally relevant species and hotspots; (ii) protection of watersheds in areas of global importance; (iii) increased opportunities for generating income while at the same time reducing pressure on biological resources; (iv) transition to more long-term livelihoods by supporting the sustainable use of the productive landscape and involvement of the civil society; (v) contribution to the long-term reduction in deforestation and ecosystem destruction; and, (vi) contribution to the global 2010 CBD targets. The knowledge-sharing will facilitate future conservation projects around the world, especially in critical biodiversity spots. Additionally, the dissemination of lessons learned from the Initiative's model implementation will help encourage the use of similar approaches in other globally relevant hotspots.

GEF Alternative

120. The GEF Alternative will ensure greater protection of endangered biodiversity of global importance in the *Cerrado* biome especially in the productive landscape. It will provide financing linked to investments in policy development and implementation, as well as protection of ecosystems, all of which will have major impacts on land use. This will ensure that globally significant biodiversity is maintained through the promotion of direct protection and the sustainable use of *Cerrado* resources, thereby greatly contributing to reducing biodiversity loss while decreasing poverty and improving the quality of life of the population living in the *Cerrado* biome. It will also generate policies and lessons learned that can be replicated to other states of the region through the coordination of the overall GEF Sustainable *Cerrado* Initiative under the responsibility of the MMA.

121. The GEF Alternative Scenario will support the creation of new full protection protected areas in areas of high biological importance, through claiming public lands in the *Paraná-Pirineus* Corridor and APA do *João Leite*, which would not happen without this project; and will consolidate protected areas within the Corridor and in selected areas of the State identified as highly important for biodiversity conservation.

122. The project will also promote connectivity among *Cerrado* fragments through the implementation of land easements mechanisms complementary to the Brazilian Forest Code. More specifically, the land easement mechanisms would seek to promote the agglomeration of Legal Reserves (RL) in distinct landholdings and the connectivity of the RLs with the permanent preservation areas (APPs), particularly with riparian forests. Incremental funds from GEF will allow final preparation and improvement of this mechanism, as well as its testing in a 200,000 hectare priority area.

123. The project will also strengthen environmental institutions, specifically the State Environment and Water Resources Secretariat (SEMARH) and its State Environmental Fund (FEMA), the State's Environmental Council (CEMam), as well as civil society organizations in order to enhance their capacity for joint adaptive management of the *Cerrado* Biome within the Paran -Pirineus Corridor and APA do *Jo o Leite*. Incremental funds from GEF will provide needed biodiversity conservation focus to institutional strengthening activities, especially regarding training in the use of GIS tools and the creation and functioning of participatory protected area councils, in addition to strengthening CEMam, an important stakeholder in protected area creation and maintenance. It will also allow the implementation and initial operation of the state GIS Unified Environmental Information Monitoring System and the completion of the legal steps necessary for the establishment of the Legal Reserves Market.

124. With GEF support, the project will also develop an environmental monitoring system capable of providing accurate and timely information for environmental management decision makers at SEMARH and to the general public.

Result-based framework

125. The following matrix summarizes the business as usual and incremental expenditures over the four year project implementation period.

Component	Cost Category	US\$ million	Domestic Benefit	Global Benefit
1. Expansion and consolidation of protected areas	Business as usual	5.24	Initial consolidation of four protected areas.	Assurance of the conservation of representative samples of <i>Cerrado</i> .
	With GEF Alternative	6.64	Advanced consolidation of four protected areas and creation of 80,000 ha of full protection protected areas.	Increase in the area under protection in the State, and greater assurance of the conservation of representative samples of the <i>Cerrado</i>
	Incremental	1.40		
2. Sustainable management of the productive landscape within the <i>Paran�-Pirineus</i> Corridor and APA do <i>Jo�o Leite</i>	Business as usual	1.08	Initial studies for the establishment of the RL Market.	None.
	With GEF Alternative	1.98	Conclusion of the studies for the establishment of the RL Market, establishment and testing of the RL Market in a pilot area.	Creation of an innovative and replicable mechanism for biodiversity conservation in the production landscape. Greater assurance of the conservation of representatives samples of <i>Cerrado</i> in private lands.
	Incremental	0.90		
3. Institutional strengthening and policy	Business as usual	2.43	Basic capacity-building of SEMARH, FEMA, CEMam, and CSOs in	Efficiency increase in environmental management of the <i>Cerrado</i> biome.

Component	Cost Category	US\$ million	Domestic Benefit	Global Benefit
development			aspects related to environmental management.	
	With GEF Alternative	2.63	Capacity-building of SEMARH, FEMA, CEMAm and CSOs in aspects related to environmental management, focusing on biodiversity conservation.	Increase of the efficiency of environmental conservation in the <i>Cerrado</i> biome.
	Incremental	0.20		
4. Environmental monitoring of rural properties in the <i>Cerrado</i> biome in Goiás	Baseline	0.10	Initial studies for the development of the monitoring system.	None.
	With GEF Alternative	0.50	Creation of an Environmental Information Management System, allowing the State to monitor vegetation cover in private lands.	Increased efficiency of deforestation control and establishment of biodiversity corridors in the <i>Cerrado</i> biome.
	Incremental	0.40		
5. Project coordination, monitoring and evaluation	Baseline	0.15	No baseline; without the GEF Alternative project coordination activities would not happen.	No baseline.
	With GEF Alternative	0.25	Improved capacity for project management at the State level; improved institutional capacity to develop and implement legal instruments for biodiversity conservation and landscape management.	Coordinated approaches and increased dialogue between key stakeholders, and dissemination of lessons learned will help encourage the use of similar approaches in other global-relevant hotspots.
	Incremental	0.10		
Total Business-as-usual Scenario: US\$9.00				
GEF Alternative Costs of US\$ 12.0 million which US\$ 3.0 million is being requested from the GEF				

Incremental Costs and Role of Co-finance

126. The difference between the costs of the Business as Usual Scenario (US\$ 9.0 million) and the GEF Alternative (US\$ 12.0 million) is an estimated US\$ 3.0 million. The GEF support accrues greater state and global level benefits, allowing coordination and synergies between the different activities and sectors, strengthening of specific institutions and policies, direct investment for the protection of globally important biodiversity, and establishment of systemic coordinated environmental monitoring information.

**Annex 19: Appraisal Document for ICMBio *Cerrado* Biodiversity Protection Project –
Instituto Chico Mendes de Conservação da Biodiversidade**

Date: April 05, 2010 Country Director: Makhtar Diop Sector Manager: Karin Erika Kemper Project ID: P091827 Focal Area: Biodiversity Environmental Assessment: Partial Assessment Lending Instrument: Global Environmental Facility	Team Leader: Garo J. Batmanian Sectors: General agriculture, fishing and forestry sector (100%) Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)							
Project Financing Data								
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other:								
For Loans/Credits/Others: Total Bank financing (US\$m.): 3.00 Proposed terms:								
Financing Plan (US\$m)								
Source	Local	Foreign	Total					
BORROWER/RECIPIENT	6.69	0.00	6.69					
GLOBAL ENVIRONMENT FACILITY	0.00	3.00	3.00					
Total:	6.69	3.00	9.69					
Recipient: Instituto Chico Mendes de Conservação da Biodiversidade Brazil								
Responsible Agency: Instituto Chico Mendes de Conservação da Biodiversidade Brazil								
Estimated disbursements (Bank FY/US\$m)								
FY	2010	2011	2012	2013				
Annual	0.00	1.20	1.20	0.60				
Cumulative	0.00	1.20	2.40	3.00				
Project implementation period: Start May 21, 2010. End: June 30, 2013. Expected effectiveness date: May 21, 2010. Expected closing date: June 30, 2013.								
Project development objective To enhance biodiversity conservation in, and improve the environmental and natural resource management of, the <i>Cerrado</i> by local communities in Brazil's territory.								
Global Environment objective The objectives of the proposed project are fully consistent with those under the mainstreaming of biodiversity management in productive landscapes - OP13 (Conservation and Sustainable Use of Biological Diversity Important to Agriculture), OP3 (Forest Ecosystems), Strategic Priority BD-1 (Catalyzing Sustainability of Protected Areas), and Strategic Priority BD-2 (Mainstreaming								

Biodiversity in Productive Landscapes and Sectors).
<p>Project description</p> <p>The proposed project has four major components that closely follow the key thematic and cross-cutting activities proposed under the Sustainable <i>Cerrado</i> Initiative.</p> <p>Component 1: Biodiversity Protection in the <i>Cerrado</i> Biome. This component aims at supporting biodiversity protection in the <i>Cerrado</i> Biome through: (i) the creation (including through the preparation of an appropriate legal framework) and expansion of full protection and sustainable use protected areas hence ensuring the protection of at least 730,000 hectares of ecologically valuable <i>Cerrado</i> Biome; and (ii) the strengthening of ecosystem protection by creating and/or strengthening protected areas management councils and adopting strategic protection measures.</p> <p>Component 2: Sustainable Economic Use of Biodiversity in Extractive Reserves and Ecological Connectivity in the Production Landscape. This component aims at promoting the sustainable use of the biodiversity in the <i>Cerrado</i> Biome by enhancing the environmental sustainability of biodiversity-based production processes, by disseminating successful experiences and emphasizing the improvement of local communities' quality of life through: (i) capacity building, including workshops, for communities with extractive-based economic activities to improve sustainable management and processing of <i>Cerrado</i> Biome products; (ii) training to address all basic steps of the production chain for each product including the preparation of a management plan for sustainable resource use; and, (iii) participatory identification and development of pilot production processes for two new products based on the <i>Cerrado</i> Biome biodiversity with strong potential for sustainable use and commercialization.</p> <p>Component 3: Institutional strengthening. This component aims at strengthening the ICMBio's capacity to manage protected areas and buffer zones and to carry out technical and financial management of the Project by establishing institutional rules and procedures and by training its technical staff in charge of protected areas in the <i>Cerrado</i>.</p> <p>Component 4: Project coordination, monitoring and evaluation, and information dissemination. This component aims at ensuring adequate and continuous coordination, management and monitoring of the Project, through: (i) technical coordination, monitoring, evaluation and reporting activities; (ii) adequate financial management, procurement, audit, reporting activities and Project financial closing activities; and, (iii) preparation and implementation of a Project information dissemination plan.</p>
<p>Which safeguard policies are triggered, if any?</p> <p>This project is classified as Environmental Category B.</p> <p>The list below indicates those safeguards triggered for this project: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); Physical Cultural Resources (OP/BP 4.11); Involuntary Resettlement (OP/BP 4.12); Indigenous Peoples (OP/BP 4.10); and Forests (OP/BP 4.36).</p>
<p>Significant, non-standard conditions, if any, for:</p> <p>Board presentation: None</p> <p>Proposed grant effectiveness conditions: (i) the execution and delivery of the Grant Agreement on behalf of the ICMBio have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Operational Manual has been adopted by the ICMBio in form and</p>

substance satisfactory to the World Bank, and (iii) the Project Implementation Unit has been created by the ICMBio in form and substance satisfactory to the World Bank.

Covenants applicable to project implementation: (i) the ICMBio shall establish and thereafter maintain until the completion of the execution of the Project, an implementation unit within the administrative structure of DIREP in charge of the daily financial management, procurement, technical coordination, monitoring and evaluation of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a coordinator, a financial management specialist, a procurement specialist, three environmental specialists, and a social specialist; (ii) the ICMBio, through the Project Implementation Unit shall carry out the Project in accordance with the Operational Manual, including the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval; (iii) the ICMBio, through the Project Implementation Unit, shall prepare and furnish to the World Bank on or about each November 30, commencing on any such date after the Effective Date, or such other date as the World Bank shall agree upon, an annual operational plan for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; and (iv) on or about January 31, 2012, or such other date as the World Bank shall agree upon, the ICMBio shall, through the Project Implementation Unit: (a) carry out jointly with the World Bank a mid-term review of the implementation of operations under the Project (Midterm Review), covering the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

Other Undertaking: The ICMBio, through the Project Implementation Unit, shall no later than six months after the Effective Date, hire the independent auditors required for the audits, under terms of reference and with qualifications and experience satisfactory to the World Bank and, as applicable.

I. INTRODUCTION

1. The Chico Mendes Institute for Biodiversity Conservation (ICMBio) was created in 2007 from the division of the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) and is the federal agency responsible for implementing the national policy for protected areas and the sustainable use of natural resources.
2. ICMBio is linked to the Ministry of Environment and also part of the National Environmental System (SISNAMA). Its main mission is to administer the institutional federal protected areas. Accordingly, the Institute implements the national policy of protected areas. Thus it may propose, implement, manage, protect, and monitor designated protected areas (PAs), including the right to enforce the environmental law in the PAs. In addition ICMBio is also responsible for promoting and implementing research, protection, preservation and conservation of biodiversity programs.
3. ICMBio prepared this project with the purpose of significantly contributing to the protection of the *Cerrado* biome, focusing on concrete measures for protecting priority areas identified by PROBIO for *Cerrado* conservation. Based on these priorities, this project defined priority area polygons for the creation of PAs totaling 730,000 hectares.
4. The leading strategies for biodiversity conservation related to this project, such as the UN Convention on Biological Diversity, the National Biodiversity Policy, the National Protected Areas Plan, and the National Sustainable *Cerrado* Program, recommend various methods for biodiversity conservation and sustainable use, both at the ecosystem and species levels. These strategies also underline the importance of social participation and control in the management of protected areas, as well as of the fair and equitable sharing of benefits resulting from the use of biodiversity.
5. Lessons learned from the creation and management of protected areas also stress the importance of community participation in all biodiversity protection actions, particularly in processes for the creation and management of protected areas. As an important element of the long term sustainability of biodiversity protection actions, community support for the creation of Protected Areas (PAs) is sought early in the process through consultations and public hearings required by law (SNUC). This project will further promote the participation of civil society through the creation and strengthening of PA management councils to improve management quality and ensure the integration of PAs with their buffer zone.
6. Civil society can contribute directly to conservation by adopting sustainable use practices, particularly in production processes that are biodiversity-based. This is particularly important within sustainable use protected areas, such as Extractive Reserves (RESEX) and Sustainable Development Reserves (RDS), which are PA categories that combine conservation and sustainable use objectives. This project will promote and refine sustainable practices of natural resource use within RESEX as a means to preserve the cultural diversity of traditional communities that inhabit and/or use these Reserves and generate alternatives to conventional agricultural and cattle-raising practices.

II. RESULTS FRAMEWORK AND MONITORING

Overall Project Objective	Project Outcome Indicators	Use of Outcome Information
To enhance biodiversity conservation in, and improve the environmental and natural resource management of, the <i>Cerrado</i> by local communities in the Brazil's territory.	<ul style="list-style-type: none"> • 3.3⁶⁸ million hectares of ecologically valuable <i>Cerrado</i> protected in federal full protection and sustainable use protected areas; and • Five sustainable natural resource management best practices disseminated in the <i>Cerrado</i> biome. 	YR1 will determine if implementation strategy needs adjustment.

Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
Component 1 Biodiversity protection through the creation/ expansion and strengthening of federal protected areas.	<p>1.1 Presidential decrees prepared and submitted to the Office of the President for approval for the creation/ expansion of additional 680,000 ha of full protection PAs and 50,000 ha of sustainable use PAs.</p> <p>1.2 Strategic set of protection measures implemented in 19 PAs, covering about 2.6 million ha.</p>	YR1- YR2: assess degree of implementation to provide feedback for next year activities.
Component 2 Sustainable economic use of biodiversity in Extractive Reserves and ecological connectivity in the production landscape.	<p>2.1 Five initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i>'s natural resources documented and disseminated, regarding the replication of these initiatives in buffer zones and sustainable management PA and 100 producers trained in the application of best practices.</p> <p>2.2 Five initiatives for adding value and for improving the commercialization of native products originating from rural, sustainably managed production developed, totalizing 49,000 ha covered by sustainable management practices in project target areas.</p>	YR1-YR2 may flag implementation opposition, design flaws, or insufficient funds.
Component 3 Strengthening the ICMBio's capacity.	<p>3.1 Formal ICMBio institutional rules and procedures established.</p> <p>3.2 50% of technical staff of <i>Cerrado</i> protected areas trained.</p>	YR1-YR2 should flag project deficiencies in time to be corrected.
Component 4 Project coordination, monitoring and evaluation and information dissemination.	<p>4.1 Technical coordination, monitoring and evaluation, and reporting and dissemination activities carried out adequately.</p> <p>4.2 Financial management, procurement and audit, reporting activities, and project financial closing activities carried out adequately.</p>	YR1-YR2 should flag project deficiencies in time to be corrected.

⁶⁸ The 3.3 million ha will be the combination of the 700,000 ha of PAs to be created and the 2.6 million ha in PAs to be strengthened.

Arrangements for results monitoring

7. A Project Implementation Unit (PIU) will be created which will be responsible for implementing the project's M&E activities in accordance with the Results Framework and Monitoring presented below in this section.

8. During the first semester of implementation, the PIU will ensure that the necessary M&E structure is fully operational, with trained staff and information-gathering and data-processing tools. ICMBio staff in charge of this project has previous experience with Bank M&E procedures from past Bank finance projects (GEF and PPG7) with IBAMA, which will be drawn on for this purpose. The PIU will prepare and submit a "Biannual Project M&E Report" to the DCBio/MMA (Initiative Coordinator) and to the World Bank, which will reflect the performance monitored with regard to: (i) the specific project results framework; and, (ii) the expected contributions of the project to the "Sustainable *Cerrado* Initiative" project. This report will also contain the project's financial inputs, and propose eventual adjustments for the activities based on the feedback from M&E results.

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Cumulative Target Values			Data Collection and Reporting		
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
3.7 ⁶⁹ million hectares of ecologically valuable <i>Cerrado</i> protected in federal full protection and sustainable use protected areas.	There are 3,036,147 ha of federal PN; ESEC, ARIE, RESEX, EE, RVS, and REBIO PAs.	Additional 220,000 ha of PA created. 0.6 million ha in existing PAs strengthened.	Additional 490,000 ha of PAs created. 2.4 million ha in existing PAs strengthened.	Additional 730,000 ha of PA created. 3.0 million ha in existing PAs strengthened.	Biannual project reports.	Draft PA creation Decrees.	ICMBio.
Five sustainable natural resource management best practices disseminated in the <i>Cerrado</i> biome.	None within federal RESEX of the <i>Cerrado</i> .	1	3	5	Biannual project reports.	Publications produced by the project (books, booklets, etc.).	ICMBio.
Intermediate Outcome Indicators							
Component 1							
1.1 Presidential decrees prepared and submitted to the Office of the President for approval for the creation/ expansion of additional 680,000 ha of full protection PAs and 50,000 ha of sustainable use PAs.	There are PN; ESEC, ARIEs, RVS, RESEX, EE, and REBIO PAs totaling 3,036,147 ha.	200,000 ha full PA. 20,000 ha Sustainable Use PA created.	450,000 ha full PA. 40,000 ha Sustainable Use PA created.	680,000 ha full PA. 50,000 ha Sustainable Use PA created.	Biannual project reports. Biannual Project reports.	Draft PA creation Decrees. Draft PA creation Decrees.	ICMBio. ICMBio.

⁶⁹ The 3.7 million ha will be the combination of the 730,000 ha of PAs to be created and the 3.0 million ha in existing PAs to be strengthened.

Project Outcome Indicators	Baseline	Cumulative Target Values			Data Collection and Reporting		
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
1.2 Strategic set of protection measures implemented in 19 PAs, covering about 2.6 million ha.	Of the existing full protection PAs, 11 already have management councils, of which 7 will receive training. Four other councils will be created and trained, resulting in 15 full protection PAs with operational management councils. Of the 22 existing sustainable use PAs, only 6 have management councils, all of which will receive training. Five additional councils will be created and trained, resulting in 11 sustainable use PAs with operational councils by the end of project implementation.	5 PAs with protection measures.	15 PAs with protection measures.	19 PAs.	Biannual project reports.	Administrative Rulings creating the management councils; Reports from training workshops; Meeting minutes from ordinary and extraordinary meetings of the management councils. Monitoring and evaluation reports from implementation of protection plans.	ICMBio.
Component 2							
2.1 Five initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources documented and disseminated, regarding the replication of these initiatives in buffer zones and sustainable management PA and 100 producers trained in the application of best practices.	None within federal RESEX of the <i>Cerrado</i> .	1	3	5	Biannual project reports.	Reports from capacity-building workshops, monitoring reports on the implementation of production processes.	ICMBio.

2.2 Five initiatives for adding value and for improving the commercialization of native products originating from rural, sustainably managed production developed, totaling 49,000 ha covered by sustainable management practices in project target areas.	None within federal RESEX of the <i>Cerrado</i> .	1	3	5	Biannual project reports.	Reports from capacity-building workshops, monitoring reports on the implementation of production processes.	ICMBio.
Component 3							
3.1 Formal ICMBio institutional rules and procedures established.	None.	30%	70%	100%	Biannual project reports.	Project reports.	ICMBio.
3.2 50% of technical staff of <i>Cerrado</i> protected areas trained.	None.	10%	30%	50%	Biannual project reports.	Project reports.	ICMBio.
Component 4							
4.1. Technical coordination, monitoring and evaluation, and reporting activities carried out adequately.	None.	33%	66%	100%	Biannual project reports.	Project reports.	ICMBio.
4.2. Financial management, procurement and audit, reporting activities, and project financial closing activities carried out adequately.	None.	33%	66%	100%	Biannual project reports.	Project reports.	ICMBio.

III. DETAILED PROJECT DESCRIPTION

9. This Project is part of the Sustainable *Cerrado* Initiative that addresses global environmental biodiversity protection priorities, through a framework for the planning, financing, implementation and evaluation of four decentralized projects, together with an integrated, biome-wide, coordination. Each project contributes to: (i) conservation of the *Cerrado* biodiversity, (ii) sustainable use of the *Cerrado*'s natural resources, (iii) institutional strengthening and formulation of public policies related to the conservation and sustainable use of the *Cerrado*'s natural resources, and, (iv) coordination and monitoring.

10. The project's development objective is to enhance biodiversity conservation in, and improve the environmental and natural resource management of, the *Cerrado* by local communities in Brazil's territory, through appropriate policies and practices. This will be achieved through the creation, implementation and strengthening of protected areas, enhancement of social participation in protected area management, and promotion of sustainable use practices.

11. The proposed project will be implemented over a three-year period and has four major components.

12. Component 1: Biodiversity Protection in the *Cerrado* Biome (*Cost: US\$ 9.08 million, US\$ 2.50 million of which will be from the GEF*). This component aims at supporting biodiversity protection in the *Cerrado* Biome through: (i) the creation (including through the preparation of appropriate legal framework) and expansion of full protection and sustainable use protected areas hence ensuring the protection of at least 730,000 hectares of ecologically valuable *Cerrado* Biome; and (ii) the strengthening of ecosystem protection by creating and/or strengthening protected areas management councils and adopting strategic protection measures.

13. This component has the following results indicators: (1.1) presidential decrees prepared and submitted to the Office of the President for approval for the creation/expansion covering 680,000 hectares of full protection protected areas⁷⁰ and 50,000 ha of sustainable use PAs, and (1.2) strategic set of protection measures implemented in 19 full protection PAs⁷¹, covering about 2.6 million ha.

14. Creation/Expansion of Protected Areas: Previous studies carried out by ICMBio and the revised analyses under PROBIO⁷² have selected and prioritized the ecologically valuable area polygons in which to create PAs. The process to revise and update these priority area polygons was conducted by MMA in partnership with IBAMA (now ICMBio) and involved regional workshops which included scientists, representatives of the various sectors (government, academia, civil society, traditional communities, and indigenous groups), adding legitimacy and technical quality to the resulting conservation and sustainable use recommendations. This process also revised and updated the importance of each priority area (extremely high, very high, high, high, insufficiently known), in addition to recommending priority actions for ensuring

⁷⁰ The average size of full protection PAs in the *Cerrado* is 170,000 hectares. Thus, this project expects to create four additional full protection PAs totaling 680,000 ha.

⁷¹ There are 21 full protection federal Protected Areas, and 18 sustainable use federal Protected Areas.

⁷² The National Biodiversity Conservation and Sustainable Use Project (PROBIO) was a GEF project implemented by the Bank. It was significant national-level, participatory process to identify all priority areas within the national territory for biodiversity conservation and sustainable use.

biodiversity conservation under a sustainable regional development scenario. Among the proposed actions, the creation of PAs was recommended for many priority area polygons. The borders of each PA and category of protection (full protection or sustainable use) would be determined during the participatory process of creating of PAs.

15. This project will be guided by the following principles:

- Selection of priority area polygons of high biological relevance identified by PROBIO requiring immediate conservation action, including the creation or expansion of PAs;
- Selection of areas identified through requests from traditional communities or socio-environmental organizations for the creation of sustainable use protected areas. These traditional communities have the local/traditional knowledge related to the management of natural resources and need to maintain their culture and territory; and,
- Exclusion of the areas occupied by traditional communities from the proposed borders of full protection PAs. Those areas would be considered for creation of sustainable use PAs.

16. As mandated by the SNUC law and successfully applied over the past 8 years, the processes to create protected areas, both under “full protection” and “sustainable use” categories, shall be participatory, including several steps at which local communities are consulted through broadly publicized meetings. These public consultations create increased awareness within communities on the relevance of the creation of protected areas, inform communities, and discuss the proposed borders and protection category for the specific protected area(s). These meetings also collect information and inputs for refining the specific PA creation proposals including the definition of the category of PA (full protection or sustainable use) and its actual borders. If during these meetings, new traditional communities are identified, the area occupied by them is recommended for a sustainable use PA preventing unnecessary resettlement and providing the community with the legal rights to continue to live in the area and improve their livelihood through the sustainable use of natural resources.

17. Following this PA creation process which has been successfully applied in other projects, the typical activities envisaged under this subcomponent are: (i) identification of public unclaimed lands; (ii) the combined analysis of priority conservation targets and of existing unclaimed public areas; (iii) data collection (physical environment, biology/biodiversity, conservation status, cartography, socio-economy) through published data, remote sensing, and field visits to characterize the region where the PA will be create; (iv) field validation and updating of collected information and characterization of the region; (v) preparation of the preliminary proposal for PA creation; (vi) proposal evaluation and submission to public consultation and to the National Indigenous Affairs Agency (FUNAI); (vii) adjustment of category and borders of proposed PA(s) and preparation of legal document (decree) for PA creation; (viii) development of studies and procedures in order to address any issues which might have triggered Bank safeguards; (ix) presidential decrees prepared and submitted to the Office of the President for approval for the creation and expansion full protection protected areas; and, (x) legal support to land regularization of public unclaimed lands. The creation of sustainable use PAs includes an additional social and environmental assessment, including characterization of the local/traditional communities and their natural resource management methods.

18. Strengthening Ecosystem Protection in Protected Areas: The implementation and/or consolidation of PAs will also involve an integrated, participatory management process through

the creation and functioning of PA Management Councils, which have an advisory role (for full protection PAs) or managerial role (sustainable use PAs) as defined by the SNUC. The creation and strengthening of the Management Councils aim at consolidating instruments for social control and participation in PA management, and empowering civil society sectors that are interested in or directly affected by PAs. These councils are composed of representatives from the government and civil society, with equal degree of influence. On average, such councils gather over ten institutions interested in contributing to the decision-making process and implementation of those actions necessary for the adequate management of the PAs and their buffer zones. These Councils play an important role in the design and implementation of PA management plans as defined by the SNUC.

19. Typical activities envisaged under this subcomponent are: (i) creation and/or strengthening of protected areas Management Councils (e.g., training, capacity building, studies, legal support); (ii) assessment of the current situation of the protection measures in the *Cerrado* national PAs, including characterization of the management structure for the PA, staff and infrastructure; (iii) information collection and systematization vis-à-vis the PA and its buffer zone and identification of threats to its conservation and sustainability; (iv) workshops to plan management and protection activities and identify relevant partners; (v) preparation of PA management plans; and, (vi) implementation of protection measures in selected PAs.

20. This component will finance social and environmental assessments, studies, training, workshops and meetings, acquisition of equipment (e.g., vehicles, GPS, computers), travel and, construction of new or upgrading existing visitors centers and other facilities inside the PAs.

21. Component 2: Sustainable Economic Use of Biodiversity in Extractive Reserves and Ecological Connectivity in the Production Landscape (*Cost: US\$ 0.17 million, US\$ 0.12 million of which will be from the GEF*). This component aims at promoting the sustainable use of the biodiversity in the *Cerrado* Biome by enhancing the environmental sustainability of biodiversity-based production processes, by disseminating successful experiences and emphasizing the improvement of local communities' quality of life through: (i) capacity building, workshops, for communities with extractive-based economic activities to improve sustainable management and processing of *Cerrado* Biome products; (ii) training to address all basic steps of the production chain for each product including the preparation of a management plan for sustainable resource use; and, (iii) participatory identification and development of pilot production processes for two new products based on the *Cerrado* Biome biodiversity with strong potential for sustainable use and commercialization.

22. This component has the following results indicators: (2.1) five initiatives of traditional know-how and current best practices for the sustainable management of the *Cerrado*'s natural resources documented and disseminated regarding the replication of these initiatives in buffer zones and sustainable management PA and 100 producers trained in the application of best practices, and (2.2) five initiatives for adding value and for improving the commercialization of native products originating from rural, sustainably managed production developed, totalizing 49,000 ha covered by sustainable management practices in project target areas. This component will support the systematization and dissemination of sustainable natural resources use experiences including the following activities: (i) the selection of five best practices related to production/ commercialization of *Cerrado* biodiversity-based products and, (ii) preparation and dissemination of booklets on the five selected experiences in a language and format directed at other traditional communities.

23. In addition, this component will primarily target the communities living inside the four selected RESEX and selected traditional communities living in the buffer zones to improve sustainability of their management practices. Typical activities envisaged are: (i) capacity building workshops for communities with extractive-based economic activities to improve sustainable management and processing of *Cerrado* products (e.g., the fruits from babassu, baru, and pequi); (ii) training to address all basic steps of the production chain for each product, including the preparation of a management plan for sustainable resource use; and, (iii) participatory identification and development of pilot production processes for two new products based on *Cerrado* biodiversity with strong potential for sustainable use and commercialization.

24. This component will finance social and environmental studies, training, workshops acquisition of processing equipment (e.g., dryers, pressers), construction or upgrade of small storage facilities and publications.

25. Component 3: Institutional Strengthening (*Cost: US\$ 0.36 million, of which US\$ 0.31 million from GEF*). This component aims at strengthening the ICMBio's capacity to manage protected areas and buffer zones and to carry out technical and financial management of the Project by establishing institutional rules and procedures and by training its technical staff in charge of protected areas in the *Cerrado*.

26. ICMBio was created in 2007, replacing the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) as manager of conservation areas and species across the country. It is mainly composed of staff that was previously working on protected areas and species conservation programs at IBAMA. With its much more focused mandate, ICMBio is well positioned to build on the good technical processes and experiences well tested at IBAMA, while seeking a more streamlined and agile operational structure. This subcomponent will contribute to the institutional strengthening of ICMBio to best carry out its mission instead of just focusing on institutional strengthening actions specific to the *Cerrado* region.

27. This component has the following results indicators: (3.1) formal ICMBio institutional rules and procedures established; and (3.2) 50% of technical staff of *Cerrado* protected areas trained.

28. Typical activities envisaged under this component are: (i) studies and analyses related to institutional structure and operations and administrative alternatives for ICMBio to carry out its mission; (ii) capacity building for ICMBio on financial management and procurement systems; (iii) short-term technical assistance; (iv) support for integrating monitoring systems with a biome-related focus, and project management systems; and, (v) capacity-building on PA creation and management for the additional staff to be hired through public selection.

29. This component will finance studies, training, technical assistance and limited acquisition of software and computers.

30. Component 4: Project Coordination, Monitoring and Evaluation, and Information Dissemination (*Cost: US\$ 0.08 million, US\$ 0.07 million of which will be from the GEF*). This component aims at ensuring adequate and continuous coordination, management and monitoring of the Project, through: (i) technical coordination, monitoring, evaluation and reporting activities; (ii) adequate financial management, procurement, audit, reporting activities and Project financial closing activities; and, (iii) preparation and implementation of a Project information dissemination plan.

31. This component has the following results indicators: (4.1) technical coordination, monitoring and evaluation, and reporting and dissemination activities carried out adequately;

and (4.2) financial management, procurement and audit, financial reporting activities, and project financial closing activities carried out adequately.

32. This component will finance travel, training, and limited acquisition of software and computers.

IV. PROJECT COSTS

Project Cost By Component and/or Activity	Local US\$ million	GEF US\$ million	Total US\$ million	%	Source of counterpart funds
Component 1. Biodiversity protection	6.58	2.50	9.08	93.7	FCA
Component 2. Sustainable use	0.05	0.12	0.17	1.8	FCA
Component 3. Institutional strengthening	0.05	0.31	0.36	3.7	FCA
Component 4. Project coordination	0.01	0.07	0.08	0.8	FCA
Total Costs	6.69	3.00	9.69	100	

* FCA = Federal Environmental Compensation Fund.

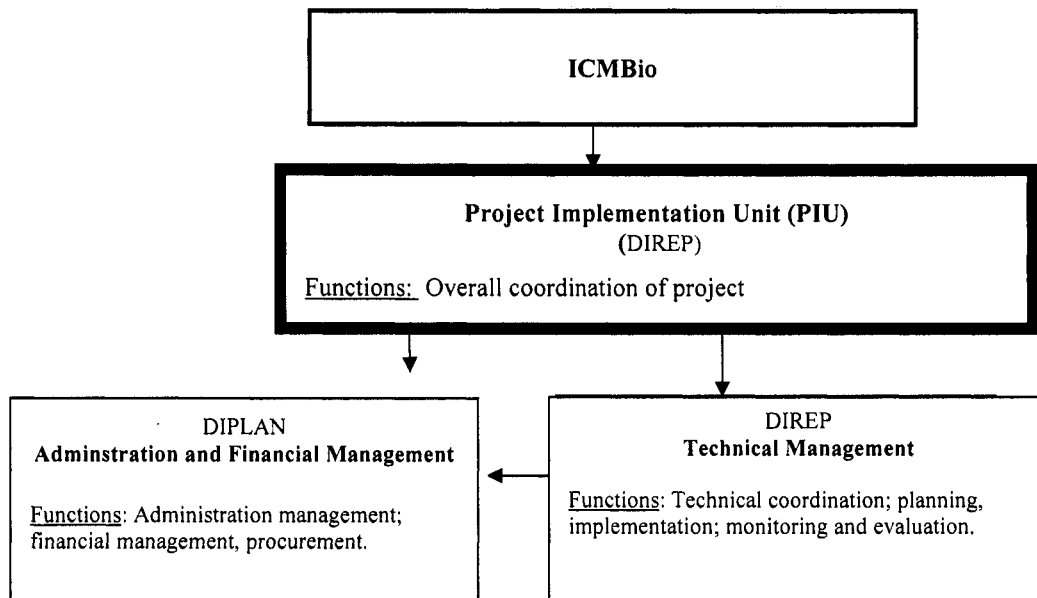
33. Local counterpart funds (US\$ 6.691) will be provided by the Federal Environmental Compensation Fund (FCA) budget.

Name of co-financier (source).	Classification	Type	US\$ (million)	%
Government: Environmental Compensation Fund FCA	Project Govt contribution	State Fiscal Resources	6.69	100

V. IMPLEMENTATION ARRANGEMENTS

34. The project will be implemented over a three-year period. The expected start date is May 21, 2010, and the closing date is expected to be June 30, 2013. The grant recipient and the executing agency for this project is the *Instituto Chico Mendes de Conservação da Biodiversidade* (ICMBio).

35. The Project Implementation Unit (PIU) within the Full Protection Protected Areas Department (*Diretoria de Unidades de Conservação de Proteção Integral – DIREP*) will be formally established through an administrative ruling. The PIU will be composed by the following staff: a coordinator, a financial management specialist, a procurement specialist, three environmental specialists, and a social specialist, totaling seven people.



36. Regarding roles and responsibilities toward project:

	Responsibilities
ICMBio DIREP	Technical activities: Project implementation; Evaluating project implementation progress every six months; Producing biannual implementation reports; Suggesting adjustments to the implementation teams to ensure adequate and timely achievement of the project expected results; and, Supervising and preparing terms of reference and technical specifications to be submitted to the World Bank for non-objection monitoring project implementation and approval of outputs and services delivered.
ICMBio DIPLAN	Financial and administrative activities: Preparing the project's budget proposal; Implementing and maintaining an adequate management information system Financial Management System; Reviewing documentation supporting project expenditures and ensuring that the expenditures to be financed by the grant are eligible and within the percentages established under the Grant Agreement keeping all project documentation properly filed/archive; Preparing and forwarding to the Bank ⁷³ quarterly interim unaudited financial management reports (IFRs); Regularly reconciling information that was entered in the Financial Management System and AFE on project expenditures, and assuring timely follow-up on any discrepancies. Preparing and forwarding to the Bank in a timely manner grant disbursement applications and SOEs, Records and Summary Sheets, Procuring goods and contracting services needed for project;

⁷³ In Brasilia, unless otherwise officially informed by the Bank.

	Preparing and providing all financial documentation and reports requested by external auditors and Bank/GEF; Carrying out disbursements and the financial execution and accounting of the project; Preparing financial reports; and, Financial audit activities.
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37. **GEF Implementing Agency.** The World Bank is the GEF Implementing Agency for the Sustainable *Cerrado* Initiative. As an integral component of the Initiative, this project also has the World Bank as GEF Implementing Agency.

38. A Bank representative will be responsible for coordinating the dialogue between the MMA and the World Bank regarding Initiative and project implementation. Besides organizing and participating in meetings with relevant partners to discuss specific aspects of the project, the representative will also partake in the annual review process of the Initiative and project, and will provide guidance to the project coordinator as required, regarding inclusion of activities to support the achievement of agreed outcomes.

Grant Conditions of Effectiveness

39. The proposed project does not require any exceptions from Bank Policies and meets the follows regional criteria for implementation: (i) fiduciary (financial management and procurement) arrangements in place; (ii) project staff mobilized; (iii) counterpart funds budgeted/released; (iv) procurement plan prepared; (v) operational manual prepared; (vi) disclosure requirements met; (vii) environmental and social assessment arrangements completed; (viii) M&E capacity in place.

40. Negotiated conditions for effectiveness: (i) the execution and delivery of the Grant Agreement on behalf of the ICMBio have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Operational Manual has been adopted by the ICMBio in form and substance satisfactory to the World Bank, and (iii) the Project Implementation Unit has been created by the ICMBio in form and substance satisfactory to the World Bank.

41. Covenants applicable to project implementation: (i) the ICMBio shall establish and thereafter maintain until the completion of the execution of the Project, an implementation unit within the administrative structure of DIREP in charge of the daily financial management, procurement, technical coordination, monitoring and evaluation of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a coordinator, a financial management specialist, a procurement specialist, three environmental specialists, and a social specialist; (ii) the ICMBio, through the Project Implementation Unit shall carry out the Project in accordance with the Operational Manual, including the Environmental Management Framework for the Initiative, the Environmental Assessment, the Resettlement Framework for the Initiative, the Indigenous Peoples Planning Framework for the Initiative and the Procurement Plan, and except as the World Bank shall otherwise agree, shall not amend or waive any provision of these documents without the World Bank's prior written approval; (iii) the ICMBio, through the Project Implementation Unit, shall prepare and furnish to the World Bank on or about each November 30, commencing on any such

date after the Effective Date, or such other date as the World Bank shall agree upon, an annual operational plan for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; and (iv) on or about January 31, 2012, or such other date as the World Bank shall agree upon, the ICMBio shall, through the Project Implementation Unit: (a) carry out jointly with the World Bank a mid-term review of the implementation of operations under the Project (Midterm Review), covering the progress achieved in the implementation of the Project; and (b) following such Midterm Review, act promptly and diligently to take any corrective action as shall be recommended by the World Bank.

42. Other Undertaking: The ICMBio, through the Project Implementation Unit, shall no later than six months after the Effective Date, hire the independent auditors required for the audits, under terms of reference and with qualifications and experience satisfactory to the World Bank and, as applicable.

VI. FINANCIAL MANAGEMENT AND DISBURSEMENT ARRANGEMENTS

Summary of Financial management Arrangements

43. A financial management assessment of the *Cerrado* Biodiversity Protection Project was carried out for *Instituto Chico Mendes de Conservação da Biodiversidade* (ICMBio), in accordance with OP/BP 10.02 and the Financial Management Practices in World Bank Financed Investment, dated November 3, 2005. The purpose of the assessment was to determine whether the implementing agency, ICMBio, have acceptable financial management and disbursements arrangements in place to adequately control, manage, account and report about the funds to be allocated to this project.

44. These arrangements include, but are not limited to its capacity to: (a) properly manage and account for all Project's proceeds, expenditures and transactions, (b) produce timely, accurate and reliable financial statements and reports, including unaudited Interim Financial Reports (IFR's) for project management and monitoring purposes, (c) safeguard the project's assets, and (d) disburse Bank funds in the most efficient way, in accordance with applicable Bank rules and procedures.

45. This assessment was completed based on the FM Missions to ICMBio in February and May 5-6, 2009, and included discussions with the coordinators and staff of the implementing agency on: (i) review of staffing requirements; (ii) review of the flow of funds arrangements and disbursement methodology; (iii) review of internal control mechanisms in place; (iv) discussion in regard to reporting requirements, including the format and content of IFRs; and (v) review of internal and external audit arrangements.

46. Based on the assessment of the executing agency (ICMBio), the conclusion of the assessment is that the financial management arrangements as set out for this project satisfy the Bank's minimum fiduciary requirements and that the project can rely on the National Administrative and Financial Management Systems (SIAFI), for accounting and reporting. According to the Risk

Assessment Matrix (see below), the overall FM risk associated with the Project is rated as **moderated**.

Risk Assessment and Mitigation

47. The overall financial management risk associated with this project is considered moderate due to: (i) the low level of experience of Bank fiduciary procedures; (ii) the need of the PIU to be formally established by a Legal instrument; and, (iii) the need of SIGMA to be implemented for financial reporting.

<i>Risk</i>	<i>Risk rating</i>	<i>Risk issues/measures</i>
Inherent Risk		
Country-level	L	Brazil's Federal Government system provides reliable information. Adequate systems exist to manage and track the receipt and use of funds and there is a high level of fiscal transparency, both of which will support any lending program. The risk to both Bank and country funds is low. The Government is committed to addressing its PFM weaknesses. Federal FM laws and regulations applicable to sub-nationals provide a strong PFM framework for sub-nationals.
Entity-/project-specific	S	The legal and institutional arrangements are adequate. The PIU has to be formally established by ICMBio, and a <i>Portaria</i> has to be issued naming PIUs staff.
Control Risk		
Budget preparation	L	The annual budgets will be prepared by the PIU, approved by the Bank and reflected in yearly annual budgetary authorization. SIGMA will to be implemented before project effectiveness.
FM system	L	
Reporting/monitoring	H	
Funds flow	M	All funds will flow through <i>Banco do Brasil</i> . A routine of bank account reconciliation will be established and described in the Operational Manual.
Counterpart funds	M	Counterpart funding represents about 69% of total project costs, provided by the Federal Environmental Compensation Fund. No delays in budget approvals are expected.
Staffing	M	Training in Bank financial management will be provided to PIU's staff involved in the project financial management after effectiveness.
Accounting procedures and system	M	Accounting procedures are adequate.
Internal audits	M	The internal audit (<i>Contadoria e Auditoria Interna</i>) of ICMBio performs an ex-ante review of all transactions and payments.

H-High S-Substantial M-Moderate L-Low

Financial Management Arrangements

48. The ICMBio PIU will be directly responsible for all fiduciary and legal aspects of the project partially financed with grant proceeds and counterpart funds, during project implementation.

49. Information Technology. As ICMBio is linked to the Ministry of Environment, the SIGMA system will be implemented and will be the financial management system for this project.

50. Budget preparation and execution. Every year the PIU will prepare a budget proposal for the *Cerrado* Biodiversity Protection Project, which will be sent to the Project Committee for knowledge and submitted to the Bank for approval.

51. All goods shall be purchased by the PIU according to the ICMBio budget. The goods and services acquired by ICMBio on behalf of other co-Executors will be transferred to them via a Concession Agreement according to the Operational Manual.

52. Accounting. The Project accounting process is governed by the national accounting system, and therefore, all project's transactions will be executed through the Federal Government's Financial Administration Integrated System (*Sistema Integrado de Administração Financeira do Governo Federal – SIAFI*). Project funds will be made available by the National Treasury Secretariat (STN) to the ICMBio Administrative Unit - AU, which will be established in the SIAFI. Once this annual federal budget is approved, the AU will receive its annual budget quota, and all payments and expenses will be charged to this AU. In the execution of the Project the process will comply with the commitment flow (*empenhos*) and payments and payment orders through the Bank (SIAFI).

53. Financial Information Technology System. As ICMBio is linked to the Ministry of Environment, the SIGMA information technology system will be implemented for the financial reporting of the project. The PIU will use the SIGMA for the financial management of the project, including budgeting, disbursements and reporting, by effectiveness.

54. Conclusion and Recommendation: Moderate Risk. The accounting regime, as well as its rules and procedures that will be adopted and used by the PIU/ICMBio, are in compliance with the normally accepted Brazilian rules, and in line with federal Projects that receive financing from the World Bank.

Disbursements and Flow of Funds Arrangements

55. Disbursement Arrangements. Project's activities will be financed with funds advanced by the Federal Government. The PIU will document occurred expenses to be reimbursed to the National Treasury. For this purpose will be used Statements of Expenditures (SOE)/Records, and Summary Sheets, as stipulated in the Disbursements Letter:

(i) Supporting Documentation. Supporting documentation should be provided with each Application for withdrawal as set out below:

- For reporting eligible expenditures paid from the Designated Account: (i) Summary of Expenditures (Summary Sheet) with Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made under contracts for Goods, Works and Non Consulting Services costing US\$ 100,000 equivalent per contract or more; under contracts with Consulting Firms costing US\$ 100,000 equivalent per contract or more; and under contracts with Individual Consultants costing US\$ 50,000 equivalent per contract or more; (ii) Statement of Expenditure for payments that do not

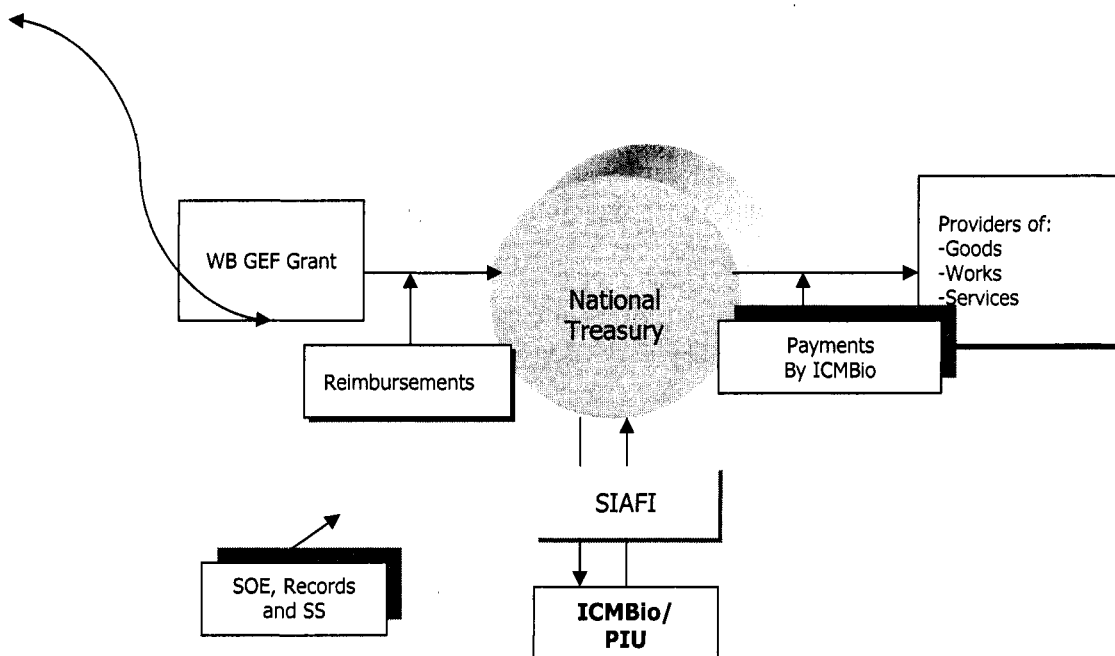
exceed the thresholds established above; (iii) Designated Account Bank Statement(s); and, (iv) Designated Account Reconciliation Statement,

- For requests for Direct Payment: Records evidencing eligible expenditures, (e.g., copies of receipts, supplier invoices).
- For requests for Reimbursement: (i) Summary of Expenditures (Summary Sheet) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments made: under contracts for Goods, Works and Non Consulting Services costing US\$ 100,000 equivalent per contract or more; under contracts with Consulting Firms costing US\$ 100,000 equivalent per contract or more; under contracts with Individual Consultants costing US\$ 50,000 equivalent per contract or more; and (ii) Statement of Expenditure for payments that do not exceed the thresholds established.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account: Quarterly.

56. The frequency of reporting eligible expenditures paid from the DA will be at least quarterly. In case the Project request Bank advances, vs. reimbursements, the Ceiling of the DA will be of US\$ 600,000. The Minimum Application Size for Reimbursements, Advances and Direct Payments will be US\$ 120,000 equivalent.

57. The funds will flow according to the following chart:



58. Financial Reporting - IFRs. Once the Financial Management System - SIGMA is operational, the quarterly IFRs will be prepared automatically, according to the model agreed with PIU and attached to the minutes of negotiations. The PIU will need to forward to the Bank unaudited interim financial reports (IFRs), prepared on a cash accounting basis, in US dollars as

well as in Reais, not later than 45 days after each quarter. The IFRs should report all counterpart funds, including any extra-budgetary counterpart funding. The IFR's should state the total project expenditures on a quarterly, yearly, and accumulated basis. In case advances are made by the Bank, a reconciliation of the Designated Account should also be prepared and attached to the IFRs. In summary, PIU will prepare and forward to the Bank the following IFRs:

- IFR - No. 1-A: Sources and Applications of Funds by Disbursement Category as per Grant Agreement.
- IFR – No. 1-B: Statement of Investments by Project Components and Activities.
- Including the following statements in case of Bank advances, instead of reimbursements:
- IFR – No. 1-C: Designated Bank Account (Special Account) Reconciliation.
- IFR – No. 1-D: Disbursement Reconciliation with Bank's Client Connection.

Counterpart Funds: the counterpart fund contribution for the GEF will also be reported in the IFRs.

59. The counterpart funding for the project comes from the Federal Environmental Compensation Fund (not from official direct or indirect budgetary contributions). These contributions originate from *the National Environment Policy Act, Federal law 6938/81*, which established the national environmental policy, which introduced the "polluter pays" principle, according to which the burden of preserving the environment and repairing environmental damages falls upon the party responsible for causing the pollution/damage activities. The legal instruments to implement this include: the National System of Nature Conservation Units (Law Nº 9.985 of July 18, 2000); Decree No. 4,340, of August 22, 2002 which regulated Law 9,985; Resolution CONAMA No. 371/2006. Federal Law No. 9985, of July 18, 2000, which established the National System of Nature Conservation Areas, requires project proponents to pay not less than 0.5% of the total cost of a project into the environmental compensation measures, whenever that project is expected to cause significant environmental impacts. The environmental office in charge of managing the particular area (or areas) determines which conservation area(s) is able to receive compensation as a result of the project's impacts. If compensation is warranted, the office also decides the exact amount of the compensation, based on the degree of impact.

60. According to Federal Decree No. 4340, of August 22, 2002, which complements Federal Law No. 9985, the compensation that is paid must be invested according to the following order of priority (highest priority first):

- Fixing the boundaries of the conservation area and other activities related to regularizing the lands;
- Elaboration, revision, or implementation of the management plan;
- Paying for equipment and facilities necessary to implement, manage, monitor, and protect the area and its buffer zones;
- Development of studies necessary to create a new conservation area; and
- Development of research necessary to manage the conservation area and its buffer zones.

61. The year-end IFR will be considered as the Project's financial statements to be audited by independent external auditors.

62. **External Audit.** The independent external audit will be performed by the SFC-Federal Secretariat for Internal Control of the Federal Office of Comptroller General. The PIU will request the Federal Control Secretariat (*Secretaria Federal de Controle - SFC*) to carry out the independent audit of the project's financial statements and communicate to the Bank SFC's acceptance within three months after effectiveness. The Terms of Reference for External Audit will only be necessary only if other than the SFC audit firm is contracted. In that case the PIU will request the Bank's no-objection of the TORs and will follow the Bank's procurement rules. The first audit will cover the period of the retroactive financing and the first year of implementation after signature.

63. The auditors should issue a single opinion on (a) the financial statements; (b) Statement of Expenditures (SOE's) Records and Summary Sheets, (c) grant contractual agreements; and (d) the project designated account. The auditors' opinion should cover all sources and applications of funds for the project, including direct and indirect official—budgetary—counterpart participation and extra-budgetary counterpart funds from CSOs and the private sector's *medidas compensatórias*. In addition, the auditor should issue a management letter on the project accounts and internal controls.

64. **Governance and Anti-Corruption.** In line with the Bank's GAC objective to help develop capable and accountable states and institutions that can devise and implement sound policies, provide public services, set the rules that govern markets, and control corruption, thereby helping to reduce poverty, during the negotiation it was agreed the project will be carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Summary of FM actions to be taken

Action	Responsible party	Date
Implement a SIGMA as the Financial Management System, and train staff to use it.	PIU-ICMBio	Within 3 months from effectiveness
Financial Management System should have the capability to automatically issue IFRs and SOE's/Summary Sheets.	PIU-ICMBio	Within 3 months from effectiveness
The Operational Manual should provide guidance on the financial management of the Project.		By Effectiveness

65. **Supervision Plan.** The Bank will undertake supervision missions once a year to monitor the implementation and performance of the Project and to monitor the continuing adequacy of the borrower's financial management, disbursement arrangements, reporting, its continuing compliance with financial management covenants, set out in the legal agreement and the Operations Manual, as well as the adequacy of the operations manual to the project design and PAD.

66. **Allocation of Grant Proceeds.** Expenditures for the following items and activities may be financed out of the proceeds of the Grant and shall be used exclusively for carrying out the Activities:

Allocation of Grant Funds (by Disbursement Category)

Expenditure Category	Amount of the Grant Allocated in US Dollars (US\$ million)	Percentage of expenditures to be financed inclusive of taxes %
(1) Goods, works, non-consultants' services, consultants' services, workshops and training	2.7	100
(2) Operational costs for Project Implementation Unit	0.30	100
Total Project Costs	3.00	100

67. For the purposes of this table:

- the term "Workshops and Training" means: (i) training materials and rental of training facilities; and (ii) reasonable fees, travel, accommodation, and per diem of trainers, training institutions and trainees;
- the term "Operating Costs" means recurrent costs associated with the coordination and implementation of the Project by the ICMBio, through the Project Implementation Unit, including: (i) operation and maintenance of vehicles, repairs, fuel and spare parts; (ii) equipment and computer maintenance; (iii) shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities; (vii) travel, accommodation and per diem costs for technical staff carrying out supervisory and quality control activities; (viii) communication costs including advertisement for procurement purposes; and (ix) travel, accommodation and per diem costs associated with audits; and
- the term "Non-consultant Services" means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of rental of software, data collection services and other services which are not rendered by consultants and which are not covered in the definitions of Workshops and Training and Operating Costs.

68. The retroactive financing is allowed for up to US\$300,000 equivalent for payments made during the twelve months immediately before the date of the Grant Agreement but on or after May 9, 2009, for Eligible Expenditures under Categories 1 and 2 of the disbursement table.

VII. PROCUREMENT ARRANGEMENTS

General

69. Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 2006, and the provisions stipulated in the Grant Agreement.

70. The Bank's Standard Bidding Documents and Standard Request of Proposal would be used for the Bank-financed ICB goods and consultant services, respectively. For NCB procurement of goods and non-consulting services, the PIU would use bidding documents acceptable to the

Bank and including, in respect of goods, “*Pregão Eletrônico*” set forth in the Guarantor’s Law No. 10520 of July 17, 2008.

71. The various items under different expenditure categories are described in general below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the ICMBio and the Bank in the Procurement Plan.

72. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

73. Procurement of Goods. Goods procured under the proposed project would include IT equipment and software, vehicles, office equipment and furniture, sundries general items, and logistics for training events and workshops. ICB for the procurement of goods and non-consulting services is mandatory for all contracts estimated to cost the equivalent of US\$ 500,000 or more. Contracts for small civil works estimated to cost less than US\$ 50,000 equivalent each, may be purchased on the basis of price quotations from at least three eligible contractors.

74. Procurement of goods may also be carried out in accordance with the method known as “*Pregão Eletrônico*”, as provided in the Brazil’s *Pregão* Law No. 10,520, of July 17, 2002, under “COMPRASNET”, the procurement portal of the Federal Government, for contracts estimated to cost less than US\$ 500,000. Printing services, small technical services, computer equipment and peripherals, office equipment and furniture, sundry items, air tickets and logistics for training events and workshops have been identified to be procured under this method.

75. Procurement of non-consulting services. Non-consulting services procured under these projects would include logistics and transportation for seminars and workshops, printing services, training material, video production, communication campaigns, and telecommunication costs. The procurement would be done using (a) Bank’s SBD for all ICB and (b) bidding documents acceptable to the Bank, including “*Pregão Eletrônico*”. For small value services, shopping procedures and/or “*Pregão Eletrônico*” may be used.

76. Selection of Consultants: The proposed project would finance consultant services by firms and individuals. It is expected that the project will finance several studies, design of payment environmental services systems, data collection and analyses, and teachers training activities. The project’s selection and employment of consultants will be carried out through the following methods:

77. Quality and Cost-Based Selection (QCBS) procedure will be used for consultant services, project’s studies, implementation and supervision, and training contracts. Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

78. **Selection Based on consultants' Qualifications (CQS), Least-Cost Selection** procedure will be used for all consultant services for contracts estimated to cost less than US\$ 200,000 equivalent per contract.

79. **Individual Consultants** national consultants will be hired by the implementation agency, for assignments which meet the criteria specified in section V of the guidelines. Consultants for technical and operational assistance for project management will be hired through this method, and may include specialist in areas related to natural resources management, environmental, biological, and agricultural sciences.

80. **Other Methods of Procurement of Goods, Works and Non-Consultants' Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
National Competitive Bidding
Shopping
Direct Contracting

81. **Operating Costs.** Identification of suppliers of sundry items and minor services will be made through market inquiries in the local market as in shopping. Once the suppliers are established (generally those offering the lowest cost of lists of items), a purchase order will be issued using regular administrative procedures of each municipality. The market inquiries will be updated periodically. Internal travel may be procured through administrative procedures acceptable to the Bank.

82. **Others.** The training and workshops activities under the project include several actions (not all identified at inception). The PIU would follow shopping for the procurement of space, facilities, travel lodging, hiring of speakers, and development of material.

Assessment of the agency's capacity to implement procurement

83. Procurement activities will be carried out by ICMBio. The capacity review includes an assessment of the capacity of the agency to carry out the different phases of procurement. The bulk of the procurement will be processed by a "*Comissão Especial de Licitação*" (CEL). The team of procurement needs more training on World Bank policies on procurement. Much of the information regarding general aspects is available in the documents of the project.

84. **Legal Aspects and Procurement Practices.** ICMBio applies the Federal Law 8.666/93 and Federal Law 10.520/02. The procedures and methods related to the quality of internal procurement practices of the implementing agency and its conformity with the practices are acceptable by the Bank (some changes in "*Pregão*" are needed, but the "*ComprasNet*" system addresses the issue). The proposed procurement arrangements would include the use of "*Pregão Eletrônico*" up to the NCB threshold. The law 10.520/02 allows the use of "*Pregão Eletrônico*" in all the Brazilian territory for qualifying purchases. There is need to insert in the grant agreement such acceptability. For civil works, the alternative is the use of shopping, with its limits defined in the grant agreement. The "*Comissão Especial de Licitação*" is a centralized

function for 132 small offices (units). In addition ICMBio has other "*Comissões Especiais*" for states of Pernambuco, Paraíba, Bahia, São Paulo, Rio de Janeiro e Goiás which are responsible for 97 units, but always with the central supervision in Brasília.

85. Procurement Cycle Management. Procurement planning is not a strength of ICMBio. In general, the planning skills and systems are unsatisfactory. The project should contribute to the strengthening of ICMBio's procurement mechanisms. The procurement process starts with the preparation of technical specifications and TORs by the relevant technical units of the ICMBio in accordance with the funds available in the projects. The main method used is the "*Pregão Eletrônico*" representing about 99% of purchases and services for all units, using "*Compras Net*" of Federal Administration. The responsibility of the Unit for purchases is limited to procurement. The control of goods and services is performed by other departments.

86. Organization and Functions. The procurement is carried out by one special bidding committee: "*Comissão Especial de Licitações*" (CEL) with a president (appointed) and three members. All members must be staff of ICMBio. This committee handles the procurement of all public goods and services of the ICMBio, including a few civil works. The president of CEL has many years of experience in procurement. All contracts are signed by directors of the ICMBio, and the average time for each procurement process is approximately 45 days including the preparation of the technical specifications. The recommendation is that CEL has a minimum of three members with experience on World Bank's procedures and sufficient support of assistants and an external consultant (Procurement Specialist).

87. Support and Control Systems. All procurement actions are subject to the review of the *Tribunal de Contas da União* (TCU) and *Controladoria Geral da União* (CGU). The TCU and CGU have not issued reports yet because of relatively recent creation of ICMBio (August 2007). This project will not require a complex support and control system, because of methods used ("*Pregão Eletrônico*") have a satisfactory system of control but, the ICMBio should be asked to provide guarantees that the system will allow prompt monitoring of procurement and contracts.

88. Record-keeping. The files are organized following the requirements established by law. The physical space of the archives is not very adequate and the lack of space and cabinets to orderly file procurement documentation is a fact for ICMBio in this moment but, they are changing offices which should solve the issue. The ICMBio should prepare guidelines to implement a procurement monitoring system and archives control.

89. Staffing. The quality and quantity of the staff is essential to good procurement administration. Considering the actual capacity of procurement team, they should be trained in procurement guidelines of World Bank. It is recommended that more people be hired to monitor and help the team. The assessment determined that "ICMBio" must require one experienced professional (full time or ad hoc) with knowledge on Bank's procurement that should be retained during the project implementation.

90. General Procurement Environment. The general environment of procurement in ICMBio is generally acceptable for 8.666/93 and 10520/02 method's and acceptable by the World Bank. The communication between the bidding committee and the bidders is good. The disclosure is

made in the daily official gazette and in national newspaper. The receipt and opening of the procurement documents is done with security. The evaluation of proposals is usually done by the bidding committee with the help of the technical team in some cases. The contracts are executed satisfactorily. There is no central control or monitoring of the contracts. The ICMBio does not have a department that can centralize the information of the contracts under execution. This work is performed by the accounting department which makes payments based on information from the technical units. The recommendation is to create a unit of contracts management to consolidate all information on the implementation of the contracts so as to identify possible failures. Based on capacity assessment it was determined that the ICMBio has substantial capacity in procurement ("*Pregão Eletrônico*") but can and must improve its capacity to carry out other Bank procurement methods.

Proposed Action Plan for the Project

Description	Objectives	Timeframe
Should provide space for the procurement function including locked cabinets for contracts under the Project.	Improve efficiency on the procurement function.	Within 3 month after effectiveness.
Training all the procurement and technical staff on Bank-procurement policies.	To increase the procurement processing capacity.	Within 3 month after effectiveness.
Hiring a procurement expert and sufficient support staff for the commission of bidding.	To reinforce the procurement implementing capacity.	Within 3 months after Grant signature.
Electronic system to control procurement procedures.	Monitoring of program and management tool.	Within the first 6 months of implementation.
Create a unit of contracts monitoring.	Better efficiency of contracts on execution.	Within 3 month after effectiveness.

Procurement Plan

91. The ICMBio has prepared the procurement plan for the activities to be carried out during the first 18 months of implementation. The Procurement Plan will be updated and included as an attachment to the Operational Manual that will be adopted prior to effectiveness. After it is approved, the procurement plan will be filed in the project files, and will also be available in the ICMBio database and in the Bank's external website. The procurement plans consists of: (i) goods, small civil works and non-consulting services, including contract packaging, applicable procedures and process scheduling; and (ii) a consultant and training provider's selection process plan for the projects' training and consultant services, including contract packaging, applicable procedures, and selection criteria. The procurement and consultant selection process plans will be updated periodically, and shall be submitted to the Bank in the first quarter of December of each year. Such updating shall include the (i) list of contracts completed, under execution, under procurement, to be procured in the upcoming calendar semester and, tentatively in the subsequent semester; (ii) costs of completed and under execution contracts, estimated costs for upcoming contracts; (iii) schedule of bidding; and (iv) particular methods of procurement of goods, small civil works and non-consulting services or selection of consultants in accordance to a format agreed with the Bank. The working instructions shall be detailed in the Operational Manual indicating the standard bidding documents and request for proposals to be used, the samples for reporting on procurement, forms of contract, timetables, model of TOR

and any other relevant information related to procurement for each particular operation. The Procurement Plan will be updated annually in agreement with the Project Team or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Frequency of Procurement Supervision

92. The supervision plan proposes a frequency of post-review missions as follows: one ex-post supervision each year during the project implementation. The size of the sample for post-review will be 1 in 5 in all cases. This ratio may be adjusted during project implementation depending on the performance and the results of the reviews.

Details of the Procurement Arrangements Involving International Competition

Goods, Works, and Non Consulting Services

a) No ICBs are expected under this project. Specific softwares from proprietary sources may be required under the project.

(b) Goods and services contracts estimated to cost over US\$ 200,000 per contract and all direct contracting will be subject to prior review by the Bank. The Procurement Plan should indicate whether other contracts should be subject to prior review.

c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Thresholds Summary

Expenditure category	Contract value threshold a (US\$ thousands)	Procurement method	Contracts subject to prior review
Goods	>500	ICB	All processes
	$500 \geq < 100$	NCB or "Pregão Eletrônico"	First process in each year and all cases to cost over US\$ 250,000
	≤ 100	Shopping or "Pregão Eletrônico"	First two process in each year
Non-consulting services (incl. training, communication)	>500	ICB	All processes
	$500 \geq < 100$	NCB or "Pregão Eletrônico"	First processes in each year and all cases to cost over US\$ 250,000
	≤ 100	Shopping or "Pregão Eletrônico"	First two process in each year
Consulting (firms)	>200	QCBS	First two process in each year and all cases above US\$100,000
	≤ 200	QCBS/CQS/LCS	First process in each year and all cases above US\$100,000

Expenditure category	Contract value threshold a (US\$ thousands)	Procurement method	Contracts subject to prior review
Consulting (individual)		Section V in the Guidelines	All cases above US\$ 50,000 and all single-source contracts
Direct contracting			All cases regardless of the amounts involved

VIII. ENVIRONMENTAL AND SOCIAL ASSESSMENT

93. This project will contribute to the Sustainable *Cerrado* Initiative objectives through the conservation and sustainable use of biodiversity by: (i) creating and implementing protected areas of full protection and sustainable use; (ii) fomenting sustainable production processes; and (iii) supporting social participation in protected area management.

94. Activities supported by this project present therefore very positive impacts on biodiversity conservation. Support to sustainable biodiversity-based production practices within extractive reserves should cause low or no negative environmental impact, and positive impacts on local communities that use or reside in the reserves. The creation of protected areas should have limited and low social impact resulting from possible resettlement. Safeguards triggered by this project are: (i) Environmental Assessment; (ii) Natural Habitats; (iii) Physical Cultural Resources; (iv) Involuntary Resettlement; (v) Indigenous Peoples; and, (vi) Forests.

95. An Environmental Assessment was prepared for this project based on an analysis of the activities proposed for the project and their possible environmental impacts, and an analysis of the regulatory framework for natural resource management. The EA, summarized below, includes an Environmental Management Plan and was posted for public comments and feedback for 30 days at www.icmbio.gov.br, and was also submitted to experts at universities, research centers, CONACER, and civil society organizations, requesting feedback.

96. Environmental Assessment. The project has been considered a Category B project, where one or more safeguard policy could be triggered, but the impact of the effects is limited and is technically and institutionally manageable. The combined activities foreseen in the project should result in the following positive impacts for the *Cerrado*: (i) reduction in the rates of biodiversity loss; (ii) increase in the legally protected area in the biome; (iii) improvement and dissemination of sustainable biodiversity-based production processes; and, (iv) strengthening of protected area management with social participation.

97. Since the ultimate goal of this project is to increase biodiversity protection, potentially negative environmental impacts stemming from planned actions are virtually non-existent. Still, the project reaffirms its commitment not to finance actions that lead to significant negative impacts, such as excessive use of natural resources or deforestation. Activities related to the sustainable use of plant resources will be carefully planned and constantly monitored, and all actors involved in these activities will be trained in tested extraction methods for plant products and by-products.

98. The draft Environmental Assessment (EA) and Environmental Management Plan (EMP) report was submitted to the Bank on May 8, 2007 (Document N. E1810 vol.2). The final EA/EMP report was disseminated in Brazil through the MMA website (<http://www.mma.gov.br>), and contains a more detailed description of possible positive and negative environmental impacts of project activities, as well as the identified preventive/corrective measures. The document was also sent to the representatives of government and non-government organizations, and civil society who participated in the consultations during project preparation, and addressed all comments received. The EA/EMP was submitted to the InfoShop on 02/13/2008 (Document N. E1810).

99. **Natural Habitats.** It is not expected that the implementation of project activities will have any negative impact on natural habitats. No activities to be supported by the project should lead to deforestation or removal of the natural vegetation cover. The project will actively promote the protection of natural habitats through the creation of full protection and sustainable use PAs, and by improving and fostering the sustainability of production activities within RESEXs.

100. **Physical Cultural Resources.** The assessment of this project indicated that it is highly unlikely that any activity will have any impact, negative or positive, on objects, sites, structures, natural features or landscapes with archeological, paleontological, historical or any other aspect of cultural significance. The National Institute for Historical and Cultural Heritage (IPHAN) is the Brazilian institution responsible for handling archeological and cultural property issues. Whenever “chance findings” occur it is mandatory, by federal and state law, for Brazilian government agencies to seek IPHAN’s support to address “chance finding” issues. In the very unlikely event that project activities were to have such a potential impact, these will be immediately stopped until a protection plan is put in place in accordance with OP 4.11. The procedures to handle with Physical Cultural Resources are described in the EA/EMP and it was submitted to InfoShop on 02/12/2008 (Document N. EA1810).

101. **Involuntary Resettlement.** The creation of new and the consolidation of existing protected areas will be consistent with: (i) the Brazilian legislation on protected areas (SNUC - Law 9985/00, Decree 4340/02 and Decree 5758/06); (ii) the CBD Work Programme on Protected Areas; (iii) the list of priority areas for conservation, sustainable use and benefit-sharing in the *Cerrado* biome, as approved by CONABIO (National Biodiversity Commission) in December 2006 and amended by MMA Administrative Ruling no 9 of January 23, 2007; and, (iv) the principle of avoiding the need for resettlement as a result of the creation of protected areas. Under this principle, if local communities exist in areas identified as important for the establishment of protected areas, those community areas would be created as RESEXs. Although involuntary population displacement and/or impacts on livelihoods is not envisaged at present, when unavoidable, involuntary resettlement must conform to Brazilian legislation, World Bank policies and the Sustainable *Cerrado* Initiative Resettlement Framework, and will involve extensive public consultation for all areas. A Framework for Involuntary Resettlement was prepared summarizing guidelines and procedures to be followed by the projects. The Framework for Involuntary Resettlement was submitted to InfoShop on 05/13/2008 (Doc. RP676).

102. **Indigenous Peoples.** Many indigenous peoples live in the *Cerrado* region and this project will not create any protected area on Indigenous Land. This project is primarily a

biodiversity protection project and will not support actions that may negatively affect indigenous peoples or their traditional territories. Activities to support sustainable production practices will be located in RESEXs, which are not occupied by indigenous communities. No negative impacts are thus foreseen on indigenous people or other ethnic groups. As a precaution, in accordance with the Bank's OP 4.10, a Policy Framework for Indigenous Peoples Framework (IPF) was prepared for the Sustainable *Cerrado* Initiative containing guidelines and procedures for the preparation and disclosure of an Indigenous People Plan in the event that any activity affects indigenous communities. The IPF for the Sustainable *Cerrado* Initiative was submitted to InfoShop on 04/29/2008 (Document N. IPP292).

103. **Forests.** The proposed activities support mainly conservation activities, and sustainable forestry activities will only involve non-timber products. All extractive-based production activities will be planned and executed in such a way to minimize or prevent negative impacts on forest areas, and must follow the Adis Abbeba Principles and Directives for the Sustainable Use of Biodiversity, as well as the Ecosystem Approach under the Convention on Biological Diversity. Activities resulting in deforestation or loss of native vegetation cover will not be allowed under this project. ICMBio will establish systems to monitor environmental impacts resulting from the collection or extraction of plant materials, or that affect species reproduction and distribution. Information on status and trends should be broadly disseminated as soon as available and periodic reports will be delivered to the Initiative Committee.

104. No large-scale timber activities will be supported by the project. The management of non-timber or timber (in limited scope) products will follow management plans approved by the project and fully compatible with the World Bank's OP4.36.

IX. INCREMENTAL COSTS ANALYSIS

"Business-as-Usual" Scenario

105. The *Cerrado* is a savanna-type biome harboring high biological and landscape diversity and facing strong pressure deriving from human occupancy, agricultural and livestock activities, and infrastructure works. Currently, less than 4% of this biome is under protection, within 22 federal full protection PAs and 22 sustainable use PAs. The state protected areas add little to the regional protection scenario. According to the baseline scenario, ICMBio would use FCA funds to create and strengthen PAs in all Brazilian biomes, with no particular focus on the *Cerrado*, protecting a significantly smaller number of hectares in the biome and probably giving priority to the sustainable use areas. The GEF Alternative provides the necessary additional resources and established a short timeline to complete the necessary steps to effectively increase biodiversity conservation in the *Cerrado*.

106. Among the world's hotspots, the *Cerrado* currently has the lowest percentage of areas under full protection (less than 4%), and many of the existing areas are still not fully implemented. Since the main threat to the biome is land use conversion to agriculture, this insufficient protection resulted in 112 endangered terrestrial fauna species, according to IUCN. Without this project, no specific focus would be given to the *Cerrado* with limited resources being also spent in other biomes, and the estimated US\$ 2.6 million from GEF would support the effective protection of the limited number of existing protected areas in the biome.

107. The existing federal Extractive Reserves (RESEX) favor the use of best practices on biodiversity management developed by traditional communities that reside and/or use these areas. Without the GEF Alternative, the Sustainable Use Protected Areas Director's Office (DIUSP) would use very limited resources to provide some assistance through its Traditional Communities Management Unit to ensure sustainability of biodiversity use in sustainable use PAs, developing perhaps one or two initiatives in the next six years. As the biome is seriously threatened, the communities whose ways of life depend on the *Cerrado* biodiversity are also being negatively affected by the rapid changes. It is probable that only with the creation and consolidation of sustainable use protected areas these communities will manage to maintain their traditional lifestyles in the long run. Additionally, without the GEF Alternative ICMBio would probably not be able to promote large-scale compliance with legal reserves and strategically guide RL placement within the next three years.

108. With no GEF resources this project would not exist and no resources would be spent in project coordination, monitoring and evaluation. Information dissemination on enhanced biodiversity protection through the creation and strengthening of protected areas and sustainable use of biodiversity within sustainable use PAs would be limited to the dissemination of possibly one sustainable use and/or fauna protection plan within the next three years, with no resources earmarked for this activity.

109. In the absence of additional GEF funding ICMBio's activities would contribute, in a longer period, to achieving the project broad goals but not its targets. Additionally, the estimated expenditures of the baseline activities amount to only approximately US\$ 2.20 million, with resources from the Federal Environmental Compensation Fund.

110. The business as usual activities would mainly have local benefits in terms of limited biodiversity conservation in relatively small areas of the biome. Basically, ICMBio would expand the total area of two full protection protected areas and create one or two Extractive Reserves. Limited resources would be applied in the next three years to basic protection measures for existing PAs, as well as for strengthening PA management councils. Only one sustainable production process would be supported, and perhaps the implementation of one Fauna Regional Action Plan.

Global Environmental Benefits and Strategic Fit

111. Global benefits stemming from the GEF Alternative will include: (i) enhanced conservation of globally significant biodiversity; (ii) generation of lessons learned in shared management of protected areas; (ii) generation of lessons learned on landscape-level conservation planning in a production landscape under strong development pressure; and (iii) dissemination of sustainable biodiversity-based production practices.

112. The objectives of the proposed project are fully consistent with those under the mainstreaming of biodiversity management in productive landscapes - OP13 (Conservation and Sustainable Use of Biological Diversity Important to Agriculture), OP3 (Forest Ecosystems), Strategic Priority BD-1 (Catalyzing Sustainability of Protected Areas), and Strategic Priority BD-2 (Mainstreaming Biodiversity in Productive Landscapes and Sectors). Specifically, the project will promote the effective conservation and sustainable use of genetic resources of native species of the *Cerrado* and their equitable sharing of benefits among the local

communities, as well as the positive impacts of agricultural practices and mitigate their negative impacts on biological diversity in key areas of the *Cerrado* biome in Tocantins.

GEF Alternative

113. The GEF Alternative will ensure greater protection of endangered biodiversity of global importance in the *Cerrado* biome. It will provide financing linked to the direct protection of both ecosystems and species, as well as to the indirect protection of important biodiversity through the promotion of the sustainable use of biological resources. This will ensure that globally significant biodiversity is maintained, thereby greatly contributing to reducing biodiversity loss while decreasing poverty and improving the life quality of communities living in the *Cerrado* biome.

114. The GEF Alternative Scenario presented here includes activities from the baseline scenario plus those financed with the GEF grant and co-financing. Activities are divided into two technical components and one administrative component.

115. The creation of PAs in the *Cerrado* are well below the biome's protection requirements, due to limited financial and technical resources directed at the biome and the difficulty to obtain political support to make the PA creation processes viable. With GEF support, the Brazilian Government will commit to achieve the agreed targets, placing project actions among priority activities within political negotiations, facilitating resource and technical staff allocation to PA creation. Thus, 1 million hectares will be officially protected within 3 years, which represents a 25% increase in the federal protected areas in the biome.

116. The GEF Alternative aims at enhancing the ecological and economic sustainability of existing biodiversity-based processes applied by communities living inside Extractive Reserves, and identifying and developing new production processes based on sustainable extractive activities. These new pilot sustainable processes can be later leveraged to other sustainable use PAs, PA buffer zones, and private rural properties in the broader *Cerrado* landscape. The component's support will enhance the long-term sustainability of these protected areas and of the communities' traditional lifestyle, significantly contributing for biodiversity and cultural conservation. The GEF Alternative provided an opportunity for establishing a partnership with EMBRAPA, to replicate its methodology and experiences. For the last several years, EMBRAPA has been developing management practices for *Cerrado* plant species with potential commercial use, which need to be further tested and disseminated, which would not occur in the short term without this project.

117. This GEF Alternative will also create sustainable use protected areas and invest in the consolidation of these new and existing Extractive Reserves by implementing protection and recuperation measures, and strengthening of management councils. Support to sustainable production practices will benefit approximately 200 families (800 people), improving employment and income. Additionally, the GEF Alternative will leverage over one million dollars from implementation partner TNC to increase connectivity and improve ecological function of production landscapes in critical regions of Bahia and Goiás, maximizing benefits to biodiversity in habitats under strong human influence.

118. The GEF Alternative will significantly increase the total area to be protected in the short and medium term in the *Cerrado* by financing other priority actions to ensure effective conservation of *Cerrado* biodiversity, thus enabling GoB to increase its investment in land acquisition for the creation of federal full protection PAs. In addition, the long-term protection of PAs benefited by this project will be further secured by engaging local communities in protected area management and in the sustainable use of *Cerrado* biodiversity. Seven existing fauna protection plans will be refined and implemented in critical *Cerrado* regions, improving conservation of over 200 species. The project will also provide incentives for compliance with RLs and the guidance of landscape planning tools to define the most strategic location of RLs to maximize habitat connectivity and biodiversity conservation in the production landscape.

119. National-level benefits generated by this project will include: (i) increased protection of a high biodiversity and ecosystem diverse biome; (ii) large-scale landscape planning to maximize biodiversity protection; and, (iii) improved social participation in PA management.

Result-based framework

120. The following matrix summarizes the baseline and incremental expenditures over the three-year project implementation period.

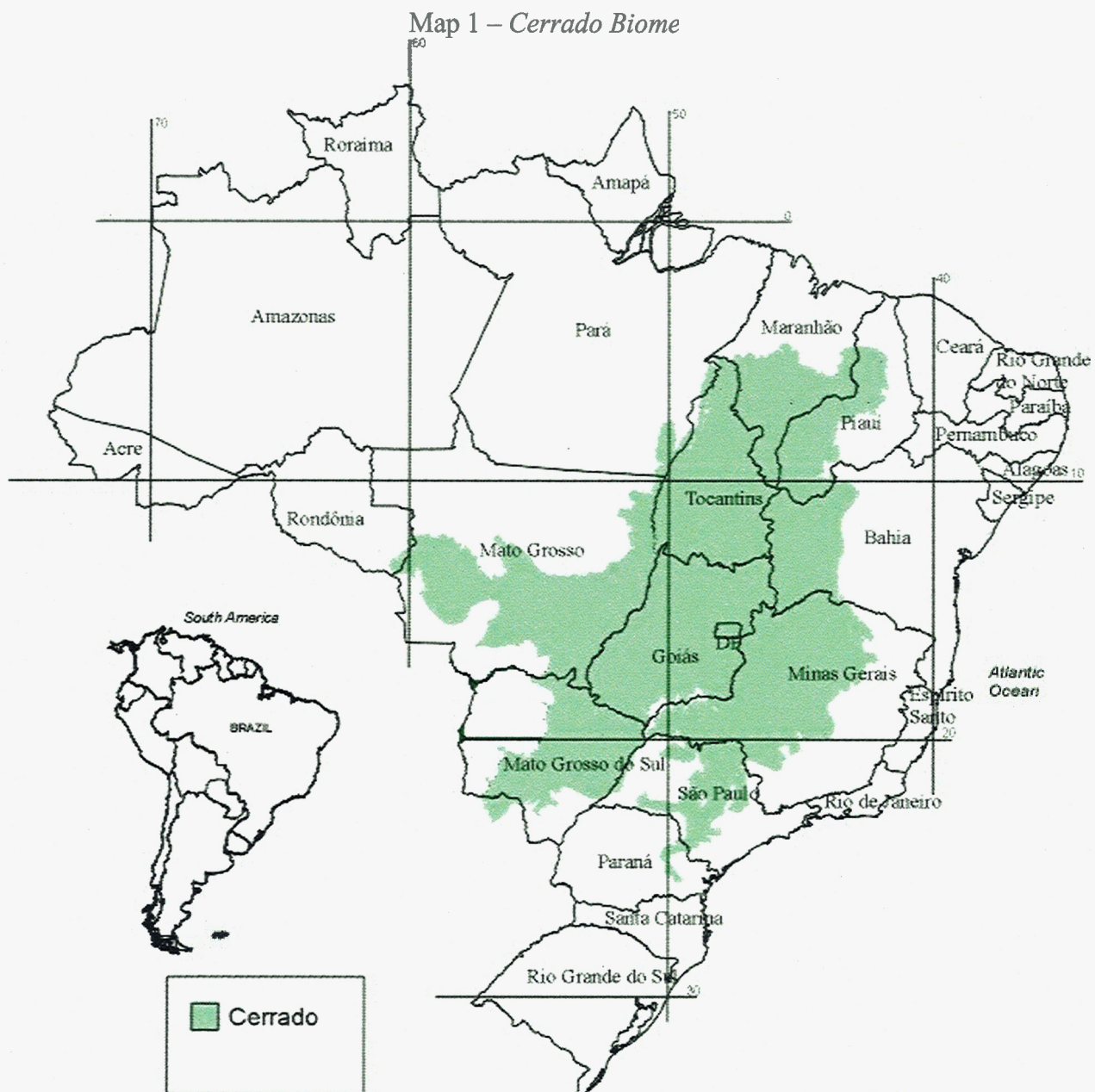
Component	Cost Category	US\$ million	National Benefit	Global Benefit
Enhancing biodiversity protection through the creation/expansion of federal protected areas.	Business as Usual	6.581	Limited increased protection of a high biodiversity and ecosystem diversity biome; limited support to sustainable use practices and social participation in PA management. Very limited specific protection actions directed at <i>Cerrado</i> threatened fauna.	Limited increased conservation of globally important biodiversity.
	With GEF Alternative	9.081	Significant increased protection of a high biodiversity and ecosystem diversity biome; and improved social participation in protected area management.	Enhanced conservation of globally significant biodiversity; generation of lessons learned in shared management of protected areas.
	Incremental	2.500		
Promoting the sustainable economic use of biodiversity in Extractive Reserves.	Business as Usual	0.050	Limited support to one or two sustainable production practices; little or no conservation action in the production landscape.	No global benefit.
	With GEF Alternative	0.165	Large-scale landscape planning to maximize biodiversity protection and habitat connectivity in critical regions; development, enhancement and dissemination of a greater number of sustainable use practices, involving several Extractive Reserves.	Generation of lessons learned on landscape-level conservation planning in a production landscape under strong development pressure; and improved sustainable use of globally important biodiversity.
	Incremental	0.115		
Strengthening the ICMBio's	Business as Usual	0.050	Limited impact on increased dialogue and exchange of	No global benefit since the program does not have an

Component	Cost Category	US\$ million	National Benefit	Global Benefit
capacity.			information and some limited and uncoordinated effort to assist biodiversity-related activities in the <i>Cerrado</i> biome, dealing with a variety of focal areas, methodologies, species and agencies at federal and state levels, through the initial preparation of an integrated public program focusing on the conservation and sustainable use of the <i>Cerrado</i> biome.	Action Plan nor has begun implementation.
	With GEF Alternative	0.360	Better coordinated biodiversity conservation activities, generation of more relevant biodiversity information, improved national decision-making; increased dialogue among key stakeholders; long-term strategic planning; and more effective implementation of conservation activities; consolidation of a biome-wide PA network.	Better implementation of the global 2010 CBD targets, contributing to the long-term reductions to deforestation and destruction of ecosystems that provide critical global benefits. More positive effects stemming from increased promotion and coordination of practices those contribute to increased biodiversity conservation.
	Incremental	0.310		
Project coordination, monitoring and evaluation, and information dissemination.	Business as Usual	0.010	Establishment of the Special Projects Coordination within DIPLAN; testing of methodologies for project monitoring.	More efficient protection of Brazil's biodiversity and ecosystems in the medium or long term.
	With GEF Alternative	0.085	Development of a project monitoring model to be applied to all projects implemented by ICMBio.	More efficient protection of Brazil's biodiversity and ecosystems in the short or medium term.
	Incremental	0.075		
Total Business-as-usual Scenario: 6.69				
GEF Alternative Costs: US\$ 9.69 million of which US\$ 3.00 million is being requested from the GEF				

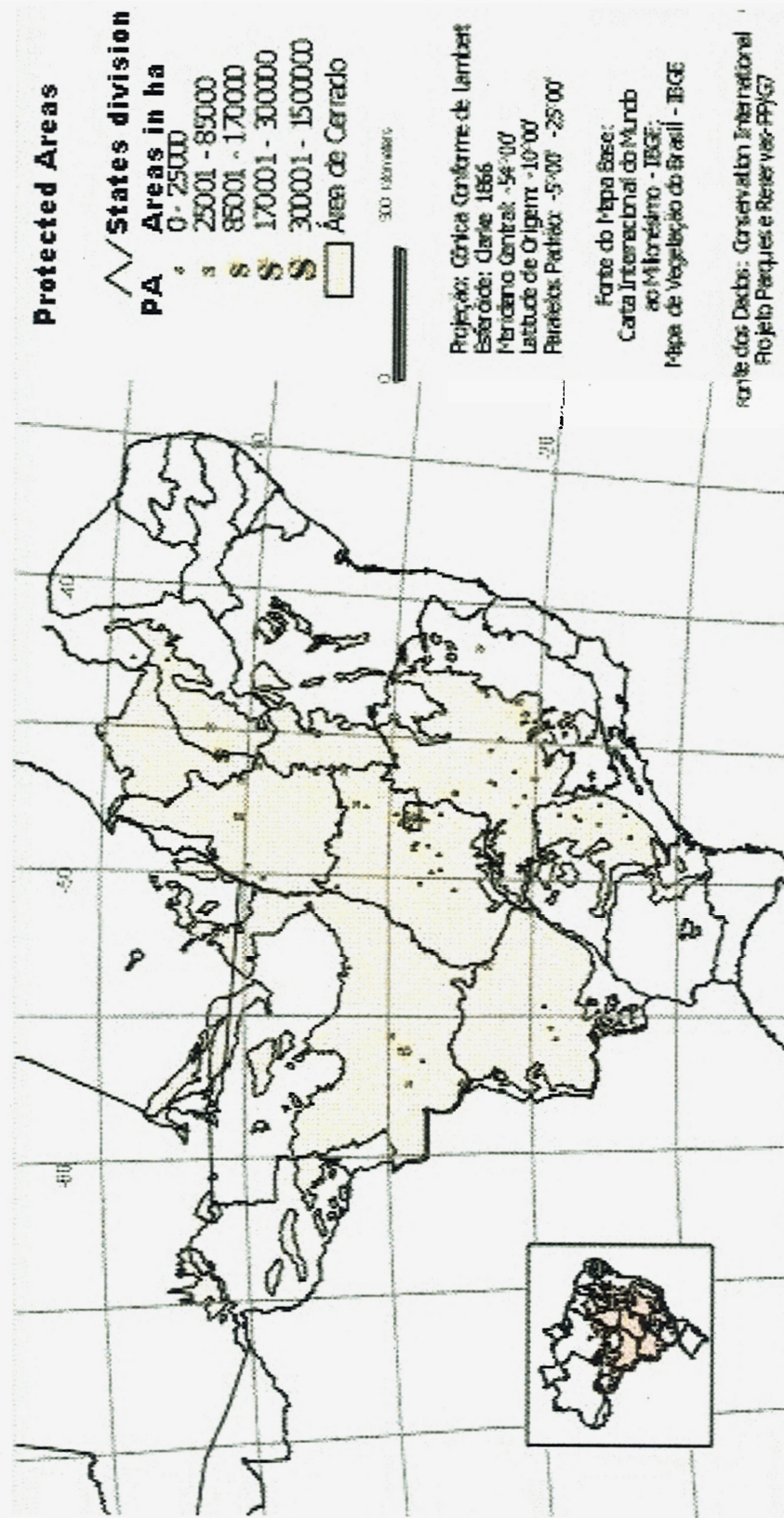
Incremental Costs and Role of Co-finance

127. The difference between the costs of the business as usual scenario (US\$ 6.69 million) and the GEF Alternative (US\$ 9.69 million) is an estimated US\$ 3.00 million. With the GEF Alternative, the counterpart funds will be used for the critically important protection actions established under this project. Thus, the inclusion of GEF funds will not only complement national resources, but will also add to GoB's efforts to enhance its sustainable use and social participation agenda, and leverage in-kind resources from governmental and non-governmental implementation partners, strengthening strategic partnerships for conservation.

Annex 20: Maps
BRAZIL: Sustainable *Cerrado* Initiative



Map 2 – Existing protected areas in the *Cerrado* biome



Map 3 – Priority areas for the conservation of the *Cerrado* biome

