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PROJECT APPRAISAL DOCUMENT
ON PROPOSED GRANTS FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND
IN THE AMOUNT OF
US\$4 MILLION TO THE BRAZILIAN BIODIVERSITY FUND
FOR THE MMA *CERRADO* POLICY AND BIOME MONITORING PROJECT, AND
US\$3 MILLION TO THE STATE OF TOCANTINS
FOR THE TOCANTINS SUSTAINABLE *CERRADO* PROJECT,
IN SUPPORT OF THE US\$ 13.0 MILLION
SUSTAINABLE *CERRADO* INITIATIVE
TO THE FEDERATIVE REPUBLIC OF BRAZIL

February 22, 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 N°. 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

CONTENTS

I. STRATEGIC CONTEXT AND RATIONALE	1
A. Country and Sector Issues	1
B. Rationale for Bank Involvement	4
C. Higher Level Objectives to which the Initiative Contributes	5
II. INITIATIVE DESCRIPTION	7
A. Financing Instrument.....	7
B. Initiative Development Objective and Key Indicators	9
C. Initiative Components	10
D. Lessons Learned and Reflected in the Initiative Design	13
E. Alternatives Considered and Reasons for Rejection	15
III. IMPLEMENTATION	15
A. Partnership Arrangements	15
B. Institutional and Implementation Arrangements	15
C. Monitoring and Evaluation of Outcomes/Results	16
D. Sustainability and Replicability.....	17
E. Critical Risks and Possible Controversial Aspects.....	18
F. Grant Conditions of Effectiveness	22
IV. APPRAISAL SUMMARY	22
A. Economic and Financial Analyses	22
B. Technical	23
C. Fiduciary.....	24
D. Social	24
E. Environment	25
F. Safeguard Policies	25
G. Policy Exceptions and Readiness	28

Annex 1: Country and Sector or Initiative Background	29
Annex 2: Major Related Projects Financed by the Bank and/or other Agencies	37
Annex 3: Results Framework and Monitoring	38
Annex 4: Detailed Program Description	47
Annex 5: Initiative Costs	54
Annex 6: Implementation Arrangements	56
Annex 7: Financial Management and Disbursement Arrangements.....	59
Annex 8: Procurement Arrangements	60
Annex 9: Economic and Financial Analysis	62
Annex 10: Safeguard Policy Issues	65
Annex 11: Initiative Preparation and Supervision	69
Annex 12: Documents in the Project File	71
Annex 13: Statement of Loans and Credits	73
Annex 14: Country at a Glance	77
Annex 15: Incremental Cost Analysis	79
Annex 16: STAP Roster Review	82
Annex 17: Projects' Selection Process and Results.....	84
Annex 18: Appraisal Document for MMA Cerrado Policy and Biome Monitoring Project - Fundo Brasileiro para a Biodiversidade	88
Annex 19: Appraisal Document for TOCANTINS Sustainable Cerrado Project – State of Tocantins	123
Annex 20: Maps.....	157

BRAZIL
SUSTAINABLE *CERRADO* INITIATIVE
INITIATIVE APPRAISAL DOCUMENT
LATIN AMERICA AND CARIBBEAN
LCSEN

Date: February 22, 2010	Team Leader: Garo J. Batmanian
Country Director: Makhtar Diop	Sectors: General agriculture, fishing and forestry sector (100%)
Sector Manager/Director: Karin Erika Kemper	Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)
Project ID: P091827	
Focal Area: Biodiversity	
Environmental Assessment: Partial Assessment	
Lending Instrument: Global Environmental Facility	

Initiative Financing Data

[] Loan [] Credit [X] Grant [] Guarantee [] 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 Brasileiro de Conservação da Biodiversidade (ICMBio).

Responsible Agencies:

Fundo Brasileiro para a Biodiversidade (FUNBIO); Tocantins State Infrastructure Secretariat (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	2.2	4.0	4.0	2.4	0.4				
Cumulative	2.2	6.2	10.2	12.6	13.0				

Initiative implementation period: Start March 15, 2010. End: December 1, 2013

Expected effectiveness date: March 15, 2010.	
Expected closing date: December 1, 2013	
Does the project depart from the CPS in content or other significant respects? <i>Ref. PAD I.C</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? N/A <i>Ref. PAD IV.G</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated “substantial” or “high”? <i>Ref. PAD III.E</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD IV.G</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Initiative development objective <i>Ref. PAD II.B, Technical Annex 3</i> 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 <i>Ref. PAD II.B, Technical Annex 3</i> 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 <i>Ref. PAD II.C, Technical Annex 4</i> 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 RATIONALE

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*¹ 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 ha². 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.

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 Tocantins³ must maintain 35% in RL. Properties in all other states in the

¹ *Cerrado* is the name given to the Brazilian savannas.

² Vilela et al. 2005. Pasture Degradation and Long-Term Sustainability of Beef Cattle Systems in the Brazilian *Cerrado*.

³ 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.

Cerrado region must maintain 20% in RL. In addition, properties must maintain areas of permanent protection (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 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 extinction⁴ as well

⁴ See *Fundação Biodiversitas* at their website: www.biodiversitas.org.br or IUNC's red-list at www.redlist.org.

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 estimated⁵ 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). 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.

⁵ See: Jesus & Sano, 2002, *Simpósio de Ecologia e Biodiversidade*, UnB and EMBRAPA.

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 #7⁶ 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 *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.

⁶ Millennium Development Goal #7 – "Ensure Environmental Sustainability"

II. INITIATIVE DESCRIPTION

A. Financing Instrument

28. **The Sustainable *Cerrado* Initiative is an umbrella venture which 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 negotiated: (i) MMA *Cerrado* Policy and Biome Monitoring Project, and (ii) Tocantins Sustainable *Cerrado* Project. The timing of the others two individual grant negotiations may end up being sequenced over a 30 - 90 days period as each recipient needs to meet different conditions prior to negotiations.

33. This Sustainable *Cerrado* Initiative PAD is being presented to the Board, with the final description of two projects and with the individual grant agreement for FUNBIO and the State of Tocantins (Annex 18 and 19). Management is seeking (i) support for the Sustainable *Cerrado* Initiative through the horizontal APL, and (ii) approval of two grants of the APL. Subsequent grants would be presented when the projects have been negotiated. In accordance with Bank's streamlined procedures for horizontal APLs, each subsequent grant package 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 Committee⁷ 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 each negotiated project are presented in: Annex 18 for the MMA Project, Annex 19 for the Tocantins Project.

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.

⁷ 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 have 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%⁸ of the *Cerrado* biome; and
- Biodiversity conservation increased in four priority regions⁹ of the *Cerrado*.

⁸ This will be measured by considering the total *Cerrado* area of each state where the policy is adopted.

⁹ 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 place¹⁰.

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

¹⁰ 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 properties¹¹ in project-supported areas regularly using some form of natural resource, land or agricultural management or biodiversity conservation practice, and/or “sustainable management” production¹² (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's</i> 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.

¹¹ Rural properties refer to entire sector, including medium and large farmers.

¹² 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 organizations¹³ 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

¹³ 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 Planaflores 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 Planaflo 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 ARPA¹⁴ project resulting on the creation of sustainable use PAs next to full protection 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.

¹⁴ 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	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
		will be based on environmental and economic 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

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
ICMBio Project	ICMBio does not have all of the monitoring, reporting and other information systems fully operational to handle FM requirements.	<p>ICMBio has structured an FM unit with 8 experienced staff transferred from IBAMA.</p> <p>The Bank has already engaged with the team. Those 8 staff have already attended training on Bank's FM and disbursements policies and procedures.</p> <p>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.</p> <p>The World Bank will provide continuous training and assistance to FM staff.</p>	M
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.	<p>The state already has experience in procurement of a Bank-financed US\$ 60-million SIL currently under implementation.</p> <p>At least one Procurement Supervision mission per year.</p>	M
Goiás Project	Capacity to carry out the additional procurement for this project.	<p>The state already has experience in procurement of a Bank-financed SIL.</p> <p>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.</p> <p>The World Bank will provide continuous training and assistance to procurement staff.</p>	M
ICMBio project	ICMBio has no previous experience with Bank-financed procurement.	<p>The procurement is carried out by one special bidding committee (CEL) with a president and three members (all ICMBio staff).</p> <p>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.</p> <p>This project will not require a complex support and control system because of methods used, and will have a satisfactory system of control.</p> <p>ICMBio should ensure that the system will allow</p>	M

<i>Risk factors</i>	<i>Description of risk</i>	<i>Mitigation measures</i>	<i>Rating^a residual risk</i>
		prompt monitoring of procurement and contracts. The World Bank will provide continuous training and assistance to procurement staff.	
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: MMA Project and Annex 19: Tocantins 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 to 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: MMA Project and Annex 19: Tocantins 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]

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

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

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 their respective Annexes (Annex 18: MMA Project and Annex 19: Tocantins 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 hotspot¹⁵ 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 areas¹⁶. 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 species¹⁷. At the present time, 112 terrestrial animal species are threatened with extinction¹⁸. 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

¹⁵ Mittermeier *et al.* 2004. Hotspots revisited. CEMEX 389 p.

¹⁶ See Klink and Machado, 2005, Conservation Biology 19, No 3, June 2005.

¹⁷ Machado, 2000. A fragmentação do *Cerrado* e a avifauna na região de Brasília. PhD thesis.

¹⁸ 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 cyanopsis*), 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 ha¹⁹. 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 estimated²⁰ 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).

¹⁹ Vilela et al. 2005 Pasture Degradation and Long-Term Sustainability of Beef Cattle Systems in the Brazilian *Cerrado*.

²⁰ See: Jesus & Sano, 2002, *Simpósio de Ecologia e Biodiversidade*, UnB and EMBRAPA.

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 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*, (*Myracrodunon 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, handicrafts, 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.²¹

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,

²¹ For more information, see www.iieb.org.br/programa.asp?id_subprograma=46&id_programa=13.

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).

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 "ICMS²² 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 intends²³ 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.

²² Brazilian Value Added Tax

²³ 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.

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:

- 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)²⁴, 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 species²⁵. 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 sizes²⁶, showed the disappearance of 30% to 46% of bird species within three years of isolation.

²⁴ For the relevant legislation, see: *Law N° 9.985, of June 18, 2000 and Decree N° 4.340, August 22, 2002.*

²⁵ Machado 2000 *A fragmentação do Cerrado e a avifauna na região de Brasília*. PhD thesis.

²⁶ Hass, Braz and Cavalcanti, 2005. *Fragmentation and the Role of Conservation Units in Biodiversity Conservation*.

- **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 Protection Areas and Legal Reserves by medium and large farmers should 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)
<u>Bank-financed</u>				
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	MS	MS
Strengthening institutional capacity	National Environmental Program II – closed	P035741	IEG Outcome Rating: S	
	National Environmental Program II – Phase II	P099469	S	S
<u>Bank-managed</u>				
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	S	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	S	S
	Amazon Aquatic Resources (Aquabio) (GEF)	P066535	MS	MS
<u>Other Development Agencies</u>				
Institutional strengthening capacity.	IDB and Netherlands Funds: National Environment Fund (FNMA)			
Biodiversity conservation.	GEF: Establishment of Private Natural Heritage Reserves (RPPNs) in the Brazilian Cerrado (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**

<p>PDO/ Initiative Global Environment Objective</p> <ul style="list-style-type: none"> To enhance biodiversity conservation in, and to improve environmental and natural resource management of, the Cerrado in Brazil's territory through appropriate policies and practices 	<p>Sustainable Cerrado Initiative (Phase 1 & 2)</p> <p>Outcome Indicators</p> <ul style="list-style-type: none"> Cerrado conservation policy framework fully developed and at least four policy components adopted and contributing to biodiversity conservation in over 20% of the Cerrado biome. Biodiversity conservation increased in at least four priority regions of the Cerrado biome. 	<p>Current Sustainable Cerrado Initiative Outcome Indicators for this Phase 1</p> <ul style="list-style-type: none"> Action Plan of the National Sustainable Cerrado Program and at least two public policies are adopted and contributing to biodiversity conservation in over 20%²⁷ of the Cerrado biome. Biodiversity conservation increased in four priority regions of the Cerrado biome. 	<p>Use of Outcome Information</p> <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.
<p>Initiative Intermediate Results</p> <p>Component 1:</p> <ul style="list-style-type: none"> Improved conservation of the Cerrado's biodiversity. 	<p>Results Indicators</p> <p>At least an additional 4.6 million hectares of the Cerrado Biome protected through the creation/expansion of Protected Areas (PAs).</p> <p>At least 70% of the Cerrado PAs targeted by the Sustainable Cerrado Initiative with their basic protection measures in place.</p>	<p>Initiative Results Indicators for Phase 1</p> <ul style="list-style-type: none"> An additional 2.0 million hectares of the Cerrado biome protected through the creation/ expansion of PAs. 30% of the Cerrado PAs targeted by the Sustainable Cerrado Initiative with their basic protection measures in place, covering about 4.0 million ha, 	<p>Use of Results Monitoring</p> <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.

²⁷ This will be measured by considering the total area under Cerrado of each state where the policy is adopted according to SPI (GEF tracking tool).

Initiative Intermediate Results	Results Indicators	Initiative Results Indicators for Phase 1	Use of Results Monitoring
<p>Component 2:</p> <ul style="list-style-type: none"> Sustainable use of the <i>Cerrado</i>'s natural resources expanded within the productive landscape. 	<p>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.</p> <p>Over 40% of rural properties in the project-supported areas regularly using some form of biodiversity conservation and/or "sustainable management" production practice²⁸.</p> <p>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.</p>	<ul style="list-style-type: none"> 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. 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. 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. 	<ul style="list-style-type: none"> YR1-YR4 may flag training or technology transfer (extension) difficulties. YR4 will guide on possible "sustainable management"²⁹ implementation rates during mainstreaming.
<p>Component 3 :</p> <ul style="list-style-type: none"> 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. 	<p>Action Plan of the National Sustainable <i>Cerrado</i> Program concluded and publicly launched.</p> <p>A minimum of six new public policies related to the conservation and sustainable use of the <i>Cerrado</i>'s natural resources developed²⁹.</p> <p>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.</p>	<ul style="list-style-type: none"> Formulation of the Action Plan of the National Sustainable <i>Cerrado</i> Program publicly launched and under implementation. Four new public policies related to the conservation and sustainable use of the <i>Cerrado</i>'s natural resources developed. 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. 	<ul style="list-style-type: none"> 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.

²⁸ 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.
²⁹ 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 I	Use of Results Monitoring
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> ▪ 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. 	
<p>Component 4;</p> <ul style="list-style-type: none"> ▪ Coordination and monitoring the <i>Cerrado</i> biome 	<p>All the projects of the Sustainable <i>Cerrado</i> Initiative being coordinated, monitored and annually evaluated, with the results widely publicized.</p> <p>Information on the vegetation cover, biodiversity and land use of the <i>Cerrado</i> biome periodically updated and made freely available.</p>	<ul style="list-style-type: none"> ▪ 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. 	
		<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> ▪ 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.

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	Instruments	Responsibility
Action Plan of the National Sustainable Cerrado Program and at least two public policies are adopted and contributing to biodiversity conservation in over 20%³⁰ of the Cerrado 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 Cerrado biome.	Biannual project report.	Joint Supervision Missions ³¹ based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable Cerrado Initiative Committee and DCBio.
Biodiversity conservation increased in four priority regions³² of the Cerrado biome.	To be established in YR1.	(To be established after baseline studies)			100%	Biannual project report...	Project reports confirmed by Joint Supervision Missions.	Executing agencies, Bank, Sustainable Cerrado Initiative Committee & DCBio.

Result Indicators for each Component	Cumulative Target value					Data Collection and Reporting		
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Instruments	Responsibility
Component 1								
An additional 2.0 million hectares of the Cerrado biome protected through the creation/ expansion of new PAs.	2.9 million ha	3.2	4.1	4.5	4.9	Biannual project report.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable Cerrado Initiative Committee & DCBio.
30% of the Cerrado PAs targeted by the Sustainable Cerrado 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.	Joint Supervision Missions based on documented evidence and corroborated by field visits.	Executing agencies, Bank, Sustainable Cerrado Initiative Committee & DCBio.
Component 2								

³⁰ This will be measured by considering the total area under Cerrado of each state where the policy is adopted.

³¹ Joint Supervision Missions are to be carried out by the Bank and DCBio/MMA.

³² 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
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.	None.	1	4	11	12	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.
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. ³³	(To be established after baseline studies in each project)			10%	Biannual project report.	Joint Supervision Missions based on sample survey results ³⁴ 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	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.

³³ Baseline may have to be adjusted upon acceptance of projects.

³⁴ 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
developed.								
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.	To be established in YR1. ³⁵	-	-	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.

³⁵ Baseline may have to be adjusted upon acceptance of projects.

- (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.
- (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 biodiversity³⁶. 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 place³⁷.

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) bill³⁸ — 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”³⁹ supported by PROBIO, and on the official 2007 MMA “Updated Map of Priority Areas for the Conservation, Sustainable Use, and Sharing of Benefits from

³⁶ 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.

³⁷ 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.

³⁸ 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.

³⁹ 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/portalbio.

the Brazilian Biodiversity”⁴⁰. 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 policies⁴¹.

- 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” production⁴² (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

⁴⁰ 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.

⁴¹ See WB’s website: www.worldbank.org and Annex 10 of this PAD.

⁴² 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.⁴³ 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 protected⁴⁴. 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 Protection 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)⁴⁵ 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

⁴³ 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.

⁴⁴ 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.

⁴⁵ 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 organizations⁴⁶ 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

⁴⁶ 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 properties⁴⁷ 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.

⁴⁷ 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 A	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 loans⁴⁸, 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:

<i>Name of co-financier (source).</i>	<i>Classification</i>	<i>Type</i>	<i>US\$ million</i>	<i>%</i>
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

⁴⁸ 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 each individual project in their respective Annexes (Annex 18: MMA Project and Annex 19: Tocantins 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 project description Annexes (Annex 18: MMA Project and Annex 19: Tocantis 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 IFR⁴⁹ 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.

⁴⁹ 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 project description Annexes (Annex 18: MMA Project; and Annex 19: Tocantins 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.

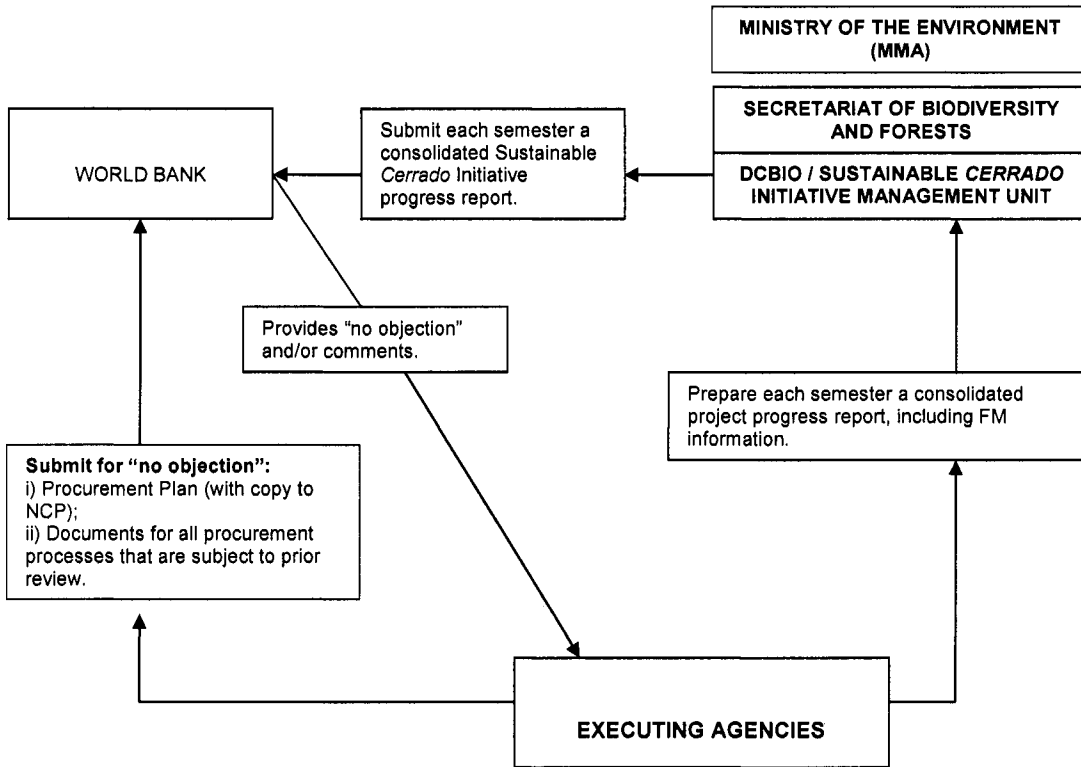
Frequency of Procurement Supervision

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 RL⁵⁰, 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.

⁵⁰ 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 project description Annexes (Annex 18: MMA Project and Annex 19: Tocantins 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
Board/RVP approval	March 18, 2010	
Planned date of effectiveness	April 15, 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	LCSEN
Bernadete Lange	Environmental Specialist	LCSRF
Cristina Oliveira Roriz	Operations Analyst	LCSRF
Caroline Moreira	Team Assistant	LCR
Daniella Arruda	Team Assistant	LCSRF
Daniele La Porta	E T Consultant	LCSEN
Erik Fernandes	Adviser	ARD
Fabiola Vasconcelos	Team Assistant	LCSRF
Flavio Chaves	Research Analyst	LCC5C
Frederico Rabello	Procurement Analyst	LCOPR
Garo Batmanian	Sr. Environmental Specialist	LCSRF
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	LCSRF
Mark Lundell	Sector Leader	LCSSD
Nicolas Drossos	Consultant	LCSFM
Paula Silva Pedreira de Freitas	Operations Analyst	LCSEN
Ricardo Tarifa	Forestry Specialist	LCSRF
Regis Cunningham	Sr. Finance Officer	LOAG1
Sinuê Aliram	Procurement Analyst	LCOPR
Susana Amaral	Financial Mgmt Analyst	LCSFM
Zezé 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	GO
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
Ugo Eichler Vercillo	ICMBio Project Coordinator	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 Credits

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	
P117244	2010	BR-RJ Human Development and Competitiveness DPL	485.0	0.00	0.00	0.00	0.00	485.0	0.00	0.00	
P101508	2010	BR-RJ Sustainable Rural Development	39.50	0.00	0.00	0.00	0.00	39.50	1.17	0.00	
P108654	2010	BR Pernambuco Sustainable Water	190.00	0.00	0.00	0.00	0.00	190.00	0.00	0.00	
P099469	2010	BR (APL2) 2nd National Environmental	24.30	0.00	0.00	0.00	0.00	24.30	0.00	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	
P106663	2010	BR Sao Paulo Feeder Roads Project	166.65	0.00	0.00	0.00	0.00	83.90	-82.34	0.00	
P104995	2010	BR Municipal APL5: Santos	44.00	0.00	0.00	0.00	0.00	44.00	0.00	0.00	
P006553	2010	BR SP APL Integrated Wtr Mgmt	104.00	0.00	0.00	0.00	0.00	104.00	1.89	0.00	
P111996	2010	BR RJ Mass Transit II	211.70	0.00	0.00	0.00	0.00	211.17	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	46.00	0.03	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	-1.93	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	27.04	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	-1.95	0.00	
P107843	2009	BR Fed District Multisector Manag. Proj.	130.00	0.00	0.00	0.00	0.00	129.68	25.57	0.00	
P110614	2009	BR: Sergipe State Int. Proj.: Rural Pov	20.80	0.00	0.00	0.00	0.00	18.99	3.74	0.00	
P088716	2009	BR Health Network Formation & Quality Im	235.00	0.00	0.00	0.00	0.00	235.00	3.23	0.00	
P106038	2008	BR Sao Paulo Trains and Signalling	550.00	0.00	0.00	0.00	0.00	315.99	26.83	0.00	
P083997	2008	BR Alto Solimoes Basic Services and Sust	24.25	0.00	0.00	0.00	0.00	21.59	4.51	0.00	
P101324	2008	BR-Second Minas Gerais Dev't Partnership	976.00	0.00	0.00	0.00	0.00	235.40	-19.16	0.00	
P095626	2008	BR (APL2)Family Health Extension 2nd APL	83.45	0.00	0.00	0.00	0.00	83.24	23.30	0.00	
P088966	2008	BR Municipal APL3: Teresina	31.13	0.00	0.00	0.00	0.00	28.64	3.75	0.00	
P089929	2008	BR RGN State Integrated Water Res Mgmt	35.90	0.00	0.00	0.00	0.00	32.78	21.63	0.00	
P094199	2008	BR-(APL) RS (Pelotas) Integr. Mun. Dev.	54.38	0.00	0.00	0.00	0.00	39.36	4.27	0.00	
P089013	2008	BR Municipal APL: Recife	32.76	0.00	0.00	0.00	0.00	32.68	13.12	0.00	
P089793	2007	BR State Pension Reform TAL II	5.00	0.00	0.00	0.00	0.00	4.99	3.08	0.00	
P089011	2007	BR Municipal APL1: Uberaba	17.27	0.00	0.00	0.00	0.00	13.21	9.31	0.00	
P082651	2007	BR APL 1 Para Integrated Rural Dev	60.00	0.00	0.00	0.00	0.00	54.23	47.23	0.00	
P095460	2007	BR-Bahia Integr.Hway Mngmt.	100.00	0.00	0.00	0.00	0.00	90.26	24.13	0.00	
P089440	2006	BR-Brasilia Environmentally Sustainable	57.64	0.00	0.00	0.00	0.00	24.68	22.27	0.00	
P093787	2006	BR Bahia State Integ Proj Rur Pov	84.35	0.00	0.00	0.00	0.00	30.72	-0.28	0.00	
P081436	2006	BR-Bahia Poor Urban Areas Integrated Dev	49.30	0.00	0.00	0.00	0.00	42.66	42.66	0.00	
P090041	2006	BR ENVIRONMENTAL SUST.	8.00	0.00	0.00	0.00	0.00	5.04	5.00	0.49	

AGENDA TAL										
P050761	2006	BR-Housing Sector TAL	4.00	0.00	0.00	0.00	2.70	1.13	3.83	-0.13
P092990	2006	BR - Road Transport Project	501.25	0.00	0.00	0.00	0.00	228.70	205.45	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	-19.59
P076924	2005	BR- Amapa Sustainable Communities	4.80	0.00	0.00	0.00	0.23	2.35	2.58	1.86
P083533	2005	BR TA-Sustain. & Equit Growth	12.12	0.00	0.00	0.00	0.00	7.78	7.78	0.00
P060573	2004	BR Tocantins Sustainable Regional Dev	60.00	0.00	0.00	0.00	0.00	20.83	20.83	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	9.43	9.43	0.00
P066170	2002	BR-RGN Rural Poverty Reduction	45.00	0.00	0.00	0.00	0.00	17.96	-4.48	18.02
P060221	2002	BR FORTALEZA METROPOLITAN TRANSPORT PROJ	85.00	0.00	0.00	0.00	62.60	11.33	67.82	16.11
P051696	2002	BR SÃO PAULO METRO LINE 4 PROJECT	304.00	0.00	0.00	0.00	0.00	52.06	-42.70	52.30
P006449	2000	BR CEARA WTR MGT PROGERIRH SIM	239.00	0.00	0.00	0.00	0.00	102.74	0.00	5.00
Total:			7,999.66	0.00	0.00	0.00	65.53	4,900.40	278.69	74.06

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	Enerbrásil 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	Sepetiba	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

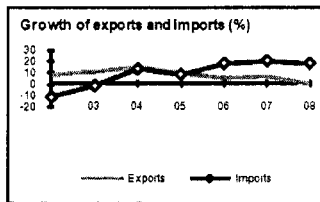
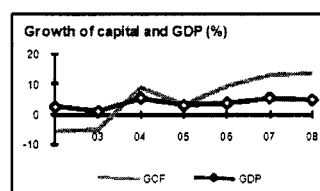
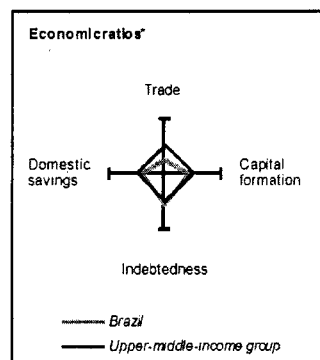
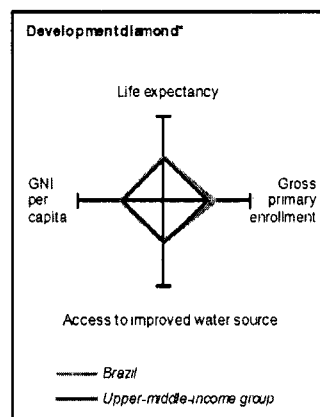
Annex 14: Country at a Glance

BRAZIL: Sustainable Cerrado Initiative

Brazil at a glance

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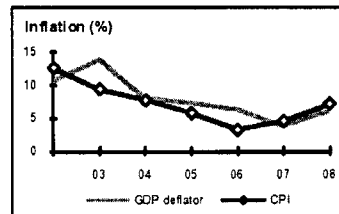
POVERTY and SOCIAL	Latin America & Carib.	Upper- middle- Income		
2008				
Population, mid-year (millions)	192.0	561		
GNI per capita (Atlas method, US\$)	7,300	5,801		
GNI (Atlas method, US\$ billions)	14013	3,252		
Average annual growth, 2002-08				
Population (%)	12	13		
Labor force (%)	2.2	2.3		
Most recent estimate (latest year available, 2002-08)				
Poverty (% of population below national poverty line)	22	..		
Urban population (% of total population)	86	78		
Life expectancy at birth (years)	73	73		
Infant mortality (per 1000 live births)	20	22		
Child malnutrition (% of children under 5)	2	4		
Access to an improved water source (% of population)	91	91		
Literacy (% of population age 15+)	86	91		
Gross primary enrollment (% of school-age population)	100	118		
Male	134	120		
Female	125	116		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1988	1998	2007	2008
GDP (US\$ billions)	330.4	843.8	1333.3	1575.2
Gross capital formation/GDP	22.7	17.0	17.7	18.9
Exports of goods and services/GDP	10.9	8.9	13.7	14.3
Gross domestic savings/GDP	27.9	16.0	19.3	19.1
Gross national savings/GDP	..	..	17.5	16.9
Current account balance/GDP	13	-4.0	0.1	-1.8
Interest payments/GDP	19	17	11	10
Total debt/GDP	30.7	26.6	17.3	16.2
Total debt service/exports	25.9	75.8	27.2	22.8
Present value of debt/GDP	..	..	19.6	15.6
Present value of debt/exports	..	..	13.9	10.1
	1988-98	1998-08	2007	2008
<i>(average annual growth)</i>				
GDP	2.3	3.3	5.7	5.1
GDP per capita	0.7	2.0	4.6	4.1
Exports of goods and services	5.4	9.1	6.7	-0.6
STRUCTURE of the ECONOMY				
	1988	1998	2007	2008
<i>(% of GDP)</i>				
Agriculture	10.1	5.5	6.0	6.7
Industry	43.6	25.7	28.1	28.0
Manufacturing	31.0	16.7	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
	1988-98	1998-08	2007	2008
<i>(average annual growth)</i>				
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	2.8	2.8	13.5	13.8
Imports of goods and services	14.6	5.5	20.8	18.5



Note: 2008 data are preliminary estimates.
 * 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.

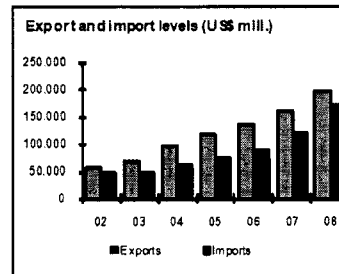
PRICES and GOVERNMENT FINANCE

	1988	1998	2007	2008
Domestic prices				
<i>(% change)</i>				
Consumer prices	980.2	1.7	4.5	7.1
Implicit GDP deflator	651.1	4.2	3.7	5.9
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	10.8	0.0	23.9	24.8
Current budget balance	-2.0	0.0	2.3	3.0
Overall surplus/deficit	4.0	-0.8	-2.3	-1.6



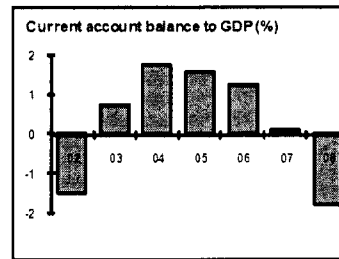
TRADE

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Total exports (fob)	32,809	50,736	160,649	197,942
Coffee	2,091	3,253	0,558	6,539
Soybeans	3,175	2,178	6,709	10,952
Manufactures	18,389	29,387	83,943	92,683
Total imports (cif)	14,805	57,714	20,622	173,107
Food	376	2,514	2,082	2,812
Fuel and energy	4,104	4,100	20,085	31,463
Capital goods	4,955	16,102	25,125	35,929
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



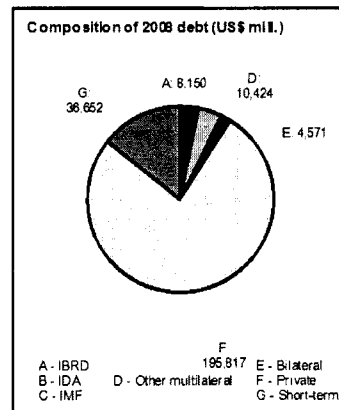
BALANCE of PAYMENTS

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Exports of goods and services	35,650	59,037	184,603	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	-3,776	-18,188	-29,291	-40,562
Net current transfers	-20	1,458	4,029	4,224
Current account balance	4,150	-33,416	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)	9,110	44,556	180,334	206,806
Conversion rate (DEC. local/US\$)	9.53E-8	12	19	18



EXTERNAL DEBT and RESOURCE FLOWS

	1988	1998	2007	2008
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	101,295	224,632	231,032	255,614
IBRD	1,824	171	6,704	8,150
IDA	..	..	..	..
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	155	..
Official creditors	-340	3,632	-754	2,076
Private creditors	3,194	15,728	19,105	27,188
Foreign direct investment (net inflows)	2,804	31,913	34,585	45,058
Portfolio equity (net inflows)	189	-1,768	26,217	-7,565
World Bank program				
Commitments	0	0	0	0
Disbursements	0	0	374	1,606
Principal repayments	268	61	15	146
Net flows	-268	-61	258	1,459
Interest payments	161	15	364	335
Net transfers	-429	-77	-106	1,125



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 separately in each project document (Annex 18: MMA Project and Annex 19: Tocantins Project).

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		

Expected Outcomes	Cost Category	US\$ million	Domestic Benefit	Global Benefit
Strengthening the policy and regulatory framework for mainstreaming Cerrado biodiversity.	Business as Usual	4.51	<ul style="list-style-type: none"> • Limited impact on increased information exchange. • Limited and uncoordinated activities. 	<ul style="list-style-type: none"> • Limited global benefit since the program does not have an Action Plan or the political decision to be implemented.
	With GEF Alternative	8.36		<ul style="list-style-type: none"> • 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	institutions.	
Coordination	Business as Usual	1.30	<ul style="list-style-type: none"> • Initiative coordination activities would not happen. 	
	With GEF Alternative	2.39	<ul style="list-style-type: none"> • Increased knowledge sharing, awareness of key stakeholders. • Better national decision-making and more effective monitoring. • Coordinated activities among key stakeholders. 	<ul style="list-style-type: none"> • 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 project⁵¹, 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.

⁵¹ The sub-project proposal follows a simplified form of the WB's PAD.

Table 1: Project Selection Criteria.

Qualifying Criteria ⁵²	Additional Preferential Criteria
<p>Consistency with Policies</p> <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).
<p>Integration with Other Institutions</p> <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.
<p>Legal Competencies</p> <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).
<p>Scope of Geographic Area</p> <ul style="list-style-type: none"> ▪ The core area of the <i>Cerrado</i> biome, as defined by the Brazilian Biomes Map (IBGE⁵³, 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 2007.⁵⁴ ▪ Areas with proven social or economic potential for the sustainable use of the <i>Cerrado's</i> 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 Permanently Protected Areas (APPs)⁵⁵, 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.

⁵² That is, "*sine qua non*" — outside these criterion, the sub-project will not be considered.

⁵³ Brazilian Federal Institute for Geography and Statistics, linked to the Ministry of Planning

⁵⁴ 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/portalbio.

⁵⁵ 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) ⁵⁶ .	Not applicable.
Relationship between GEF and Counterpart Funds⁵⁷	
▪ 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.

⁵⁶ Note: GEF funds may not be applied in activities that are constitutional state obligations.

⁵⁷ 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 MMA *Cerrado* Policy and Biome Monitoring Project -
Fundo Brasileiro para a Biodiversidade**

Date: February 22, 2010		Team Leader: Garo J. Batmanian							
Country Director: Makhtar Diop		Sectors: General agriculture, fishing and forestry sector (100%)							
Sector Manager: Karin Erika Kemper		Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)							
Project ID: P091827									
Focal Area: Biodiversity									
Environmental Assessment: Partial Assessment									
Lending Instrument: Global Environmental Facility									
Project Financing Data									
[] Loan [] Credit [X] Grant [] Guarantee [] Other:									
For Loans/Credits/Others: Total Bank financing (US\$m.): 4.00 Proposed terms:									
Financing Plan (US\$m)									
Source	Local	Foreign	Total						
BORROWER/RECIPIENT	8.00	0.00	8.00						
GLOBAL ENVIRONMENT FACILITY	0.00	4.00	4.00						
Total:	8.00	4.00	12.00						
Recipient: Fundo Brasileiro para a Biodiversidade (FUNBIO) Brazil									
Responsible Agency: Fundo Brasileiro para a Biodiversidade (FUNBIO) Brazil									
Estimated disbursements (Bank FY/US\$m)									
FY	2010	2011	2012	2013	2014				
Annual	0.60	1.00	1.00	1.00	0.40				
Cumulative	0.60	1.60	2.60	3.60	4.00				
Project implementation period: Start: April 15, 2010. End: December 1, 2013. Expected effectiveness date: April 15, 2010. Expected closing date: December 1, 2013									
Project development objective 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.									
Global Environment objective The objectives of this 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 through Actions Related to Protected Areas: contribute to biodiversity conservation through the creation/expansion of protected areas of at least one million hectares of ecologically valuable *Cerrado* by strengthening the National Protected Areas System and supporting policy coordination for the National Protected Areas Plan.

Component 2: Sustainable Use of Biodiversity in the Productive Landscape: support four initiatives on best practices for agro-silvicultural production in the *Cerrado* using CIMA and MDR by promoting the sustainable management of natural resources through, *inter alia*, the rehabilitation of *Cerrado* degraded areas with native species, the implementation of sustainable agro-forestry and agro-extractive systems and the recovery of traditional technologies.

Component 3: Policy Development: establish adequate institutional structures and develop special support studies for the launching and the long-term implementation of the National Sustainable *Cerrado* Program.

Component 4: *Cerrado* Biome Monitoring: develop a geo-referenced *Cerrado* Biome monitoring system to monitor vegetation cover, land use and other aspects of the *Cerrado* Biome included in the *Cerrado* Biome Database through assessments, system design and data collection for said monitoring system.

Component 5: Project Coordination for the Sustainable *Cerrado* Initiative: Establish and support mechanisms for coordinating, monitoring and evaluating the Sustainable *Cerrado* Initiative by supporting the establishment and effective operation of the Sustainable *Cerrado* Initiative Committee and by approving and ensuring overall coordination, monitoring and evaluation of the Sustainable *Cerrado* Initiative Related Projects.

Component 6: Coordination for the MMA *Cerrado* Policy and Biome Monitoring Project: (a) support DCBio to efficiently and effectively implement, supervise, coordinate and administer all the activities carried out under the Project; and (b) support FUNBIO Project Unit to efficiently and effectively implement, the Project financial management, procurement and audit activities as well as financial Project closing activities.

Which safeguard policies are triggered, if any?

This project is classified as Environmental Category B.

Safeguards triggered by the project are: Environmental Assessment (OP/BP 4.01); Natural Habitats (OP/BP 4.04); Pest Management (OP/BP 4.09); Physical Cultural Resources (OP/BP 4.11); Involuntary Resettlement (OP/BP 4.12); Indigenous Peoples (OP/BP 4.10); and, Forests (OP/BP 4.36)

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

Board presentation: None.

Grant effectiveness: (i) the execution and delivery of the Grant Agreement on behalf of FUNBIO have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Cooperation Agreement has been signed on behalf of the FUNBIO and MMA in form and

substance satisfactory to the World Bank and the execution and delivery of said Cooperation Agreement on behalf of the FUNBIO and MMA have been duly authorized or ratified by all necessary governmental and corporate action; and (iii) The Operational Manual has been adopted by the FUNBIO in form and substance satisfactory to the World Bank.

Covenants applicable to project implementation: (i) the FUNBIO Project Unit shall carry out Component 6(b) of the Project and shall cause MMA, through DCBio, to carry out Components 1, 2, 3, 4, 5 and 6(a) of the Project, through the Cooperation Agreement, all in accordance with the Operational Manual; (ii) the FUNBIO shall ensure, until the completion of the execution of the Project that the FUNBIO Project Unit shall have competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a general coordinator, a financial management specialist and a procurement specialist; (iii) The FUNBIO shall cause MMA, through the Cooperation Agreement, to ensure, until the completion of the execution of the Project, that DCBio shall have competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a general coordinator, a deputy coordinator, an administrative official and an environmental specialist; (iv) the FUNBIO shall cause MMA, through the Cooperation Agreement, to maintain the Sustainable Cerrado Initiative Committee, with membership and functions acceptable to the World Bank and with at least annual meetings to be held no later than each November 30, commencing on the first such date after the Effective Date, or such other date as the World Bank shall agree upon, with all its members present and with the participation of the World Bank, if the World Bank so requests, in order to evaluate and monitor the Sustainable Cerrado Initiative progress during the preceding twelve months and furnish to the World Bank minutes of said meetings; (v) the FUNBIO shall prepare jointly with DCBio 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 (the Annual Operational Plan) for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; (vi) on or before December 31, 2011, or such other date as the World Bank shall agree upon, the FUNBIO shall, through FUNBIO Project Unit: (a) carry out jointly with the World Bank and with DCBio 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; and, (vii) the FUNBIO shall make a portion of the proceeds of the Grant available to MMA (through DCBio) under a cooperation agreement to be executed and thereafter implemented under terms and conditions acceptable to the World Bank between the FUNBIO and MMA in order for DCBio to carry out Components 1, 2, 3, 4, 5 and 6(a) of the Project; (viii) The FUNBIO shall ensure that the Project is carried out in accordance with: (a) the Environmental Assessment for the Initiative and the Environmental Management Plan (including provisions for chance finding of cultural property and natural habitats); (b) the Resettlement Framework for the Initiative; and (c) the Indigenous Peoples Planning Framework for the Initiative.

I. INTRODUCTION

1. Since Brazil's ratification of the United Nation's Convention on Biological Diversity in 1994, people living in the *Cerrado* have become increasingly concerned about the ecological health of their ecosystem. Continuous pressure from civil society organizations (CSOs) have led the Government of Brazil (GoB) to formally express its commitment to a biome-wide management concept, through its Multi-year Budget Plans (PPA) for 2004-2007 and 2008-2011.

2. In late 2004, the *Cerrado* Working Group, composed of federal, state and municipal governments, CSOs and the private sector⁵⁸, presented a long-term policy proposal called the "National Program for the Conservation and Sustainable Use of the *Cerrado* Biome" (hereafter referred to as the National Sustainable *Cerrado* Program)⁵⁹. The National Sustainable *Cerrado* Program intends to promote the conservation and sustainable use of the biome's natural resources. It focuses on the protection of ecosystems; rehabilitation of degraded areas; adjustment of production systems, taking into consideration social and environmental sustainability issues; improvement of the livelihoods of traditional communities and small-scale producers in the region; and on a greater social participation in the biome's environmental management, while fostering the decentralization of the environmental management to the states. These principles and guidelines must be further specified, through policy analyses and design, during the formulation of the Action Plan for the National Sustainable *Cerrado* Program, with emphasis on the definition of priorities identified by the National Sustainable *Cerrado* Program Commission (CONACER).

3. This MMA *Cerrado* Policy and Biome Monitoring Project is one of the key elements for the implementation of the Sustainable *Cerrado* Initiative. It will build on the World Bank's successfully implemented PROBIO project which, among other achievements, led to the definition of priority areas for conservation in the *Cerrado* biome. The proposed project draws upon the results of the PROBIO project and will coordinate with the other World Bank GEF full-size projects being prepared or recently approved such as the Biodiversity Mainstreaming and Institutional Consolidation Project, ensuring complementarities and avoiding overlaps.

4. The policy work (analysis and implementation) proposed in this project 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.

II. RESULTS FRAMEWORK AND MONITORING

5. The key results and outcomes to be monitored during project implementation are:

⁵⁸ The *Cerrado* Working Group was formed by the MMA in September 2003 and concluded its work in September 2005.

⁵⁹ The National Program is fully consistent with the WB's country strategy (CPS 2008 - 11) and the GEF's (OP-3 & BD-1, and OP-13 & BD-2) strategies. For Program details, see the MMA's site at www.mma.gov.br.

Overall Project Objective	Project Outcome Indicator	Use of Outcome Information
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"> The number of sector policies and plans which include measures which promote sustainable use or conservation of biodiversity. Representativeness of the different priority areas of the <i>Cerrado</i> Biome in Protected Areas increased. 	YR1-YR2 will determine if implementation strategy needs adjustment.
Intermediate Project Results	Results Indicators	Use of Results Monitoring
Component 1 Conservation of biodiversity improved through actions related to protected areas.	<p>1.1 National Protected Areas Plan (PNAP) detailed for the <i>Cerrado</i> and being implemented in the biome.</p> <p>1.2 An additional 1.0 million hectares of the <i>Cerrado</i> biome protected through the creation and/or expansion of protected areas.</p>	YR1- YR4: assess degree of implementation to provide feedback for next year activities.
Component 2 Conservation of biodiversity improved in the productive landscape through the promotion of sustainable production practices.	2.1 Four initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources documented and disseminated, and two implemented, totalizing 600 ha covered by sustainable management practices in project target areas; and 200 producers trained in the application of best practices.	YR1-YR3 may flag implementation opposition, design flaws, or insufficient funds. YR2 may flag the need for new projects.
Component 3 Brazil's National Sustainable <i>Cerrado</i> Program being fully implemented.	<p>3.1 Two selected institutions (DCBio, and National Sustainable <i>Cerrado</i> Program Commission - CONACER) who are working on matters related to the use of natural resources consolidated and functioning.</p> <p>3.2 Formulation of the Action Plan for the National Sustainable <i>Cerrado</i> Program concluded with emphasis on priority sections and publicly launched.</p> <p>3.3 Two new public policies related to the conservation and sustainable use of the <i>Cerrado</i>'s natural resources developed.</p> <p>3.4 Two other initiatives developed⁶⁰ within the National Sustainable <i>Cerrado</i> Program.</p>	YR1-YR3 should indicate the correct coordination efforts necessary for mainstreaming the National Program. YR3 will guide the next steps for mainstreaming.
Component 4 <i>Cerrado</i> biome systematically monitored.	<p>4.1 Vegetation covers monitoring system developed and operational;</p> <p>4.2 Database with information on the vegetation cover, biodiversity and, land use of the <i>Cerrado</i> biome updated and made freely available.</p>	YR2-3 should guide the next steps for mainstreaming.
Component 5 Sustainable <i>Cerrado</i> Initiative implemented and evaluated.	<p>5.1 Initiative Committee implemented and functioning.</p> <p>5.2 All the projects of the Sustainable <i>Cerrado</i> Initiative being coordinated, monitored and annually evaluated, with all results amply publicized.</p>	YR1-YR3 should flag Initiative and project deficiencies in time to be corrected.
Component 6 Project effectively coordinated, monitored and evaluated.	<p>6.1 DCBio team completed and trained to effectively carry out project technical monitoring and evaluation activities, and supervision of procurement activities.</p> <p>6.2 Project financial management and audit activities and project financial closing activities efficiently and effectively implemented by FUNBIO Project Unit staff.</p>	YR1-YR3 should flag project deficiencies in time to be corrected.

⁶⁰ Initiatives similar to the "GEF Sustainable *Cerrado* Initiative" (to which this project is linked) such as: National Plan for Protected Areas, Environmental Sustainability Agenda Technical Assistance Project, Biomes Program, Small Grants Program (PPP), and GEF medium-size project.

Arrangements for Results Monitoring

6. The project coordination staff, within the *Cerrado* and *Pantanal* Coordinating Unit within the Biodiversity Conservation Department (DCBio) of MMA, will be responsible for implementing the project's and the Initiative's M&E activities in accordance with the results framework presented above.

7. During the project's first semester, the DCBio will ensure that: (i) the necessary M&E structure for information gathering and data processing tools is fully operational, including the hiring of consultants to assist DCBio in fulfilling project and Initiative demands. MMA already has M&E capabilities and experience, which may be drawn upon for this purpose; (ii) specific actions are taken to encourage civil society's participation in M&E activities; (iii) a web page for the Initiative is created and periodically updated with free access to the public and to ensure information flow and coordination among the Initiative's projects; (iv) all the necessary base-lines are established; and, (v) the Institutional Cooperation Agreement between MMA and FUNBIO is signed and FUNBIO has established and adequately staffed the FUNBIO Project Unit.

8. The DCBio will prepare and submit "Biannual Project M&E Reports" to the Bank. These reports will examine the monitored performance regarding (i) the specific results framework of the project, and (ii) the expected contributions of the project to the Sustainable *Cerrado* Initiative. They will also contain the project's financial inputs, and propose eventual modifications of the planned activities based on the feedback from the results of the M&E.

9. The DCBio will also send an annual consolidated report to the Initiative Committee, which will review it with the executing agencies of all of the Initiative's projects during the annual seminar. M&E costs are expected to be reasonably low, although travel costs can be high, in view of the great distances involved and frequently reduced accessibility. The project will cover FUNBIO's operational costs related to the financial management and audit activities of the project. These costs are already being considered in component 6 of the proposed project.

Arrangements for Results Monitoring

Project Outcome Indicators	Baseline	Cumulative Target Values					Data Collection and Reporting			Responsibility for Data Collection
		YR1	YR2	YR3	YR4	Frequency and Reports	Data Collection Instruments			
The number of sector policies and plans which include measures which promote sustainable use or conservation of biodiversity.	None.	-	1	-	2	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
Representativeness of the different priority areas of the <i>Cerrado</i> Biome in Protected Areas increased.	To be determined in YR1	One additional priority areas	Three additional priority areas	Four additional priority areas	Five additional priority areas	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
Results Indicators for Each Component										
Component 1										
1.1. PNAP detailed for the <i>Cerrado</i> and being implemented in the biome.	None.	50%	75%	100%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
1.2. An additional 1.0 million hectares of the <i>Cerrado</i> biome protected through the creation and/or expansion of protected areas.	None.	0.4 million ha	0.6 million ha	0.8 million ha	1.0 million ha	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
Component 2										
2.1. Four initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado</i> 's natural resources documented and disseminated, and two implemented, totaling 600 ha covered by sustainable management practices in project target areas; and 200 producers trained in the application of best practices.	None.	0	1	3	4	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
Component 3										
3.1. Two selected institutions (DCBio, and National Sustainable <i>Cerrado</i> Program Commission - CONACER) who are working on matters related to the use of natural resources strengthened and functioning.	40% for DCBio and CONACER established	100%	100%	100%	100%	First year report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.		
3.2. Formulation of the Action Plan for the National Program for the Conservation and Sustainable Use of the <i>Cerrado</i> Biome" concluded with emphasis on priority sections and publicly launched.	40%	60%	100%	100%	100%	Biannual project report.	Published document and circulation figures.	MMA and partners.		

Project Outcome Indicators	Cumulative Target Values					Data Collection and Reporting			Responsibility for Data Collection
	Baseline	YR1	YR2	YR3	YR4	Frequency and Reports	Data Collection Instruments		
3.3. Two new public policies related to the conservation and sustainable use of the <i>Cerrado</i> 's natural resources developed.	None.	0	1	2	2	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
3.4. Two other initiatives developed ⁶¹ within the National Sustainable <i>Cerrado</i> Program.	None.	-	1	-	2	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
Component 4									
4.1. Vegetation cover monitoring system developed and operational; and	None.	20%	40%	80%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
4.2. Database with information on the vegetation cover, biodiversity and land use of the <i>Cerrado</i> biome updated once and made freely available.	None.	20%	40%	80%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
Component 5									
5.1. Initiative Committee implemented and functioning.	None.	100%	100%	100%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
5.2. All the projects of the Sustainable <i>Cerrado</i> Initiative Program being coordinated, monitored and annually evaluated, with all results amply publicized.	None.	100%	100%	100%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
Component 6									
6.1. DCBio team completed and trained to effectively carry out project technical monitoring and evaluation activities, and supervision of procurement activities.	50%	100%	100%	100%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and partners.	
6.2. Project financial management and audit activities and project financial closing activities efficiently and effectively implemented by FUNBIO Project Unit staff.	None	50%	100%	100%	100%	Biannual project report.	Supervision missions based on documental evidence and corroborated through field visits.	MMA and FUNBIO.	

⁶¹ Initiatives similar to the "GEF Sustainable *Cerrado Initiative*" (to which this project is linked) such as: National Plan for Protected Areas, Environmental Sustainability Agenda Technical Assistance Project, Biomes Program, Small Grants Program (PPP) and GEF medium-size project.

III. DETAILED PROJECT DESCRIPTION

10. 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.

11. **The project's development objective is to enhance biodiversity conservation in, and to improve environmental and natural resource management of, the Cerrado in Brazil's territory through appropriate policies and practices.** To this end the proposed project intends to establish a strong policy framework for the entire *Cerrado* region that will also guarantee the support for the implementation of sustainable use and conservation practices in the rural landscape.

12. This project will be implemented during the entire four-year period proposed for the Sustainable *Cerrado* Initiative, in order to ensure the M&E and coordination activities of the Initiative and enable the development and adoption of major policies that should be implemented by the end of the project to guarantee the long-term sustainability and positive impact of the Sustainable *Cerrado* Initiative.

13. **Component 1: Biodiversity Protection through Actions Related to Protected Areas.** (Cost: US\$ 6.47 million, US\$ 0.7 million of which will be from the GEF).: This component aims at contributing to biodiversity conservation through the creation/expansion of protected areas of at least one million hectares of ecologically valuable *Cerrado* by strengthening the National Protected Areas System and supporting policy coordination for the National Protected Areas Plan.

14. This component has the following results indicators: (1.1) National Protected Areas Plan (PNAP) detailed for the *Cerrado* and being implemented in the biome; and (1.2) an additional 1.0 million hectares of the *Cerrado* biome protected through the creation and/or expansion of protected areas.

15. This component will support, among other actions, the: (i) studies detailing of PNAP for the *Cerrado* biome; (ii) studies to support the design of the Federal Protected Areas Plan for the *Cerrado*; and (iii) development of specific studies and basic surveys for proposed locations to create/expand protected areas, such as social assessment, biodiversity assessment, and public consultation. Given the current low representativeness of PAs and progressive loss of natural *Cerrado* areas and, consequently, the urgency of establishing a network or system of protected areas, the MMA and ICMBio will work in integrated and complementary fashion in the processes to create protected areas.

16. This component will finance social and environmental assessments, studies, training, workshops and meetings, acquisition of equipment (e.g., vehicles, computers), travel and, construction of facilities inside the PAs.

17. Component 2: Sustainable use of biodiversity in the productive landscape. (Cost: US\$ 1.32 million, of which US\$ 0.20 million from the GEF). This component aims at supporting four initiatives on best practices for agro-silvicultural production in the *Cerrado* using CIMA and MDR by promoting the sustainable management of natural resources through, *inter alia*, the rehabilitation of *Cerrado* degraded areas with native species, the implementation of sustainable agro-forestry and agro-extractive systems and the recovery of traditional technologies.

18. This component has the following results indicators: (2.1) four initiatives of traditional know-how and current best practices for the sustainable management of the *Cerrado*'s natural resources documented and disseminated, and two implemented, totaling 600 ha covered by sustainable management practices in project target areas; and 200 producers trained in the application of best practices.

19. MMA will work using the CIMA (centers for disseminating agro-biodiversity management practices) and MDR (demonstration modules for the recuperation of *Cerrado* degraded areas with native species) approaches. The CIMAs focus on ensuring biodiversity preservation on private lands and food safety of local producers through production diversification and recovery of traditional technologies with high sustainable use potential, which were replaced by current production processes. The MDRs have the purpose of recovering and conserving biodiversity, mostly on private lands, through planting and cultivating native species of the biome to recuperate degraded areas. CIMA and MDR methodologies will interact and reintegrate important areas to the *Cerrado* landscape, generating new possible sources of both genetic resources and income for local communities.

20. Typical activities already envisaged are: (i) support the capacity-building of rural producers for adopting sustainable production practices, aimed at biodiversity conservation, through the CIMA and MDR demonstration units; (ii) support local production projects, providing incentives to social mobilization and partnerships among traditional communities, public agencies, and research and development institutions to strengthen complete local production and commercialization chains of sustainable agro-extractive products; and, (iii) support biodiversity conservation and restoration, mainly through the identification and rehabilitation of degraded Permanent Preservation Areas (APPs) and water catchment areas in the São Francisco River Basin.

21. This component will finance consultancies and trainers, travel, per-diems, equipments, and publications.

22. Component 3: Policy Development. (Cost: US\$ 1.22 million, of which US\$ 0.93 million from the GEF). This component aims at establishing adequate institutional structures and developing special support studies for the launching and the long-term implementation of the National Sustainable *Cerrado* Program by: (a) strengthening and supporting the effective functioning of DCBio, and CONACER; (b) supporting the formulation of the Sustainable *Cerrado* Program Action Plan with emphasis on the definition of priorities; (c) developing at least two new public policies related to the conservation and sustainable use of the *Cerrado* natural resources; and, (d) supporting the development of at least two initiatives similar to the Sustainable Cerrado Initiative.

23. This component has the following results indicators: (3.1) two selected institutions, DCBio and CONACER, which are working on matters related to the use of natural resources consolidated and functioning; (3.2) formulation of the Action Plan for the “National *Cerrado* Program for the Conservation and Sustainable Use of the *Cerrado* Biome” (National Sustainable *Cerrado* Program) concluded with emphasis on priority sections and publicly launched; (3.3) two new public policies related to the conservation and sustainable use of the *Cerrado*’s natural resources developed; and, (3.4) two other initiatives developed within the National Sustainable *Cerrado* Program.

24. Typical activities envisaged under this component include: (i) training DCBio staff on topics such as project management, environmental monitoring, community outreach, and specialized planning and monitoring tools; (ii) training the members of the CONACER on topics such as project management, environmental monitoring, and community participation; (iii) preparation of a Plan for Deforestation Control and Prevention in the *Cerrado*; (iv) assessment of existing sustainable production stakeholders, practices/ techniques used and principal products; (v) diagnosis of the production chain of charcoal in the *Cerrado* region and its impact on biodiversity; and, (vi) studies and analytical work necessary for the development of the National Sustainable *Cerrado*.

25. This component will finance consultancies and trainers, travel, limited equipment, and dissemination expenses for such items as publications as well as the organization of events.

26. Component 4: Biome Monitoring. (*Cost: US\$ 1.54 million, US\$ 1.27 million of which will be from the GEF*). This component aims at developing a geo-referenced *Cerrado* Biome monitoring system to monitor vegetation cover, land use and other aspects of the *Cerrado* Biome included in the *Cerrado* Biome Database through assessments, system design and data collection for aid monitoring system.

27. This component has the following results indicators: (4.1) vegetation cover monitoring system developed and operational, and (4.2) database with information on the vegetation cover, biodiversity and land use of the *Cerrado* biome updated once and made freely available.

28. This system will, at first, monitor vegetation cover and land use and, in a second stage, other socio-environmental aspects of the biome to be included in its database. The system will be developed using a hierarchical and modular approach, according to the most immediate needs, to ensure the complementarity of information and optimization of data collection and information production, avoiding overlaps in data management. The database will be available to the general public. Studies and assessments conducted under other projects of this Program will also be included in this database.

29. This component will finance assessments, system design, data collection and analysis, equipments, acquisition of software and hardware, training, workshops, and limited field data collection when necessary to assess the biome’s environmental and social status.

30. Component 5: Project Coordination for the Sustainable *Cerrado* Initiative (*Cost: US\$ 0.55 million, US\$ 0.45 of which from the GEF*). This component aims at establishing and supporting the mechanisms for coordinating, monitoring and evaluating the Sustainable *Cerrado* Initiative by supporting the establishment and effective operation of the Sustainable *Cerrado* Initiative Committee and by approving and ensuring overall

coordination, monitoring and evaluation of the Sustainable *Cerrado* Initiative related projects.

31. This component has the following results indicators: (5.1) Initiative Committee implemented and functioning, and (5.2) all the projects of the Sustainable *Cerrado* Initiative being coordinated, monitored and annually evaluated, with all results amply publicized.

32. Typical activities envisaged under this component include: (i) structuring and supporting the Initiative Committee during the four years of the Initiative to ensure that it functions efficiently; (ii) developing a monitoring and evaluation system for the Initiative, including baseline data; (iii) supporting Sustainable *Cerrado* Initiative exchanging meetings; and, (iv) organizing and coordinate the Program's Mid-Term Review.

33. Special efforts will be made to take advantage of existing information and tools such as: studies designed to identify, protect and recover endangered species populations; rural property environmental licensing systems; protected areas (PA); financial sustainability mechanisms; compilation of "traditional" rural production techniques and best practices in "sustainable rural management", etc., in order to avoid duplication of efforts and guarantee compatibility between similar initiatives.

34. This component will finance consultancies, travel, publication and dissemination and organization of events.

35. Component 6: Coordination for the MMA *Cerrado* Policy and Biome Monitoring Project (*Cost: US\$ 0.90 million, US\$ 0.45 of which from the GEF*). This component aims at: (i) supporting DCBio to efficiently and effectively implement, supervise, coordinate and administer all the activities carried out under the Project, including dissemination of results and lessons learned; and, (ii) supporting FUNBIO Project Unit to efficiently and effectively implement, the Project financial management, procurement and audit activities as well as financial Project closing activities.

36. This component has the following results indicators: (6.1) DCBio team completed and trained to effectively carry out project technical monitoring and evaluation activities, and supervision of procurement activities, and (6.2) project financial management and audit activities and project financial closing activities efficiently and effectively implemented by FUNBIO PIU staff.

37. Typical activities already envisaged are: (i) training of DCBio Staff on project management, including capacity building to learn how to deal with contracts of international organizations; (ii) support for the technical analysis of Terms of Reference for product procurement, their follow-up and the analysis of outcomes; (iii) effective design and implementation of the Program Monitoring and Evaluation System; and, (iv) support one additional staff member in DCBio to serve as the administrative / procurement specialist for the duration of the project.

38. This component will finance equipment, software, communication-related costs and travel.

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	5.77	0.70	6.47	54.6	PCRBB, FCA, HBRP
Component 2. Sustainable use	1.12	0.20	1.32	11.0	HBRP
Component 3. Policy Development	0.29	0.93	1.22	12.4	HBRP, PCRBB
Component 4. Biome Monitoring	0.27	1.27	1.54	12.8	HBRP
Component 5. Program Coordination	0.10	0.45	0.55	3.8	PCRBB
Component 6. Project coordination	0.45	0.45	0.90	5.4	PCRBB
Total Costs	8.00	4.00	12.00	100	

Brazilian Biomes Conservation and Recuperation Program (PCRBB); Federal Environmental Compensation Fund (FCA); Hydrographic Basin Revitalization Program (HBRP)

Name of co-financier (source)	Classification Type	US\$ (million)
Hydrographic Basin Revitalization Program	GoB Program	1.60
Environmental Compensation Fund	GoB Program	2.86
Brazilian Biomes Conservation & Recuperation Program	GoB Program	3.54
TOTAL:		8.00

39. This project will be funded with US\$ 4.0 million from the Sustainable *Cerrado* Initiative and US\$ 8.0 million from Government of Brazil. For counterpart funding, the project draws on three federal government program/projects that contribute to the stated outcomes and results:

- **Hydrographic Basin Revitalization Program:** This Federal Government initiative will contribute to components 1 (US\$ 0.10 million), 2 (US\$ 1.12 million), 3 (US\$ 0.11 million) and 4 (US\$ 0.27 million) through the following activities: (i) works, equipment acquisition and development of data-processing systems to monitor and analyze natural resource quantities and quality; (ii) support for the identification and recuperation of degraded areas, including Permanent Preservation Areas (APPs) and water catchment areas in the São Francisco River Basin to improve the quantity, quality and storage of water, and to reduce erosion and silting; (iii) activities related to the management and cultivation of medicinal plants, recovering, participatory improvement and cultivation of *crioula* seeds, and implementation of forest backyards; and, (iv) support for the cultivation of a variety of *Cerrado* tree species known among small farmers for their multiple uses, such as recuperation of degraded areas, generation of work and income, and improvement of life quality of local communities.

- **Environmental Compensation Fund:** This federal fund will contribute to component 1 (US\$ 2.86 million) through the following activities: (i) actions related to the implementation of protected areas, including land tenure regularization.
- **Brazilian Biomes Conservation and Recuperation Program:** This Federal Government program will contribute to components 1 (US\$ 2.89 million), 3 (US\$ 0.10 million), 5 (US\$ 0.10 million), and 6 (US\$ 0.45 million) through the following activities: (i) diagnosis and studies on environmental, political and social issues related to the conservation of natural resources; implementation of a socio-environmental monitoring system that will prioritize conservation and sustainable-use activities; stimulate the routine exchange of information, experiences and lessons on the *Cerrado* between the three levels of government; and propose and monitor activities and policies on the preservation, conservation, recuperation and sustainable use of the *Cerrado* biome; and, (ii) capacity-building activities for farmers, local communities, governmental employees, the private sector and extension agents on the adoption of participatory environmental management; mobilization aimed at the strengthening of social capital, and on the integration of monitoring systems with a biome-related focus; (iii) assessment of existing sustainable production stakeholders, practices/ techniques used and main products originating from the *Cerrado* biome; (iv) detailing of the National Protected Areas; Plan (PNAP) for the biome and its implementation in the *Cerrado*; and, (v) creation/expansion of protected areas.

V. IMPLEMENTATION ARRANGEMENTS

40. The project will be implemented over a four-year period. The expected start date is March 15, 2010, and the closing date is expected to be December 1, 2013.

41. The grant recipient is FUNBIO (Brazilian Biodiversity Fund), a solid national institution with proven financial management capability, and who will execute all financial and procurement activities of grant resources for the project, according to World Bank and GEF rules. Implementation of project activities will be the responsibility of the Ministry of Environment (MMA).

42. The Biodiversity and Forests Secretariat (SBF) of the MMA will be the executing agency through designated staff from the Biodiversity Conservation Department (DCBio). The DCBio will be responsible for coordinating this project's implementation (planning, supervision, preparation of terms of reference, project M&E and reporting). The management of this project is fully integrated in the institutional structure of the Ministry of the Environment. The DCBio will hire consultants to assist in specific tasks related to project implementation.

43. MMA will sign an Institutional Cooperation Agreement with FUNBIO, which will be responsible for the project's procurement activities, financial management control, including account rendering and preparation of the project's financial reports and expenditures, preparation of periodic consolidated reports for this project, and provision of support to the external auditors. FUNBIO will establish and adequately staff a FUNBIO PIU, which will be responsible for the day-to-day financial coordination and implementation of the project. The SBF/MMA will work closely with FUNBIO on all

procurement activities, preparing the Terms of Reference, participation of the selection process and supervising the implementation of all contracted services.

44. FUNBIO will prepare and deliver regular financial reports to the World Bank and MMA on the use of GEF and co-financing resources. FUNBIO has already been recognized by other Bank-financed projects (Amazon Region Protected Areas Project – ARPA and Brazilian Biodiversity Fund Project) as an adequate fiduciary agent, and will be the Grant Recipient under the Grant Agreement for this project.

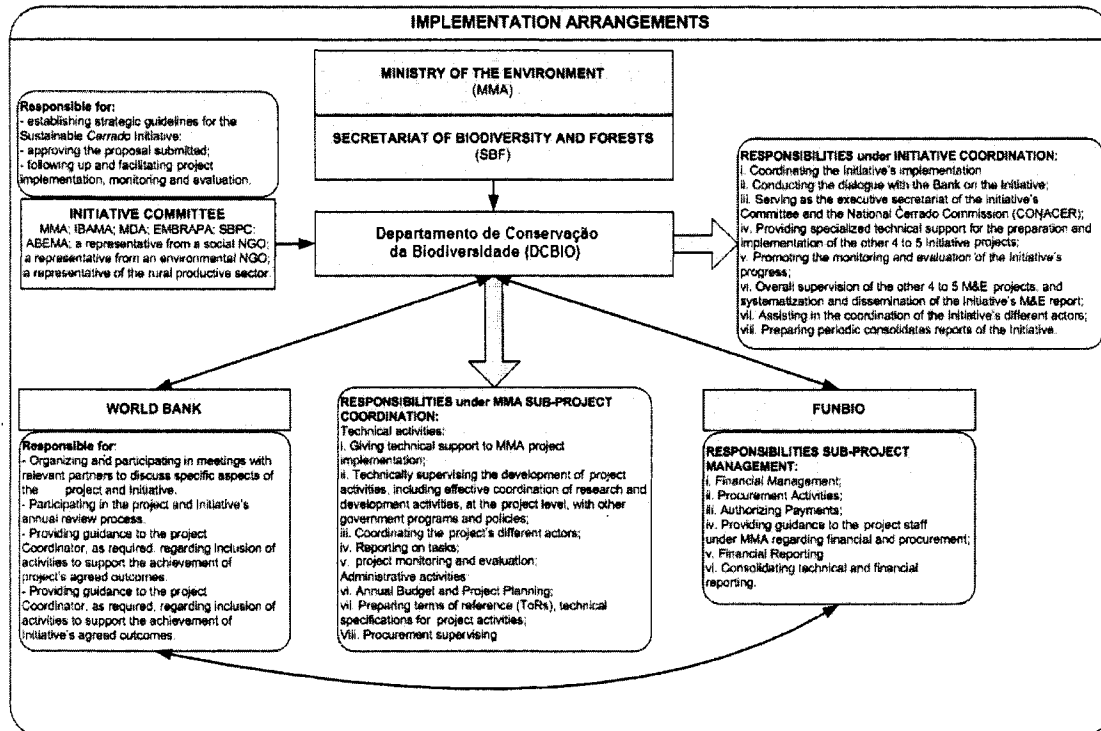
45. DCBio staff will be designated to coordinate the project. The use of DCBio staff is primarily intended to optimize the Ministry’s existing structure, to train staff to execute externally funded projects, and to mainstream MMA’s activities within its internal staff. The coordination of the project, within the DCBio, will be composed of: (i) a coordinator; (ii) a deputy coordinator; (iii) an administrative official; and, (iv) an environmental specialist to coordinate the implementation of project and Initiative activities. When necessary, consultants will eventually be hired to assist DCBio in fulfilling project and Initiative demands.

Executing agencies	Responsibilities
FUNBIO	Designation of staff for administrative management; Financial execution of GEF funds; Procurement for MMA/DCBio activities under the project. Preparation of financial progress reports;
MMA/DCBio	<p>Project level: Designation of staff for project; Dialogue with the Bank on the procedures for implementing this Project; Preparation of the project’s Annual Operational Plan; Preparation of terms of reference (ToRs) and technical specifications Preparation and revision, whenever needed, of the project’s procurement plan; Preparation of progress reports; Implementation of Components; Development and implementation of the project monitoring system. Community mobilization; Dissemination of successful models;</p> <p>Sustainable Cerrado Initiative level: Designation of the General Coordinator for the Initiative and project; Conducting a dialogue with the Bank on the Sustainable <i>Cerrado</i> Initiative; Serving as the Executive Secretariat of the Initiative’s Committee and the National Sustainable <i>Cerrado</i> Program Commission (CONACER); Providing specialized technical support for project executing agencies in implementation of the Initiative’s three other projects; Promoting the monitoring and evaluation of the <i>Cerrado</i> Initiative including the other projects.</p>

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

47. A Bank representative will be responsible for coordinating the dialogue between the MMA 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

48. The proposed project does not require any exceptions from Bank Policies and meets the following regional requirements for readiness of implementation: (i) fiduciary (financial management and procurement) arrangements in place; (ii) project staff mobilized; (iii) counterpart funds budgeted/released; (iv) 18 months procurement prepared; (v) disclosure requirements met; (vi) environmental and social assessment arrangements completed; (vii) M&E capacity in place.

49. Conditions for Effectiveness: (i) the execution and delivery of the Grant Agreement on behalf of FUNBIO have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Cooperation Agreement has been signed on behalf of the FUNBIO and MMA in form and substance satisfactory to the World Bank and the execution and delivery of said Cooperation Agreement on behalf of the FUNBIO and MMA have been duly authorized or ratified by all necessary governmental and corporate action; and (iii) The Operational Manual has been adopted by the FUNBIO in form and substance satisfactory to the World Bank.

50. Covenants applicable to project implementation: (i) the FUNBIO Project Unit shall carry out Component 6(b) of the Project and shall cause MMA, through DCBio, to carry out Components 1, 2, 3, 4, 5 and 6(a) of the Project, through the Cooperation Agreement,

all in accordance with the Operational Manual; (ii) the FUNBIO shall ensure, until the completion of the execution of the Project that the FUNBIO Project Unit shall have competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a general coordinator, a financial management specialist and a procurement specialist; (iii) The FUNBIO shall cause MMA, through the Cooperation Agreement, to ensure, until the completion of the execution of the Project, that DCBio shall have competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a general coordinator, a deputy coordinator, an administrative official and an environmental specialist; (iv) the FUNBIO shall cause MMA, through the Cooperation Agreement, to maintain the Sustainable Cerrado Initiative Committee, with membership and functions acceptable to the World Bank and with at least annual meetings to be held no later than each November 30, commencing on the first such date after the Effective Date, or such other date as the World Bank shall agree upon, with all its members present and with the participation of the World Bank, if the World Bank so requests, in order to evaluate and monitor the Sustainable Cerrado Initiative progress during the preceding twelve months and furnish to the World Bank minutes of said meetings; (v) the FUNBIO shall prepare jointly with DCBio 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 (the Annual Operational Plan) for the Project and thereafter implement the Project during the following twelve months in accordance with said Annual Operational Plan; (vi) on or before December 31, 2011, or such other date as the World Bank shall agree upon, the Recipient shall, through FUNBIO Project Unit: (a) carry out jointly with the World Bank and with DCBio 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; (viii) the FUNBIO shall ensure that the Project is carried out in accordance with: (a) the Environmental Assessment for the Initiative and the Environmental Management Plan (including provisions for chance finding of cultural property and natural habitats); (b) the Resettlement Framework for the Initiative; and (c) the Indigenous Peoples Planning Framework for the Initiative.

VI. FINANCIAL MANAGEMENT

Summary of Financial Management Arrangements

51. The objective of the assessment was: (i) to review the proposed financial management arrangements⁶² for project implementation by FUNBIO⁶³, and (ii) to agree on some steps to be completed by grant signing. As described in Section V and its Implementation Arrangements figure, the Ministry of Environment (MMA) will be more involved with technical related issues and the preparation and consolidation of the Annual Budget Plan (POA).

⁶² The financial management arrangements are consistent with the Financial Management Practices in World Bank Investments Operations (FM Manual, November 2005).

⁶³ Fundo Brasileiro para a Biodiversidade

52. The assessment and review of FUNBIO included: (i) institutional arrangements; (ii) financial management system; (iii) financial management reports; (iv) flow of funds; (v) external auditing arrangements; (vi) disbursement arrangements; and (vii) arrangements to monitor the counterpart contributions, cash and in-kind.

53. **Conclusion.** Taking into account project design and seeking effective and efficient project management and monitoring over the use of funds, each implementing agency will have its own financial management arrangements. Despite the parallel arrangements, this design assures that all financial management aspects of the project will be well monitored, including the counterpart contributions.

54. The financial management arrangements as described below are satisfactory and meet the Bank's minimum requirements to provide with reasonable assurance, accurate and timely information on the status of the project. There is no FM-related condition of effectiveness.

Risk Assessment and Mitigation

55. The table below summarizes the financial management risk assessment, which has been rated as **low**. The control risks indicators, which are directly associated with the project FM arrangements, represent the level of adequacy of FUNBIO's existing control framework which will be applied to the project.

Risk Rating - FUNBIO		
Risk ⁶⁴	Rating	Risk Issues/Measures
Inherent Risk		
Country Level	Low	
Entity/Project specific	Low	The legal and institutional arrangements are adequate, FM administrative and financial system are adequate and robust.
Control Risk		
Budget Preparation	Low	Budget will be clearly defined and reflected in POA, to be prepared by MMA and sent for FUNBIO update FM system.
Accounting policies and procedures	Low	Accounting procedures are adequate and follows the Brazilian National Accounting Rules (NCB), internationally accepted.
Staffing	Low	Staff mapped to the financial unit is very competent, professional and experienced on WB procedures
Internal Control	Moderate	No internal unit. Operational Manual should include the staff functions and respective daily routines as well as any other internal control mechanisms.
FM system	Low	FUNBIO's integrated management system (Cerebro – RM)
Reporting	Low	IFRs 1-A and 1-B
Flow of Funds	Low	(i) One US\$ designed account for operational costs All funds will flow through Banco do Brasil directly to the beneficiaries.
Counterpart Funds	Moderate	No assurance on having prompt CP availability by MMA. Mitigation measures include close task team supervision.
Disbursements	Low	(i) through SOE's/Records/Summary Sheets, generated directly from the FM systems
External audits	Moderate	FUNBIO institution independent audit firm will undertake projects' auditing, as currently observed by other WB TF implemented by FUNBIO. Bidding process should be close followed up by procurement team.

⁶⁴ Risk ratings followed the indicative criteria included in the FM manual, indicated in the first paragraph of this section.

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

Action	Responsible Entity	Completion Date
Hire Project manager	FUNBIO	By April, 2010
Have Cerebro and RM updated	FUNBIO	By April, 2010

Financial Management Arrangements

56. **Institutional and Accounting.** FUNBIO will be the Project Implementation Unit (PIU) responsible to implement all GEF financed components of the project (US\$ 4 million) and its actual institutional structure was considered appropriate to implement project activities and assure fiduciary compliance.

57. FUNBIO is a CSO, located in Rio de Janeiro. Previous experience with FUNBIO's demonstrates that the arrangements proposed for this project are appropriate to implement and monitor grant funds. During the last five years, FUNBIO has solidified its participation in the environmental sector consolidating its role as being one of the main references in biodiversity programs. FUNBIO also publishes its annual financial statements by posting them on the internet and through publication in a national newspaper.

58. As a CSO, FUNBIO follows the Brazilian Accounting Rules (NBC), which is aligned with international accounting standards. FUNBIO's accounting systems have the capacity to record assets, liabilities, and the financial transactions of the project. The accounting system is designed to be able to capture all financial information and allocate among project activities and categories, and the system is able to generate financial reports for project management including Interim (un-audited) Financial Reports: IFR.

59. FUNBIO maintains and manages the RM system that has been used to manage other donor-financed projects, and as such, the system is considered acceptable for this project as well. The PIU will report on detailed information at the project level, specifically the disbursements, and the expenditures classified by activity/subcomponent and disbursement category. There are elaborate levels of controls to approve budget transfers/allocations for execution under the procurement plan. The accounting records are maintained electronically, and are reconciled with budget and procurement reports on a monthly basis. Expenditure reports are further analyzed by project component, and cash flow analyses are conducted both on an ex post basis (analyzing weekly spending for the prior month) and on a forecast basis for the upcoming month. Administrative procedures have been established to ensure that financial transactions are made with consideration to safeguarding project assets and ensuring proper entry in the accounting/monitoring systems.

60. **Staffing.** The PIU is well staffed and has experience in working with the World Bank projects, KFW and other donors. The staff directly involved with the project includes: one coordinator, one financial professional, one procurement specialist, and one administrative professional and a supervisor. The PIU will also be directly involved with FUNBIO's institutional structure, including legal and IT support. Little or no turnover is expected during project implementation.

61. Detailed staff duties and tasks will be included in the Operational Manual. The main project fiduciary responsibilities of FUNBIO's financial management staff include: (i) update its' financial management integrated system – Cerebro⁶⁵ as needed and on a timely basis; (ii) review project expenditure documentation, observing eligibility criteria and category percentages; (iii) maintain documentation properly archived in Rio de Janeiro; (iv) prepare and submit to the World Bank, quarterly un-audited financial management reports - IFRs; (v) reconcile and monitor data - identifying discrepancies and taking timely corrective action; and, (vi) prepare and provide all financial documentation and reports requested by external auditors and Bank staff.

62. **Internal Control.** There is no internal control unit in place. Control is made *a posteriori* through recommendations stated by its' financial counsel (*Comissão de Auditoria e Finanças*).

63. Control is also made through segregation of functions, adequate number of staff and the technology system different level of access and approval. The account reconciliations are done at each account on a weekly basis, monthly basis for the project and by donors. A Per Diem rate is based on actual costs estimation by city and is available in the intranet.

64. The archiving system is kept at FUNBIO's headquarters. By the project closing, the assets will be either transferred to FUNBIO or MMA, as detailed in the Operational Manual.

65. The Operational Manual is a document essential for the successful execution of the Project. The Grant Agreement will only be effective after the Bank has given its non-objection to the final version of the Manual, and the FUNBIO has adopted said Manual. The formal adoption of the Operational Manual by the FUNBIO will be sent to the World Bank for review.

66. **Financial Management System.** FUNBIO's integrated management system (RM) is able to adequately control, account for, report on, and manage the proposed grants funds. The Annual Budget Plan: POA is made by MMA and included in the system for execution and monitoring.

67. Cérebro is the FM system used to monitor implementation of ARPA and PROBIO II. It is linked to FUNBIO accounting and financial system: RM. During the 2007 supervision mission all modules were reviewed, as well as a complete process of a payment, (from POA preparation to invoice archiving and respective audit report review). It has proper back up arrangements and its' manual is kept updated.

68. The system currently generates a series of management reports for FUNBIO, and is able to generate the required financial information for the quarterly un-audited reports (IFRs) and periodic Statement of Expenditures (SOEs), Records and Summary Sheets. A specific ledger will be created in the system to record all grant transactions, and will be aligned with the structure of the grant cost table in order to record transactions by category and component/activity.

⁶⁵ *Sistema de Gestão Integrada – Sistema Cérebro FUNBIO*

69. The WB staff may have access to Cérebro and can follow up the physical and financial execution, on a real time basis. There are plenty reports available in Cérebro which more than fulfills the Banks need to guarantee the use of funds and safeguards.

70. Reporting and Monitoring - Interim (un-audited) Financial Reports. IFR. This system can produce the IFRs listed below, which are to be prepared on a cash accounting basis. They are to be prepared and sent to the Bank on a quarterly basis, in the grant's currency -U.S. dollars - up to 45 days after each quarter. The IFRs (1-A and 1-B) will state the expenditure figures by quarter, accumulated for the year and accumulated for the project, as agreed with the PIU. Counterpart participation (in-kind) or cash contributions to the project's activities should be incorporated and reflected in the biannual progress report. To better monitor all amounts invested under the project objectives. Relevant IFRs are:

1-A: Source and Use of Funds by Disbursement Category as per Grant Agreement

1-B: Statement of Investments by Project Components and Activities

1-C: Designated Bank Account Reconciliation

1-D: Disbursement Reconciliation with Bank's Client Connection.

71. The fourth set of IFRs showing the cumulative figures for the period should be reviewed by independent auditors. These financial statements should be consistently prepared in accordance with accounting standards acceptable to the Bank (observing cash-basis accounting).

72. Funds Flow and Disbursements: The Project will use the following disbursement methods: (i) Direct Payments; (ii) Reimbursements and; (iii) Advances. FUNBIO will open a designated account (in US\$) in Bank of Brasil (NY) to receive grant funds, process payments in US\$ and transfer funds into local currency (Brazilian Reais, or BRLs) to an BRL operational account in Bank of Brasil in Rio de Janeiro in order to process local currency payments. The main steps are:

(i) POA is prepared by MMA;

(ii) POA is updated in Cérebro to be executed;

(iii) Procurement process;

(iv) Technical approval that services were properly rendered and/or goods were delivered.

(v) Before any payment is made, FUNBIO ensures budget allocation and financial availability;

(vi) Payments are electronically made;

(vii) FUNBIO prepares withdrawal application, which detailed should be provided at the Disbursement Letter (DL) and informs MMA; and,

(viii) Support documentation for all expenditures is archived.

73. The bank account reconciliation will be prepared on a monthly basis and will be available within 15 days after the end of the month. Disbursements will be made on the basis of SOE's/Records/Summary Sheets and the preparation of Withdrawal Applications will be the responsibility of the FUNBIO PIU (similar to the ARPA and PROBIO II

projects). 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\$ 800,000. The Minimum Application Size for Reimbursements and Direct Payments will be US\$ 160,000 equivalent. 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); and (vi) Designated Account Reconciliation Statement. 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 Recipient.

74. FUNBIO will establish a 30-day cycle for disbursements and cash-flow programming. For expenditures for which withdrawals are made on the basis of SOEs/Records/Summary Sheets, supporting documentation will be retained for at least one year following receipt by the Bank of the final audited financial statement required in accordance with the Grant agreement or two years after the closing date, whichever is later. All records of the expenditure will be available for examination by the Bank if considered necessary.

75. External Audits. The current auditing arrangements for ARPA and PROBIO II will be maintained: FUNBIO external auditors⁶⁶ will undertake the project's audit in observance of the auditing guidelines. The audit report should be delivered to the Bank up to six months after the end of the prior calendar year, as stated in the Financial Management Audit Guidelines, dated June 2003, together with FUNBIO's financial statements audit report. In addition to a single opinion on project financial statements, and the designated account the audit report will contain the management letter (report on internal controls), and contractual clauses observance.

76. The scope should cover but not be limited to: (i) full review of the fourth IFR (for each calendar year); (ii) review of proper observance of the financial management arrangements included in this Annex as well as any other official WB documentation; (iii) proper use and accounting of Cérebro; (iv) internal control arrangements; and, (v) timely availability of counterpart funds.

77. The auditing reports are annually approved by the general assembly and placed at the internet: www.funbio.org.br for consultation.

78. Governance and Anti-Corruption. On 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.

⁶⁶ For the next three years, Ernest Young will audit FUNBIO and all WB projects

79. **Supervision Plan.** In view of the low risk rating associated with this part of the project, the supervision plan requires an annual field-based mission to review FUNBIO's performance. As all other projects implemented by FUNBIO are rated as satisfactory, the supervision mission should be taken jointly with the other two (ARPA and PROBIO II) in order have individual project review as well as institutional.

80. **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:

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	3.55	100
(2) Operational costs	0.45	100
Total Project Costs	4.00	100

81. The retroactive financing is available for up to \$600,000 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.

82. **Operational and Logistics Management of the Project.** FUNBIO will coordinate project operational and logistics management, carrying out all goods and services procurement with Grant proceeds requested by project executors to achieve the agreed objectives. FUNBIO's PIU will be responsible for:

- The procurement of goods and services in accordance with (i) the approved Annual Operational Plan and Procurement Plan; (ii) the funds flow described in the Operational Manual; (iii) procedures established by GEF and the World Bank.
- The responsible management of Grant proceeds.
- Preparing financial reports according to the Grant Agreement and the Operational Manual, providing all financial and procurement information requested by MMA and the World Bank.

VII. PROCUREMENT ARRANGEMENTS

General

83. 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 as revised in October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 as revised in October 2006, and the provisions stipulated in the Legal Agreement. 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. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

84. Procurement of Goods. Goods procured under this project will include: ITC equipment, geoprocessing software, electronics (cameras, data-shows), and satellite images. The procurement following NCB will be done using National SBD agreed with or satisfactory to the Bank. Small-value purchases may be done following shopping procedures. Specific softwares from proprietary sources may be required under the project.

85. Procurement of non-consulting services. Non-consulting services procured under this project will include: logistics for events, printing, travel, lodging, vehicle rental, surveys, and marketing/advertising. The procurement following NCB will be done using National SBD agreed with or satisfactory to the Bank. Small-value services may be procured following shopping procedures.

86. Under NCB for goods and non-consulting services, only the competitive procurement methods defined in Brazil’s Law 8,666 of June 21, 1993 and its amendments and the *Pregão Eletrônico* defined in Brazil’s Law 10,520 of July 17, 2002 could be used. The other methods would not be acceptable. The Bank’s Guidelines’ provisions would apply to all other aspects of the procurement carried out following NCB procedures. SEAIN’s SBD agreed with the Bank should be used for the methods under Law 8,666 and the COMPRASNET/Banco do Brasil’s SBD agreed with the Bank should be used for *Pregão Eletrônico*.

87. For small value goods, works, and non-consulting services, shopping would be used. As an alternative to Shopping, the method known as *Pregão* – as defined in Brazil’s Law 10,520 of July 17, 2002 – could also be used.

Procurement Methods and Thresholds (in US\$)

	ICB	NCB	Shopping
Goods	≥ \$500k	>\$100k -<\$500k	< \$100k
Non-consulting services	≥ \$500k	>\$100k- <\$500k	< \$100k

88. Selection of Consultants: Consulting services procured under this project will include: biodiversity assessments, social assessments, legal research, charcoal production diagnostics, marketing campaign development, geo-referenced monitoring system development, and several capacity-building activities (in project management, environmental monitoring, community outreach, planning and monitoring, environmental legislation, conflict resolution, etc.). 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. Because of the variety of services, QCBS, LCS, SFB, CQ, SSS, and IC should be allowed in the legal agreement.

89. Operating Costs: Operating costs to be financed by the project will include: travel, per-diem, logistics for events, printing, stationary and office equipment and material, fuel,

vehicle maintenance, etc. These items will be procured following the implementing agency's administrative procedures which would be described in the Operational Manual and approved by the Bank.

90. The procurement procedures and SBDs to be used for each procurement method, as well as model contracts for works and goods procured, would be presented in the Operational Manual to be approved by the Bank.

Assessment of the agency's capacity to implement procurement

91. Procurement activities will be carried out by FUNBIO. FUNBIO will use the same processes and structure already established for two other GEF projects (ARPA and PROBIO II).

92. An assessment of FUNBIO's capacity to implement procurement actions for the project has been carried out for the PROBIO II Project. The report was filed in the Bank's electronic repository files on April 16, 2007.

93. Because the bulk of the procurement under the Project comprises shopping and individual consultants, and given the previous experience of FUNBIO with Bank's procedures, no residual risk was identified upfront. This should be reviewed yearly to confirm FUNBIO maintains its capacity.

94. The overall project risk for procurement is **low**.

Procurement Plan

95. The FUNBIO, developed a procurement plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the FUNBIO and the Project Team on May 15, 2008 and is available at DCBio of the Ministry of Environment and at FUNBIO. It will also be available in the project's database and in the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Frequency of Procurement Supervision

96. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended yearly supervision missions to visit the field to carry out post review of procurement actions.

Details of the Procurement Arrangements Involving International Competition

Goods 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\$ 350,000 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.

Consulting Services

(a) No consulting assignments with short-list of international firms are expected under the Project.

(b) Consultancy services estimated to cost over US\$ 100,000 per contract and single-source selection of consultants (firms) for assignments will be subject to prior review by the Bank. The Procurement Plan should indicate whether other contracts should be subject to prior review. Prior review of TORs should be negotiated between the Task Team Leader and the Recipient.

(c) 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.

Other Methods of Procurement of Goods, Works and Non-Consultants' Services

97. 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.

<u>Procurement Method</u>
National Competitive Bidding
Shopping
Direct Contracting

VIII. ENVIRONMENTAL AND SOCIAL ASSESSMENT

98. Within the framework of the Program, this project will: create new protected areas and strengthen/expand existing ones; develop proposals for the necessary public policies; collect and disseminate environmental data, especially data on *Cerrado* vegetation cover and land use; promote the dissemination of sustainable use techniques and restoration of degraded lands; and coordinate and monitor the Initiative.

99. All activities included in the MMA *Cerrado* Policy and Biome Monitoring 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) Pest Management; (iv) Involuntary Resettlement; (v) Indigenous Peoples; (vi) Forests, and, (vii) Physical Cultural Resources.

100. **Environmental Assessment.** 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).

101. This category B project will generate positive environment impacts on a biome-wide basis though 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*, and through ensuring environmental safeguards and mitigation of adverse impacts in other investment projects being executed in the region.

102. Direct, positive environmental impacts stemming from project implementation will likely include: (i) consolidated, effective natural resources management policies in place, resulting in improved conservation and sustainable use of natural resources; (ii) dissemination of sustainable production practices that promote the production of environmental services associated with decreased soil erosion, riparian forest recovery and conservation of biodiversity; (iii) engagement of the productive sector in biodiversity conservation; (iv) more efficient biodiversity conservation through the creation and implementation of protected areas, and establishment of ecological corridors and mosaics of natural habitats; and, (v) improved environmental management of the biome through the development of an integrated, regional environmental monitoring system.

103. Environmental Management Plan (EMP). The project's EMP aims at: (i) ensuring that substantive activities to be developed primarily within its framework (i.e. the creation/expansion of protected areas, policy development, dissemination of sustainable practices, and data collection and dissemination activities proposed) similarly incorporate adequate environmental analysis and address relevant safeguard issues, including preventive and corrective actions, and (ii) incorporating into its coordination, monitoring and evaluation activities the proposed environmental management plan for the Initiative and the environmental assessment and safeguard issues criteria proposed for development of each project proposal. In this way, it should be able to ensure that these issues are adequately reviewed at the project endorsement stage, review conformity as part of its coordination and monitoring role, and feed back into project implementation all lessons learned during its evaluation of overall and project outcomes. In addition to the World Bank's safeguard policies, the EMP also considered and incorporated the Brazilian legislation related to activities proposed by the project. The EA/EMP was submitted to the Infoshop on 02/13/2008 (Document N. E1810).

104. All activities with potential environmental impacts should develop monitoring indicators to prevent/correct eventual negative impacts and record positive impacts.

105. Natural Habitats. No activities to be undertaken should lead to deforestation or the removal of the natural vegetation cover. Activities should comply with all relevant federal and, where applicable, state and municipal legislation. In particular, activities within protected areas or their buffer zones should be appropriate to the conservation area category in question and should conform to the area's management plan. In addition to complying with federal legislation regarding activities in buffer zones, and any specific regulations for the conservation area in question, the promotion of production activities in buffer zone

should focus on conservation agriculture, restoration of degraded areas, and mixed plantations of native species on an appropriate scale.

106. Activities involving implementation of demonstration modules for restoration of degraded areas using native species, particularly along water courses, in gallery forests, legal reserves and protected areas, should be based on participatory processes and give priority to indigenous and traditional communities, small farmers, and communities settled under the agrarian reform program. These activities will involve the dissemination of silviculture, agro-forestry systems, and soil and water conservation techniques appropriate to the *Cerrado* and based on native species. Activities must also comply with the project EMP and Operational Manual to prevent/correct negative impacts on the environment.

107. The project will promote the reforestation and restoration of degraded areas and the conservation of existing forests, increasing the supply of ecosystem services locally and globally and supporting the sustainable use of forest resources as a means to promote poverty alleviation and increasing livelihood options for small producers in the short, medium and long-term.

108. **Pest Management.** The project includes activities for the identification and restoration of degraded permanent preservation areas (APPs) and in water catchment areas in the upper São Francisco River Basin. Currently, the only project supported activity that will require the use of pesticides is the planting of seedlings for restoration activities, whose survival against leaf-cutter ants may require special measures. In this case, the active substance in the pesticide should conform to existing legislation and World Bank safeguards, and its use should be restricted to the bare minimum.

109. The use of low environmental impact measures for integrated pest management (IPM) should be encouraged when such practices are required, in order to minimize costs and any undesirable impacts from the use of chemicals. The project will include measures in compliance with Law 7802/89 to reduce such risks. The project Operational Manual states that the use of pesticides and herbicides, when necessary and approved, will be limited to the least toxic product classified as Class IV by Decree 98816/90, comparable to products "U" in the World Health Organization classification. If Class "U" products are not available, the PCU may authorize the use of products within Class III of the World Health Organization.

110. 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. 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 Pest Management Framework is part of the EA/EMP and was submitted to the Infoshop on 02/13/2008 (Document N. E1810).

111. **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 Operational Manual will

include the framework and recommend the procedures to be adopted in accordance with OP 4.11.

112. Involuntary Resettlement. This project will create new protected areas in the *Cerrado*, and/or expand existing ones through a public consultation process and according to conservation priorities for the biome. 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; and (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 no 9 of January 23, 200; 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 the 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).

113. Indigenous Peoples. Indigenous populations are present throughout the *Cerrado* region and no protected areas will be created on Indigenous Lands. This project is primarily an environmental policy and protection project and will not support actions that may negatively affect indigenous peoples or their traditional territories.. 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. The IPF was submitted to InfoShop on 04/29/2008 (Document N. IPP292).

114. The area(s) selected for protection will not include any areas traditionally occupied or used by indigenous communities even if they have not yet been demarcated, in accordance with provisions of the Federal Constitution, the Indian Statute and other national legal and administrative provisions.

115. Forests. Proposed activities support mainly conservation and restoration activities, and sustainable forest activities by traditional communities and small-scale rural producers, and will be planned and executed in such a way to minimize or prevent negative impacts on forest areas. Most of these activities will involve production of non-timber products such as handicrafts, phytotherapics, oils, fibers, resins and fruits. Activities resulting in deforestation and loss of native vegetation cover will not be allowed

116. 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 COST ANALYSIS

“Business as usual” Scenario

117. According to a business as usual scenario, each state and the Federal Government would be working separately. 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 available 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 of the *Cerrado* frontier within the next 20 years.

118. 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 was yet established with the National Sustainable *Cerrado* Program. A specific goal for the creation of protected areas in the *Cerrado* was also not yet established.

119. 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. An estimated US\$ 0.25 million would support the basic operation of CONACER (i.e., meetings, WGs) to assist in streamlining biome-related policies.

120. The GoB and CSOs support specific small-scale projects for the sustainable use of the *Cerrado* biome in the productive landscape, but with no integrated strategy for the biome’s general conservation, and no major change in the trends of overall biodiversity loss. Moreover, the institutional dialogue with the productive sectors, such as large-scale farmers (monocultures), ranchers, loggers/charcoal producers, is often ineffective. These sectors have been chronically ignored by most environmental government initiatives, including those supported by international agencies. An estimated US\$ 0.75 million would support one initiative of small-scale projects in one area of the *Cerrado*.

121. There is no reliable periodic information on the status of the *Cerrado*’s biodiversity or other relevant issues such as vegetative cover, hydrography, socio-economic aspects, etc. to allow adequate biome monitoring. Most of the limited data available comes from academia and CSOs which, as a rule, cannot commit to the long-term, consistent and biome-wide data collection that is necessary for planning and policy making.

122. The business as usual program would mainly benefit the regional level (Brazilian *Cerrado*) 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 *Cerrado* 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 *Cerrado*.

Global Environmental Benefits and Strategic Fit

123. The GEF Alternative will facilitate the implementation of a consistent strategy geared towards reversing the current trend of biome biodiversity loss through the use of appropriate policies and practices. It will enable the preparation and development of an overall program and some public policies that will benefit the *Cerrado*, such as the environmental law for the *Cerrado*. Moreover, the *Cerrado* Biome Monitoring System will be started for the first time, and will include information on vegetation cover, allowing the monitoring of deforestation and changes in land use. In addition, the GEF Alternative will support the detailing of the National Protected Areas Plan (PNAP) according to the *Cerrado* particularities, significantly contributing to plan and coordinate direct biodiversity conservation actions in the biome.

124. 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.

125. 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.

126. A great benefit of this alternative is that the production, consolidation and coordinated approach and full dissemination of efficient and targeted information will contribute to important biodiversity information exchange and assist global monitoring and information networks, thus helping to conserve key species of global importance, and habitats that provide environmental services on a global scale. 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

127. The project will mainstream the use of environmentally sustainable production in the *Cerrado* rural productive landscape. The GEF resources will also support the identification and systematization of the lessons learned, and their dissemination to target audiences.

128. The project will also establish adequate institutional structures for policy development and developing special support studies for the long-term implementation of the National Sustainable *Cerrado* Program. Besides the funds already identified in the business as usual scenario, GEF resources will be used to support the specific technical studies and analysis to serve as basis for new policy proposals identified by CONACER.

129. With GEF support, the project will also develop a geo-referenced *Cerrado* biome monitoring system focusing on vegetation cover, which will assist in permanent monitoring deforestation and changes in land use. The system will include a database with additional socio-environmental data on the biome relevant for environmental monitoring and policy-making.

130. The Initiative Coordination component aims at establishing the mechanisms for coordinating, monitoring and evaluating the GEF Sustainable *Cerrado* Initiative and its associated projects. Since no funds for this are present in the baseline scenario, this component will be financed entirely by the proposed GEF grant. GEF and Co-financing funds will also support the project coordination that will be executed by staff from the Nucleus for the *Cerrado* and *Pantanal* Biomes of the SBF/MMA. It will include the monitoring and evaluation of project implementation, the communication plan and training of staff.

Result-based framework

131. 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
Biodiversity protection through actions related to protected areas.	Business as Usual	5.77	Actions related to PAs would not follow a broader planning and common goal for the entire biome. National Protected Areas Plan (PNAP) would not consider the particularities of the <i>Cerrado</i> biome. Investment would focus on the limited number of existing PAs.	Unstructured protection of globally important biodiversity (average of 79,000 hectares protected per year from 1959 to 2005); slower protection of important water reserves threatened by unsustainable use of <i>Cerrado</i> 's natural resources.
	With GEF Alternative	6.47	More efficient and effective conservation of <i>Cerrado</i> biodiversity according to PNAP Action Plan for the <i>Cerrado</i> biome, prepared by the GEF Alternative. Guided by the Action Plan, PA-related actions would ensure the ecological quality and connectivity of protected ecosystems; conserve globally important and little known biodiversity hotspots; and consider the needs of local populations and productive sectors.	Preservation of a large and unique region with rich biodiversity, a global hotspot, according to a regional plan that defines priorities; significant increase in the protection of the biome (at least 1.0 million hectares protected with the support of this project: 50% of the total Initiative goal); protection of large water catchment areas of continental importance.
	Incremental	0.70		
Sustainable use of biodiversity in the productive landscape.	Business as Usual	1.12	Limited impact on biodiversity conservation in specific sites due to limited development of conservation and sustainable activities, without an integrated strategy for conservation and sustainable use.	Limited global benefit and increase in biodiversity conservation due to positive impacts in specific isolated small spots.
	With GEF	1.32	Increase in biodiversity	Significant global environmental

Component	Cost Category	US\$ million	Domestic Benefit	Global Benefit
	Alternative		conservation and in biodiversity-related benefits to agriculture, local communities and carbon sequestration projects; commercialization of biodiversity-related products, stabilized water flows, decrease in the productive sector's pressure on the ecosystem, and creation of biodiversity corridors due to capacity building; stimulation of adoption of sustainable use in the productive landscape, and restoration of native vegetation. Additionally, the dissemination of lessons learned throughout the country would help encourage sustainable use, and therefore biodiversity conservation.	benefits including increase in biodiversity conservation, decrease in loss of globally significant biodiversity, stabilized water flows, reduced emissions; increase in biodiversity-friendly economic processes and increase of biodiversity corridors due to sustained changes in the productive sector behavior and restoration of native vegetation. Additionally, the dissemination of lessons learned will increase productive sector awareness and capacity for biodiversity conservation.
	Incremental	0.20		
Policy development.	Business as Usual	0.29	Limited impact on increased dialogue and exchange of 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.	No global benefit since the program does not have an Action Plan nor has begun implementation.
	With GEF Alternative	1.22	Better 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; and more effective implementation of conservation activities; increased sustainable and systematically participatory process, due to the strengthening of key institutions, especially CONACER and MMA;	Raised awareness as to importance of environmental services among government institutions; training for biodiversity-related work; 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 policies and practices that contribute to increased biodiversity conservation.

Component	Cost Category	US\$ million	Domestic Benefit	Global Benefit
			consolidation of a biome-wide policy program; increased CSO participation; clear definition of roles; and increased knowledge generation, sharing and dissemination.	
	Incremental	0.93	Note: GEF contribution: US\$ 0.93;	GoB: US\$ 0.29
Biome monitoring.	Business as Usual	0.27	No existing biome-monitoring system. Limited monitoring in specific sites by some agencies (e.g. IBAMA, Umbria, CSOs) with no coordination, no information sharing and a variety of focuses).	Limited global-awareness benefit, due to the lack of exchange, dissemination and coordination of monitoring information.
	With GEF Alternative	1.54	Increase biodiversity information exchange, generation of high-quality policies based on high-quality information; better national decision-making in public and private sectors, and more effective implementation of conservation activities due to systematic monitoring, coordinated approach and full dissemination of efficient and targeted information about biodiversity, vegetative cover and other socio-environmentally relevant factors. The monitoring system would contribute to stimulating the use of similar systems to monitor other biodiversity-relevant biomes in the country.	Increase in biodiversity information exchange and improved assistance in global monitoring and information networks help preserve key species of global importance and promote conservation of habitats that provide environmental services on a global scale through the production, consolidation, coordinated approach and full dissemination of efficient and targeted information about biodiversity, vegetative cover and other socio-environmentally relevant factors. Additionally, the dissemination of lessons learned from monitoring and implementation will help encourage the use of similar approaches in other globally relevant hotspots around the world.
	Incremental	1.27		
Sustainable <i>Cerrado</i> Initiative Program coordination.	Business as Usual	0.10	No baseline; without the GEF alternative Initiative coordination activities would not happen, which would delay the conclusion and implementation of the Action Plan of the National Sustainable <i>Cerrado</i> Program.	No baseline.
	With GEF Alternative	0.55	Increased knowledge sharing, awareness of key stakeholders; more cost-effective and efficient implementation of biodiversity sustainable use and conservation activities; better national decision-making and more effective monitoring; shift	More coordinated approaches and increased dialogue between key stakeholders, including civil society; contribution to increased biodiversity conservation, awareness raising as to importance of environmental services among government institutions and civil

Component	Cost Category	US\$ million	Domestic Benefit	Global Benefit
			paradigm to more consensus-coordinated activities among key stakeholders for biome conservation due to a coordinated approach; increased dialogue between key stakeholders, including civil society; increased exchange of information. Additionally, the dissemination of lessons learned from the Initiative's model implementation throughout the country would encourage the use of similar approaches in other biomes.	society; increased knowledge sharing, thereby increasing the understanding and the capacity to implement biodiversity-related work, thus contributing to the CBD targets. Additionally, the dissemination of lessons learned from the Initiative's implementation model will help encourage the use of similar approaches in other global-relevant hotspots.
	Incremental	0.45		
Project Coordination.	Business as Usual	0.45	No baseline; without the GEF alternative, project coordination activities would not happen.	No baseline.
	With GEF Alternative	0.90	Better implementation of conservation activities and knowledge sharing; better support for domestic and biodiversity-related activities; increased likelihood of replication at local and national levels due to the coordination of project activities, including the dissemination of information, capacity building, and evaluation of the activities' results (best practices and lessons learned). Additionally, improved capacity of government institutions to manage the biome's conservation and sustainable use activities.	Increase the impact of efforts to conserve globally-critical biodiversity through the coordination of the project activities, including the dissemination of information and evaluation of the activities' results (best practices and lessons learned). The knowledge sharing will also facilitate future conservation projects around the world, especially in critical biodiversity hotspots.
	Incremental	0.45		
Total Business-as-usual Scenario: US\$ 8.00				
GEF Alternative Costs: US\$ 12 million of which US\$ 4.00 million is being requested from the GEF				

Incremental Costs and Role of Co-finance

132. The difference between the costs of the Business as usual Scenario (US\$ 8.0 million) and the GEF Alternative (US\$ 12.0 million) is an estimated US\$ 4.0 million. With the GEF Alternative, the counterpart funds will be used for the strategic actions established in the project. Thus, the inclusion of GEF funds will not only complement the national funds, but will also add to the Brazilian efforts and contribute to reaching a higher level within the thematic environment-related discussions about this important biome.

Annex 19: Appraisal Document for TOCANTINS Sustainable *Cerrado* Project – State of Tocantins

Date: February 22, 2010	Team Leader: Garo J. Batmanian
Country Director: Makhtar Diop	Sectors: General agriculture, fishing and forestry sector (100%)
Sector Manager: Karin Erika Kemper Project ID: P091827	Themes: Biodiversity (P); Environmental policies and institutions (P); Land administration and management (P); Other environment and natural resources management (S)
Focal Area: Biodiversity	
Environmental Assessment: Partial Assessment	
Lending Instrument: Global Environmental Facility	

Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): 3.00

Proposed terms:

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER/RECIPIENT	6.00	0.00	6.00
GLOBAL ENVIRONMENT FACILITY	0.00	3.00	3.00
Total:	6.00	3.00	9.00

Recipient:

State of Tocantins

Responsible Agency:

State Secretariat for Infrastructure

Tocantins

Brazil

Estimated disbursements (Bank FY/US\$m)

FY	2010	2011	2012	2013					
Annual	0.50	1.00	1.00	0.50					
Cumulative	0.50	1.50	2.50	3.00					

Project implementation period: Start April 15, 2010. End: June 4, 2013.

Expected effectiveness date: April 15, 2010.

Expected closing date: June 30, 2013.

Project development objective

To enhance biodiversity conservation in, and improve environmental and natural resource management of, the *Cerrado* in the territory of the State of Tocantins, through appropriate policies and practices.

Global Environment objective

The objectives of this 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 four decentralized projects together with an integrated, biome-wide, coordination.

Project actions will focus in the eastern portion of the state, an area of approximately 116,000 km² that concentrates the most preserved areas of Cerrado in the state and is threatened by plans for the expansion of large-scale agriculture.

Component 1: Biodiversity Protection in the State of Tocantins's Territory at the Ecosystem and Species Levels. This component aims at contributing to ecosystem conservation through the creation and consolidation of protected areas, ensuring the effective protection and management of at least 541,000 hectares of ecologically valuable Cerrado Biome.

Component 2: Sustainable Use of Biodiversity in the Cerrado Biome in the Production Landscape Surrounding Protected Areas. This component aims at promoting the sustainable use of biodiversity in the Cerrado Biome and its conservation in the production landscape by enhancing and promoting environmentally sustainable production processes, building capacity of rural producers to apply best practices and adopt alternatives to deforestation while ensuring compliance of legal reserves and permanent preservation areas, all through the strategic identification and location of rehabilitated or compensated legal reserve areas in municipalities surrounding existing protected areas, the creation of biological corridors connecting protected areas with legal reserve areas and permanent preservation areas, and the preparation and implementation of one species-level management plan for the golden grass.

Component 3: State of Tocantins's Capacity for Biodiversity Conservation and Monitoring. This component aims at strengthening and enhance capacity in the relevant sectors of the Recipient's administration responsible for implementing the Recipient's biodiversity policy in order to carry out effective biodiversity conservation and monitoring, in particular inside and around protected areas, including the enhancement of state-level tools and systems for monitoring biodiversity.

Component 4: Project Coordination, Monitoring, Evaluation and Information Dissemination. This component aims at ensuring the continuous coordination, management and monitoring of all Project activities by supporting timely and efficient technical coordination, monitoring and evaluation activities as well as satisfactory financial management, procurement, audit and reporting activities, together with the preparation and implementation of an information and dissemination plan.

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); Pest Management (OP/BP 4.09); Physical Cultural Resources (OP/BP 4.11); Involuntary Resettlement (OP/BP 4.12); Indigenous Peoples (OP/BP 4.10); and Forests (OP/BP 4.36).

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

Board presentation: None.

Conditions for effectiveness: (i) the execution and delivery of the Grant Agreement on behalf of the State of Tocantins have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Technical Cooperation Agreements have been signed on behalf of the

State of Tocantins, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, in form and substance satisfactory to the World Bank and the execution and delivery of said Technical Cooperation Agreements on behalf of the State of Tocantins, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, have been duly authorized or ratified by all necessary governmental and corporate action; (iii) the Operational Manual has been adopted by the State of Tocantins in form and substance satisfactory to the World Bank; and, (iv) the Project Coordination Unit has been created by the State of Tocantins in form and substance satisfactory to the World Bank.

Covenants applicable: (i) the State of Tocantins shall establish and thereafter maintain until the completion of the execution of the Project, a coordination unit (the Project Coordination Unit) within the administrative structure of SRHMA in charge of the daily 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 deputy coordinator and five technical and administrative staff; (ii) the State of Tocantins shall maintain until the completion of the execution of the Project, a Project management unit (the Project Management Group) within the administrative structure of SEINF in charge of the daily financial management and procurement of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a specialist in project management, a financial management specialist and a procurement specialist; (iii) the State of Tocantins, through the Project Coordination Unit and the Project Management Group, 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 (the 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 December 1, 2011, or such other date as the World Bank shall agree upon, the State of Tocantins shall, through the Project Coordination Unit and the Project Management Group: (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; (v) the State of Tocantins shall carry out Components 3 and 4 of the Project and shall cause NATURATINS and RURALTINS to carry out, respectively, Components 1 and 3 and Components 2 and 3 of the Project through technical cooperation agreements to be executed and thereafter implemented under terms and conditions acceptable to the World Bank; (v) to facilitate the carrying out of Component 2 of the Project, the State of Tocantins shall execute no later than twelve months after the Effective Date and thereafter maintain partnership agreements under terms and conditions acceptable to the World Bank, with nature Conservancy, selected rural/small producers associations, and selected municipalities in the State of Tocantins' territory, all in accordance with the Operational Manual; (vi) the State of Tocantins shall ensure that the Project is carried out in accordance with: (a) the Environmental Management Framework for the Initiative, the Environmental Assessment (including provisions for pest management, chance finding of cultural property and natural habitats), (b) the Resettlement Framework for the Initiative; and (c) the Indigenous Peoples Planning Framework.

I. INTRODUCTION

1. Since its creation in 1989, Tocantins State has been working actively towards the construction of a strong basis for the environmental management of the state's territory, aiming at the effective conservation of its rich natural resources and maintenance of ecological processes. During these 20 years, policies were developed for the environment, forests, water resources, protected areas, and, most recently, the state biodiversity policy. All these policies were developed through participatory processes.

2. Conscious of the potential of its biological and water resources, the State Government is implementing the Regional Sustainable Development Project (PDRS – *Projeto de Desenvolvimento Regional Sustentável*), and particularly Environmental Management Component. The PDRS Environmental Management Component seeks to: (i) strengthen the state's land management capacity, through the undertaking of detailed regional ecologic-economic zoning in all regions of the state; (ii) consolidate the state's environmental protection system, through the creation of 6 protected areas, collection of data on the state's main surface and subterranean water resources, and strengthening the states climatic and hydrological monitoring system; and, (iii) support the regulation and promotion of sustainable land use, through definition of adequate incentives, economic and regulatory instruments for implementation of land management policies, definition and implementation of licensing procedures for rural properties, an improvement of technological support to small producers.

3. Through the PDRS Environmental Management Component, the state has developed strategic studies such as: (i) the Agro-ecological Zoning and the Ecological-Economic Zoning of the North of Tocantins State; (ii) the survey of potential sites for the creation of protected areas; (iii) a digital cartographic database; and, (iv) the mapping of deforestation dynamics for the years 2000/2002 and 2002/2003. Additionally, 14 areas were targeted by rapid ecological assessments that collected data on fauna, flora, physical environment and socio-economic variables.

4. The effective use of participatory process enabled the state to establish 291,000 hectares of state full protection PAs and 2.5 million hectares of sustainable use PAs, which are in addition to 1.5 million hectares of federal protected areas in the state. In addition, the Government has proposed to the state legislature the creation of protected areas considering the following criteria: (i) importance of local biodiversity; (ii) occurrence of threatened and endemic species; (iii) importance of the area for replenishing aquifers; (iv) projected scenarios resulting from climate change; and, (v) the possibility of composing conservation mosaics and sustainable landscapes to increase the long-term viability of biological communities.

5. Despite these significant advances, the Government of Tocantins still has important challenges ahead, both regarding the implementation of new environmental policies and the improvement of the performance of state environmental agencies. This is particularly relevant given that, parallel to the state's efforts to protect the environment; the process of territory occupation has accelerated in the last several years. In a 10-year period, 5,000 km of highways were paved, facilitating transportation and land occupation, and although 82%

of the original *Cerrado* vegetation still remains in the state, this area is now under pressure from the rapid expansion of the agricultural frontier.

6. The total area of the state occupied by soybean plantations jumped from 30,000 hectares in 1990 to 355,000 ha in 2005. Among the municipalities that presented the largest expansion of soybean plantations are those containing the largest continuous portions of well-conserved *Cerrado* vegetation, such as Mateiros (headquarters of the Jalapão State Park), Campos Lindos, Santa Rosa do Tocantins, and Dianópolis. Additionally, the area occupied by cattle ranches grew at an average annual rate of 4.2%

7. The environmental benefits to Tocantins resulting from the Program and this project will include greater conservation and the consolidation of ecological functionality in the eastern portion of the state, particularly in the regions of Jalapão, the buffer zone of the Krahôlândia Indigenous Land, and areas surrounding the municipality of Babaçulândia. The creation of new protected areas will contribute to the formation of ecological corridors, connecting full protection and sustainable use protected areas which currently encompass approximately one million hectares, including the Parnaíba Headwaters National Park, the Serra Geral do Tocantins Ecological Station, the Jalapão State Park, the Jalapão Environmental Protection Area, the Krahôlândia Indigenous Land, and the Tocantins State Fossilized Trees Natural Monument.

II. RESULTS FRAMEWORK AND MONITORING

8. The key results and outcomes to be monitored during project implementation are:

To enhance biodiversity conservation in, and improve environmental and natural resource management of, the <i>Cerrado</i> in the territory of the State of Tocantins, through appropriate policies and practices.	<ul style="list-style-type: none"> • Increase the area under full protection state PAs by 250,000 ha (from 291,000 to 541,000ha); • Effective implementation of the four existing full protection PAs, covering 291,000 ha. • At least 20% of the provisions of the state policies related to biodiversity conservation implemented and monitored. 	YR1-YR2 will determine if implementation strategy needs adjustment. YR3 Assess the effectiveness of the state conservation units system.
Intermediate Project Results	Results Indicators	Use of Results Monitoring
Component 1 Biodiversity protection in Tocantins at the ecosystem and species level.	1.1 Legal instruments prepared and submitted for approval for the creation of additional 0.25 million hectares of full protection PAs located in priority areas ⁶⁷ . 1.2 Four existing full protection PAs with improved management capacity by management plans and/or infrastructure, covering about 0.29 million ha..	YR1-YR2 may flag implementation opposition, design flaws, or insufficient funds.
Component 2 Sustainable use of <i>Cerrado</i> biodiversity in the production landscape surrounding protected	2.1 A regional plan for the community-based sustainable use of golden grass, developed of including the definition of the spatial distribution of the species' populations. 2.2 Eight initiatives for adding value and for improving the commercialization of natives products originating from rural	YR1- YR2 assess degree of implementation to provide feedback for next year activities.

⁶⁷ The final steps for the effective creation of protected areas proposed by this project require approval from the State Legislature.

areas.	<p>sustainably managed production developed in PA buffer zones, directed at communities affected by creation of the PAs, totaling 48,000 ha covered by sustainable management practices in project target areas.</p> <p>2.3 Five initiatives of traditional know-how and current best practices for the sustainable management of the <i>Cerrado's</i> natural resources documented and disseminated.</p> <p>2.4 Eighty rural land owners trained in the application of at least 3 low-impact production practices and/or alternatives to deforestation in the project target areas.</p> <p>2.5 RLs and APPs in the buffer zone of the Cantão and Jalapão State Parks regularized, rehabilitated with its strategic distribution defined to create biological corridors.</p>	
Component 3 State's capacity for biodiversity conservation and monitoring.	<p>3.1 Legal, technical, and operational aspects of the Forest Licensing System for Rural Properties revised and simplified.</p> <p>3.2 Three public policies related to the conservation and sustainable use of the Tocantins' natural resources developed.</p> <p>3.3 Three 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. (NATURATINS, RURALTINS, and SRHMA).</p> <p>3.4 One CSO strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.</p> <p>3.5 State system for environmental monitoring, licensing and enforcement of rural properties developed using the Geo-Tocantins database.</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 activities being carried out timely and efficiently.</p> <p>4.2 Financial management, procurement and audit, reporting activities, and project financial closing activities being carried out satisfactorily.</p>	YR1-YR2 should flag project deficiencies in time to be corrected.

Arrangements for results monitoring

9. A Project Coordination Unit (PCU) will be created within SRHMA. It will be responsible for implementing the project's M&E activities in accordance with the results framework presented in this section.

10. During the first semester of implementation, the PCU will ensure that the necessary M&E structure is fully operational, with trained staff and information-gathering and data-processing tools. The PCU will prepare and submit a "Biannual Project M&E Report" to DCBio/MMA (Initiative Coordinator) and to the 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". 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. SRHMA is responsible for monitoring possible biodiversity impacts resulting from the project. This system will identify the biodiversity monitoring indicators and the procedures for their periodic assessment. Specific indicators for the impacts of the shared management of golden grass will be identified and agreed in collaboration with the Mumbuca community, as part of the preparation of golden grass management plan.

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Cumulative Target Values			Data Collection and Reporting			Responsibility for Data Collection
		YR1	YR2	YR3	Frequency and Reports	Data Collection Instruments		
Increase the area under full state PAs by 250,000 ha (from 291,000 to 541,000ha);	There are currently 4 state full protection PAs w/ a total area of approximately 291,000 hectares.	Proposals for the creation of new PAs prepared.	441,000 hectares under full protection PAs.	541,000 hectares under full protection PAs.	Biannual project report	Data on the total area of PAs.	NATURATINS	
Effective implementation of the four existing full protection PAs, covering 291,000ha; and	Current average values of the Consolidation Analysis: Camãõ: 3.6 Lajeadõ: 2.7 Jalapão: 2.6 MONAF: 2.0	Average value for each State Park \geq 2.8.	Average value of each State Park \geq 3.0.	Average value for each State Park \geq 3.5.	Biannual project report	Scorecards – TNC/ USAID [see TNC (2003) <i>Assessing Results: Analysis of the Consolidation of Protected Areas under the Parks in Peril Program</i>].	NATURATINS	
At least 20% of the provisions of the state policies related to biodiversity conservation implemented and monitored.	New policies to be defined.	New policies developed.	New policies agreed, published, and included in state budget.	20% of the budget related to these policies executed under the project.	Biannual project report	Data on budget expenditure.	SRHMA	
Intermediate Outcome Indicators Component 1								
1.1. Legal instruments prepared and submitted for approval for the creation of 0.25 million ha in full protection PAs located in priority areas ⁶⁸ .	There are currently 4 state full protection PAs w/ a total area of approximately 291,000 hectares.	Proposals for the creation of new PAs prepared.	0.15 million hectares of PA.	0.25 million hectares of PA.	Biannual project report	Data on the total area of PAs.	NATURATINS	
1.2. Four existing full protection PAs with improved management capacity by management plans and/or infrastructure, covering about 0.29 million ha..	Current average values of the Consolidation Analysis : Camãõ: 3.6 Lajeadõ: 2.7 Jalapão: 2.6 MONAF: 2.0	Average value for each State Park \geq 2.8.	Average value for each State Park \geq 3.0.	Average value for each State Park \geq 3.5.	Biannual project report	Scorecards – TNC/ USAID <i>Assessing Results: Analysis of the Consolidation of Protected Areas under the Parks in Peril Program</i>].	NATURATINS	

⁶⁸ The final steps for the effective creation of protected areas proposed by this project require approval from the State Legislature.

Component 2	No current regional plan or inventory of golden grass production and processing.	Plan discussed and prepared.	Plan approved and implemented.	Plan implemented.	Biannual project report	Progress report	RURALTINS
2.1. A regional plan for the community-based sustainable use of golden grass developed, including the definition of the spatial distribution of the species' populations.							
2.2. Eight initiatives for adding value and for improving the commercialization of natives products originating from rural sustainably managed production developed in PA buffer zones, directed at communities affected by creation of the PAs, totalizing 48,000 ha covered by sustainable management practices in project target areas.		8 projects prepared and approved.	8 projects implemented.	8 projects implemented	Biannual project report	Progress report and monitoring system.	RURALTINS
2.3 Five initiatives of traditional know-how and current best practices documented and disseminated.	A few experiments already exist around PAs. A quick inventory and diagnosis will establish the baseline.	Inventory and diagnosis of existing projects completed.		5 projects documented and disseminated.	Biannual project report	Progress report and monitoring system.	RURALTINS
2.4. Eighty rural land owners trained in the application of at least 3 low-impact production practices and/or alternatives to deforestation in the target areas.			Preparation for capacity-building.	80 rural land owners trained.	Biannual project report	Progress report and monitoring system.	RURALTINS
2.5. RLs and APPs in the buffer zone of the Cantão and Jalapão State Parks regularized, rehabilitated with its strategic distribution defined to create biological corridors.	There are 4 rural properties licensed around Cantão totaling 6,933 hectares (total RL=3,234 ha; total APP=354 ha); and 1 licensed rural property around Jalapão (total area = 1,584 ha; RL= 824 ha; APP = 22 ha).	Census and diagnosis of 39% of RLs and APPs around PEC and PEJ concluded.	Census and diagnosis of 70% of RLs and APPs around PEC and PEJ concluded, completing 100% of the two buffer zones.	Forestry licensing of 100% of the rural properties around PEC and PEJ concluded.	Biannual project report	Progress report.	NATURATINS

<p>Component 3</p> <p>3.1. Legal, technical, and operational aspects of the Forest Licensing System for Rural Properties revised and simplified.</p>	<p>Current licensing process is complicated. Up to now only 1,306 licenses were issued (less than 3% of rural properties). On average, 326 licenses are issued per year.</p>	<p>Evaluation of current procedures and development of proposals for their simplification.</p>	<p>New procedures approved and implemented; legislation revised (COEMA).</p>	<p>Increase in the average number of licenses issued per year to 500.</p>	<p>Biannual project report</p>	<p>Number of licenses issued to rural properties</p>	<p>NATURATINS</p>
<p>3.2. Three public policies related to the conservation and sustainable use of the state's natural resources developed.</p>		<p>Diagnosis of existing policies and definition of priorities.</p>	<p>Preparation of new policies and detailing of existing ones.</p>	<p>3 new policies approved.</p>	<p>Biannual project report</p>	<p>Existing policies</p>	<p>SRHMA</p>
<p>3.3. Three 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. (NATURATINS, RURALTINS, SRHMA).</p>	<p>RURALTINS currently has a very simple office in Caseara and none in São Félix or Mateiros. There is only 1 technician w/ practical experience in sustainable practices. NATURATINS' staff have currently the following experts: 5 in geoprocessing, 2 in public use, 2 in ecotourism, 1 in management, 1 in conservation biology. There is no installed capacity for field geo-processing.</p>	<p>RURALTINS: -Offices in São Félix and Mateiros established; office in Caseara strengthened. -24 staff hired. -Office equipment acquired. NATURATINS: -Mobile geo-processing unit acquired. All 3 agencies: -Capacity building program for RURALTINS, NATURATINS and SRHMA developed.</p>	<p>-Courses on alternative production practices and participatory management delivered to RURALTINS staff. -Monitoring, geoprocessing, conservation biology, public use, and PA management courses delivered. -Park ranger courses delivered. -Management, policy, and environmental indicator courses delivered to SRHMA staff.</p>	<p>Progress reports</p>	<p>Biannual project report</p>	<p>Progress reports</p>	<p>SRHMA</p>
<p>3.4. One CSO strengthened to keep their affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena.</p>	<p>Baseline TBD by the institutional assessment of the Mumbuca Association.</p>	<p>Institutional diagnosis completed and strengthening plan approved.</p>	<p>Institutional strengthening of the association under implementation.</p>	<p>Institutional strengthening of the association delivered.</p>	<p>Biannual project report</p>	<p>Indicators and tools TBD by the institutional assessment.</p>	<p>RURALTINS</p>
<p>3.5. State system for</p>	<p>The state monitors heat sources but has no capacity</p>	<p>Development of procedures and</p>	<p>Cartographic update of the PEC</p>	<p>Implementation of a vegetation cover</p>	<p>Biannual project report</p>	<p>Progress reports</p>	<p>NATURATINS</p>

<p>environmental monitoring, licensing and enforcement of rural properties developed using the Geo-Tocantins database.</p>	<p>to monitor the qualitative aspect of forest fires. There is no systematic monitoring of threatened species or water quality. Current vegetation cover data has 2003 baseline and monitoring data of 2004.</p>	<p>routines for the qualitative & quantitative monitoring of forest fires and slash-and-burn, as well as flora, fauna, and threatened and aquatic species in full protection PAs and their buffer zones. Cartographic update of the PEJ buffer zone (at the 1:25,000 scale).</p>	<p>buffer zone (at the 1:25,000 scale). Deforestation dynamics defined for 2011 at the 1:25,000 scale. Deforestation reports produced. Monitoring of fauna, flora, and threatened species in PEJ implemented.</p>	<p>monitoring system for the PEC and PEJ buffer zones. Deforestation dynamics defined for 2012 at the 1:25,000 scale. Monitoring of fauna, flora, and threatened species in PEC and PEJ implemented. Procedures for monitoring water quality established in PEC, PEJ and PEL.</p>	<p>Biannual project report</p>	<p>Progress report.</p>	<p>SRHMA</p>
<p>Component 4 4.1. Technical coordination, monitoring and evaluation, and reporting and dissemination activities being carried out timely and efficiently. 4.2. Financial management, procurement and audit, reporting activities, and project financial closing activities being carried out satisfactorily.</p>		<p>Technical Coordination Unit created. Monitoring system operational. Project management structured and operational. Implementation rate: 70% of planned activities.</p>	<p>Efficient implementation and monitoring. Project management structured and operational. Implementation rate: 85% of planned activities.</p>	<p>Efficient implementation and monitoring. Project management structured and operational. Implementation rate: 100% of planned activities.</p>	<p>Biannual project report</p>	<p>Progress report.</p>	<p>SRHMA</p>

III. DETAILED PROJECT DESCRIPTION

11. 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. The Program establishes. 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.

12. **The project's 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 Tocantins, through appropriate policies and practices.** This will be achieved through the creation and effective management of Protected Areas (PAs), Legal reserves (RLs) and permanent preservation areas (APPs), and the promotion of sustainable practices among rural producers located in buffer zones and ecological corridors, using watersheds as territorial planning units. To streamline the achievement of its development objective, the project will also complement the state's environmental policies and enhance governmental capacity to implement them.

13. The *Tocantins Sustainable Cerrado Project* fully meets the "Project Qualification and Preferential Criteria" for the selection and the operational procedures of the Sustainable *Cerrado* Initiative for projects, as defined in Annex 17. This project was evaluated by the Initiative Committee, and prepared according to all the standard policy directives and norms, and the preparation and operational procedures defined by the WB and the GEF.

14. The project will be implemented over a three-year period and has four major components, detailed below, that closely follow the key thematic and cross-cutting activities proposed under the Program, and are consistent with GEF Strategic Objectives. Project actions will focus in the eastern portion of the state, an area of about 116,000 km² that concentrates the most preserved areas of *Cerrado* in the state and is threatened by the expansion of large-scale agriculture.

15. **Component 1: Biodiversity protection in the State of Tocantins at the ecosystem and species level** (*Cost: US\$ 5.13 million, US\$ 1.09 million of which will be from the GEF*). This component aims at contributing to ecosystem conservation through the creation and consolidation of protected areas, ensuring the effective protection and management of at least 541,000 hectares of ecologically valuable *Cerrado* Biome by: (a) creating at least 250,000 hectares of protected areas located in priority areas for conservation; and (b) strengthening the management and implementation of four existing protected areas in the Recipient's territory; all through studies and other activities related to the creation of protected areas, inter alia, environmental assessments, development of management plans and sustainability strategies, implementation of basic protected area management infrastructure, creation and proper functioning of management councils for protected areas, and use of landscape planning tools.

16. The Selection of sites for the creation of full protection PAs will be based on PROBIO⁶⁹ results and the state's zoning and regional rapid ecological assessments already carried out.

⁶⁹ PROBIO was the Project for the Conservation and Sustainable Use of Biodiversity, within the PRONABIO (GoB/GEF). From 1997 to 2000, PROBIO conducted an extensive multi-stakeholder consultation to identify priority areas for the conservation and

The process for defining limits for the new PAs will follow the provisions of SNUC⁷⁰ and relevant state legislation, including all necessary public consultation processes. The latter will assist in the creation of management committees for the new areas. The final steps of the process to create protected areas proposed will require approval by the State Legislature.

17. This component has the following results indicators: (1.1) Legal instruments prepared and submitted for approval for the creation of 0.25 million hectares in full protection PAs located in priority areas⁷¹; and (1.2) Four existing full protection PAs with improved management capacity by management plans and/or infrastructure, covering about 0.29 million hectares.

18. This component will finance studies and other actions related to the creation of protected areas, rapid ecological assessments, development of management plans including sustainability strategies, implementation of the basic PA management infrastructure (personnel, facilities and equipment), creation and/or proper functioning of PA management councils, and the use of landscape planning tools, among other actions.

19. Component 2: Sustainable use of Cerrado biodiversity in the production landscape surrounding protected areas (*Cost: US\$ 1.15 million, all from the GEF*). This component aims at promoting in the rural properties around the existing four protected areas in the State of Tocantins's territory, the sustainable use of biodiversity in the Cerrado Biome and its conservation in the production landscape by enhancing and promoting environmentally sustainable production processes, building capacity of rural producers to apply best practices and adopt alternatives to deforestation while ensuring compliance of legal reserves and permanent preservation areas, all through the strategic identification and location of rehabilitated or compensated legal reserve areas in municipalities surrounding existing protected areas, the creation of biological corridors connecting protected areas with legal reserve areas and permanent preservation areas, and the preparation and implementation of one species-level management plan for the golden grass. The strategic location of rehabilitated or compensated *RLs* will be fostered in municipalities surrounding existing state full protection PAs based on the application of landscape planning tools, to create biological corridors connecting PAs, *RLs* and permanent preservation areas (*APPs*) along rivers and on steep inclines. Additionally, this component will prepare and implement one species-level management plan for golden grass, which is one of the most important species in the state for extractive activities. Actions supported by this component will be directed at properties around the four existing state full protection protected areas.

20. This component has the following results indicators: (2.1) A regional plan for the community-based sustainable use of golden grass developed, including the definition of the spatial distribution of the species' populations; (2.2) Eight initiatives for adding value and for improving the commercialization of natives products originating from rural sustainably managed production developed in PA buffer zones, directed at communities affected by creation of the PAs; totalizing 48,000 ha covered by sustainable management practices in project target areas; (2.3) Five initiatives of traditional know-how and current best practices documented and disseminated; (2.4) Eighty rural land owners trained in the application of at

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. The list and map of updated areas was published in 2007.

⁷⁰ SNUC (*Sistema Nacional de Unidades de Conservação*) is the legislation ruling the National Protected Areas System, which establishes the recognized categories of PAs and respective processes for creation.

⁷¹ The final steps for the effective creation of protected areas proposed by this project require approval from the State Legislature.

least 3 low-impact production practices and/or alternatives to deforestation in the project target areas; and, (2.5) RLs and APPs in the buffer zone of the Cantão and Jalapão State Parks regularized and rehabilitated with their strategic distribution defined to create biological corridors.

21. This component will finance studies, mapping and planning activities, technical assistance and training of local population for the sustainable management of the natural resources and landscape. This Component will also finance field work, studies and establishment of nurseries linked to the implementation of RLs and APPs.

22. Component 3: State of Tocantins' capacity for biodiversity conservation and monitoring (*Cost: US\$ 2.11 million, US\$ 0.74 million of which will be from the GEF*). This component aims at strengthening and enhancing capacity of the agencies responsible for implementing the state biodiversity policy to carry out biodiversity conservation and monitoring, particularly inside and around protected areas, including enhancement of state-level tools and systems for monitoring biodiversity.

23. As in the others projects under Sustainable *Cerrado* Initiative, this component is designed to create the policy and structural foundation necessary for pursuing long-term objectives for biodiversity conservation and sustainable use. The component will support capacity-building activities for government agencies, local communities, and extension agents on the adoption of participatory environmental management; mobilization aimed at the strengthening of social capital, and on the integration of monitoring systems with a biome-related focuses.

24. This component has the following results indicators: (3.1) Legal, technical, and operational aspects of the Forest Licensing System for Rural Properties revised and simplified; (3.2) Three public policies related to the conservation and sustainable use of the state's natural resources developed; (3.3) Three 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. (NATURATINS, RURALTINS, SRHMA); (3.4) One CSO strengthened (The Mumbuca Association) to keep its affiliates informed about public policies and to communicate and represent civil society's opinions and aspirations in the national arena; and, (3.5) State system for environmental monitoring, licensing and enforcement of rural properties developed using the Geo-Tocantins database.

25. This component will finance: (i) technical and legal instruments studies of the Forest licensing system; (ii) workshops to present draft policies and consult with stakeholders; (iii) preparation and dissemination of legal guidelines and manual of the Forest Licensing system; (iv) implementation of a diagnosis of the organizational structure of environmental agencies and local communities to identify capacity building needs; (v) training; (vi) production of dissemination materials; and, (vii) acquisition of equipment.

26. Component 4: Project coordination, monitoring and evaluation, and information dissemination (*Cost: US\$ 0.61 million, US\$ 0.02 million of which will be from the GEF*). This component aims at ensuring the continuous coordination, management and monitoring of all Project activities by supporting timely and efficient technical coordination, monitoring and evaluation activities as well as satisfactory financial management, procurement, audit and reporting activities, together with the preparation and implementation of an information and dissemination plan.

27. This component has the following results indicators: (4.1) Technical coordination, monitoring and evaluation, and reporting activities being carried out timely and efficiently; and (4.2) Financial management, procurement and audit, reporting activities, and project financial closing activities being carried out satisfactorily.

28. This component will finance studies, training, acquisition of equipment and planning activities necessary for the development and implementation to carry out the monitoring and coordination activities.

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	4.04	1.09	5.13	57	State Treasury
Component 2.					
Sustainable use	0.00	1.15	1.15	13	State Treasury
Component 3.					
Strengthening capacity	1.37	0.74	2.11	23	State Treasury
Component 4.					
Project coordination	0.59	0.02	0.61	7	State Treasury
Total Costs	6.00	3.00	9.00	100	

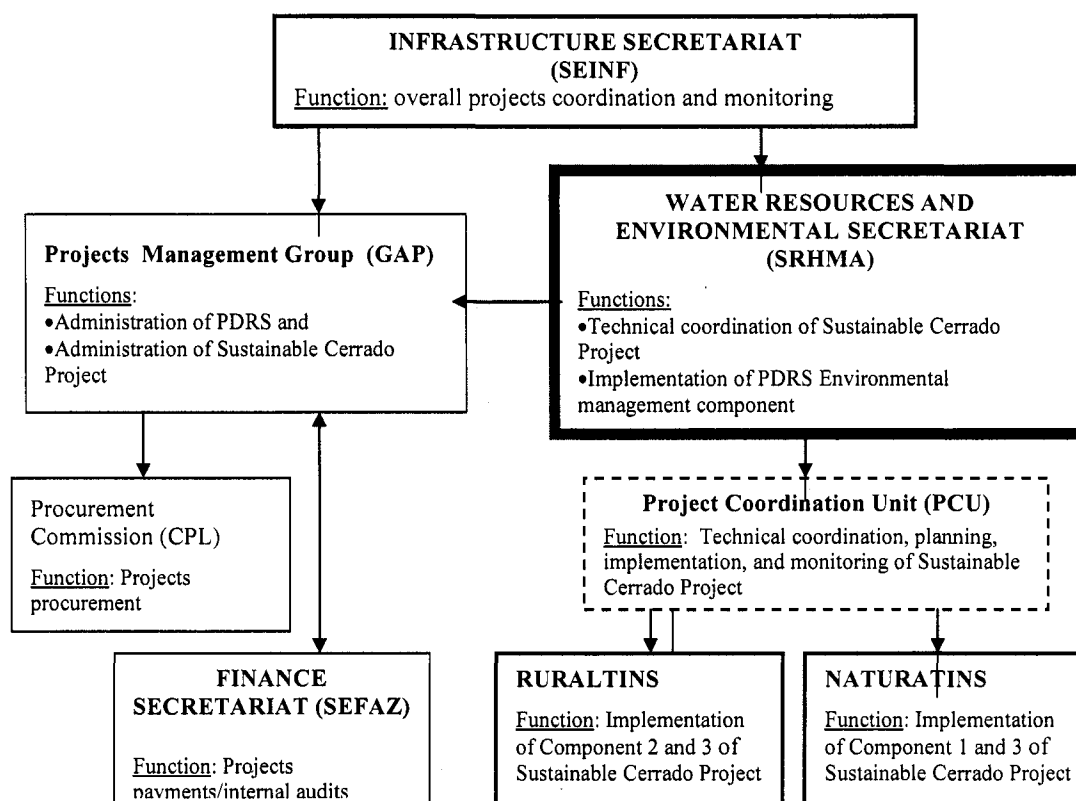
29. Local counterpart funds will be provided by state governmental funds.

Name of co-financier (source).	Classification	Type	US\$ (million)	%
Tocantins State Government:	Project Govt	State Fiscal	6.00	100
Tocantins State annual allocation for the Environmental Agency	contribution	Resources		
	TOTAL:		6.00	100

V. IMPLEMENTATION ARRANGEMENTS

30. This project will be implemented over a three-year period. The expected start date is April 15, 2010; and the closing date is expected to be June 30, 2013. The grant recipient is the State Infrastructure Secretariat (SEINF) which also implements the Tocantins Regional Sustainable Development Project (PDRS) supported by IBRD.

31. The PDRS is a US\$ 60.0 million Bank-financed operation, which is coordinated by SEINF. The PDRS has four macro-components: (i) regional and local development planning and management; (ii) consolidation of the environmental protection and territorial management system; (iii) improvement and conservation of municipal and state highways; and, (iv) PDRS coordination. A Project Management Group (*GAP Grupo de Administração de Projetos*) for PDRS was officially instituted by state administrative ruling No. 604/02 of November 12, 2002. The State Environment and Water Resources Secretariat (SRHMA) is one of the implementation agencies of the PDRS. The Tocantins Sustainable *Cerrado* Project will be implemented in collaboration with PDRS as indicated in the implementation arrangements chart below.



32. The State Water Resources and Environmental Secretariat (SRHMA) will carry out the technical coordination and will implement the Project in partnership with the other state agencies Tocantins Nature Institute (NATURATINS) and Tocantins Rural Development Institute (RURALTINS).

33. The Project Coordination Unit (PCU) to be created within SRHMA, will be composed of: (i) a coordinator (senior technical expert); (ii) a deputy coordinator; and (iii) a team of 5 technical and administrative staff. The PCU will be responsible for: (i) coordinating project activities, monitoring the timely achievement of results; (ii) revising and consolidating Annual Budget Plans (POAs) and Procurement Plans; (iv) producing biannual implementation reports for submission to the Bank and to the Initiative Coordinator (DCBio/MMA); (v) ensuring that partnership agreements and financial implementation are efficiently carried out; (vi) evaluating studies, documents and POAs prepared by the implementation partners; (vii) ensuring transparency in all actions under the State Government's responsibility; (viii) obtain the highest possible quality in all contracted services and works; and, (ix) suggesting adjustments to the implementation teams to ensure adequate and timely achievement of the project expected results.

34. The SRHMA will be responsible for preparing the annual budget plan for this project. Project-related procurement activities carried out by GAP. The GAP, assisted by PCU, Procurement Commission (CPL), and Tocantins State Finance Secretariat (SEFAZ-TO) will have the following responsibilities: (i) procuring goods and contracting services needed for project execution with GEF and counterpart resources; (ii) carrying out disbursements and the

financial execution and accounting of the project; (iii) preparing financial reports to MMA (the Sustainable *Cerrado* Initiative coordinator) and the World Bank; and, (iv) audit activities.

Responsibilities

35. Technical Cooperation Agreements will be signed between SRHMA and each of the two other executing agencies, NATURATINS and RURALTINS, establishing the specific responsibilities of each institution. There will be no flow of project funds among those institutions. Under the general coordination and supervision of SRHMA, implementation of project components will be distributed among the three executing partners as indicated in the implementation arrangements chart and Table below.

Executing agencies	Responsibilities
SEINF	PDRS implementation; GAP implementation; Financial execution of WB funds for PDRS (includes this project); Including support to the project in Cooperation Agreement with SHRMA; Procurement for SRHMA, NATURATINS, and RURALTINS activities under the project.
SRHMA	Designation of the General Coordinator for the project; Coordination of activities with NATURATINS and RURALTINS; Executing technical cooperation agreements with NATURATINS and RURALTINS; Coordination of activities with other partners; Preparation of Annual Operational Plan; Preparation of progress reports; Implementation of components; Development and implementation of the project monitoring system.
NATURATINS	Designation of 3 staff for components 1 and 3; Preparation of Annual Operational Plans for components 1 and 3; Coordination with other executing agencies and partners; Preparation of Rapid Ecological Assessments; Organizing the selection and definition of new protected areas (PAs); Coordination with the municipal administrations to create and implement the PA councils; Preparation/revision of PA management plans, including infrastructure; Preparation/acquisition of equipment; Preparation of the hiring and training processes for PA staff; Preparation of the hiring of consultants to develop sustainability plans for new PAs; Development of management plans for buffer zones; Geo-referencing PA buffer zones; Preparation of RL and APP diagnoses for the buffer zone of at least one PA; Definition of biodiversity monitoring indicators; Development and operation of an environmental monitoring system.
RURALTINS	Designation of 2 staff to implement component 2 and 3; Preparation of annual operational plan for components 2 and 3; Preparation of progress reports for components 2 and 3; Coordination with other executing agencies and partners; Preparation, in collaboration with NATURATINS, of a study to create a Sustainable Development Reserve (RDS) for the Mumbuca community; Community mobilization; Support social organization of the community; Preparation of a regional management plan for golden grass; Analyze, in collaboration with SEBRAE, the production arrangements for golden grass and develop a plan to consolidate them; Build community capacity to process and commercialize golden grass;

Executing agencies	Responsibilities
	Prepare, in collaboration with NATURATINS, a monitoring plan for golden grass extraction; Stimulate the presentation of proposals for sustainable production projects; Select and support the implementation of 8 production projects; Monitor and evaluate the production projects; Select and implement demonstration models; Dissemination of successful models; Provide training for rural producers.

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

37. A Bank representative will be responsible for coordinating the dialogue between the SRHMA, SEINF 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

38. Negotiated conditions for effectiveness: (i) the execution and delivery of this Agreement on behalf of the State of Tocantins have been duly authorized or ratified by all necessary governmental and corporate action; (ii) the Technical Cooperation Agreements have been signed on behalf of the State of Tocantins, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, in form and substance satisfactory to the World Bank and the execution and delivery of said Technical Cooperation Agreements on behalf of the State of Tocantins, on one hand, and respectively NATURATINS and RURALTINS, on the other hand, have been duly authorized or ratified by all necessary governmental and corporate action; (iii) the Operational Manual has been adopted by the State of Tocantins in form and substance satisfactory to the World Bank, and (iv) the Project Coordination Unit has been created by the State of Tocantins in form and substance satisfactory to the World Bank.

39. Covenants applicable: (i) the State of Tocantins shall establish and thereafter maintain until the completion of the execution of the Project, a coordination unit within the administrative structure of SRHMA in charge of the daily 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 deputy coordinator and five technical and administrative staff; (ii) the State of Tocantins shall maintain until the completion of the execution of the Project, a Project management unit within the administrative structure of SEINF in charge of the daily financial management and procurement of the Project with competent staff in adequate numbers with qualifications and experience satisfactory to the World Bank, including the following key staff: a specialist in project management, a financial management specialist and a procurement specialist; (iii) the State of Tocantins, through the Project Coordination Unit and the Project Management Group, 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; (iv) on or about December 1, 2011, or such other date as the World Bank shall agree upon, the State of Tocantins shall, through the Project Coordination Unit and the Project Management Group: (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; (v) the State of Tocantins shall carry out Components 3 and 4 of the Project and shall cause NATURATINS and RURALTINS to carry out, respectively, Components 1 and 3 and Components 2 and 3 of the Project through technical cooperation agreements to be executed and thereafter implemented under terms and conditions acceptable to the World Bank; (v) to facilitate the carrying out of Component 2 of the Project, the State of Tocantins shall execute no later than twelve months after the Effective Date and thereafter maintain partnership agreements under terms and conditions acceptable to the World Bank, with nature Conservancy, selected rural/small producers associations, and selected municipalities in the State of Tocantins' territory, all in accordance with the Operational Manual; (vi) the State of Tocantins shall ensure that the Project is carried out in accordance with: (a) the Environmental Management Framework for the Initiative, the Environmental Assessment (including provisions for pest management, chance finding of cultural property and natural habitats), (b) the Resettlement Framework for the Initiative; and (c) the Indigenous Peoples Planning Framework.

VI. FINANCIAL MANAGEMENT

40. The financial management of this project will be carried out by the existing unit which is implementing the Tocantins Sustainable Regional Development Project (PDRS) and will follow the systems and processes already in place. Thus, the assessment presented below is the result of the last Financial Management report of the said project, carried out in June 2009.

41. The SRHMA, RURALTINS and NATURATINS will carry out project implementation, while the Project Management Group – GOP (Gerencia Operacional do Projeto), within the administrative structure of the SEINF will handle the administrative and financial management tasks of the Project. The GOP/SEINF has highly satisfactory financial management arrangements in place which meet Bank's minimum requirements. These arrangements were developed during the implementation of the Bank financed project Tocantins Sustainable Development (P060573). The financial management system efficiently and reliably provides timely information required to manage and monitor the implementation of the project. Appropriate internal controls are in place and function effectively. According to the Risk Assessment Matrix (see below), presenting the potential project FM risks, the residual overall FM risk associated with the Project is rated as **moderate**. The funds flow, disbursements, monitoring, auditing and supervision arrangements have been designed in a way to respond to the project's implementation multi-agency arrangements.

Financial Management Arrangements

42. The Recipient will be the State of Tocantins. The objective of the Project is to enhance biodiversity conservation and improve the environmental and natural resources management of

the *Cerrado* in the territory of the State of Tocantins. To achieve its objectives, the Project will finance four components, described in section III of this Annex.

43. The US\$ 3.00 million GEF grant funds will be channeled through a US\$ Designated Account to an Operating sub-account of the Single Treasury-TO account for payments of project expenses directly from the SEFAZ-TO, after request from the three implementing entities and authorization from the GOP.

44. FM arrangements include one initial reimbursement for retroactive financing, followed by an advance and subsequent disbursements supported by centralized Statements of Expenditures (SOE), Records and Summary Sheets prepared by the GOP within SEINF. The use of Bank advances for eligible expenditures under the Project will be reported to the Bank as described below.

Country Issues

45. There were not identified country issues 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 program. At the State level (Tocantins), fiscal transparency, accounting, reporting, internal controls and external audit are generally satisfactory.

Risk Assessment and Mitigation

46. The major risk identified is weak budget preparation and control at GOP during the implementation of the current Bank financed project - Tocantins Sustainable Development (P060573). These will be mitigated by adequate corrective actions, developed in the table below by item, in order to minimize associated risks, regular FM site supervision missions to review the relevance of the FM arrangements and to ensure adherence to grant design and fiduciary compliance.

Risk	Risk Rating	Risk and Mitigation Measures	Residual Risk
Inherent Risks	M		M
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.	L
Sub-national (state) Level	M	Fiscal transparency, accounting, reporting, internal controls and external audit are generally satisfactory.	M
Entity Level	M	Highly satisfactory financial management arrangements in place at GOP/SEINF. In order to handle the additional GEF work load the GOP FM team should be increased, adding one	M

Risk	Risk Rating	Risk and Mitigation Measures	Residual Risk
		more financial and one procurement staff.	
Project Level	M	Multi-agency project with satisfactory FM capacity.	M
Control Risks	M		M
Budget	S	Weak budget preparation control at GOP will be improved through budget preparation from each one of the implementing entities, identifying the sources of funds and the project components and disbursement categories, using common chart of accounts, specific for the Project. The project budget will be consolidation by the GOP. The budget will be based on the Annual Operational Plan and procurement plan, showing the project estimated expenses on a quarterly basis.	M
Accounting	L	Good treasury management and accounting procedures using the state IT system SIAFEM.	L
Internal Controls	M	Satisfactory internal controls and prior review of expenses by GOP, the Nucleo Setorial de Controle Interno, and SEFAZ and post review by the <i>Controladoria do Estado</i> . Special attention will be given to the improvement of the supervision capacity of the implementing entities responsible for the implementation of the pilot community driven subprojects.	M
Funds Flow	M	Satisfactory and simplified funds flow design.	M
Financial Reporting	M	GOP uses multiple but satisfactory IT systems for reporting: SIAFEM, SCP (Sistema de Controle do Projeto), and the Project Portal. The GOP is making the necessary arrangements with the SEFAZ for the automatic extraction of financial data from the SIAFEM. The GOP is working to make the Project Portal the unique reporting and monitoring system.	M
Auditing	L	Acceptable and timely audit reports for the original grant.	L

47. **Strengths & Weaknesses.** The identified significant strengths that provide a basis of reliance on the project financial management arrangements at GOP/SEINF are the following: (i) more than four years experience with World Bank project implementation; (ii) about 20 Legal Agreements signed with Municipalities for the development of local infrastructure, and financial control of two major programs; (iii) stable and experienced staff at the administration and finance GOP departments, using also the services of a efficient consulting firm; (iv) reliable IT systems; (iv) international accounting and reporting standards; (v) satisfactory ex-ante internal controls by the *Núcleo Setorial de Controle Interno* and the *Secretaria da Fazenda* and external controls/audits by the TCE-TO.

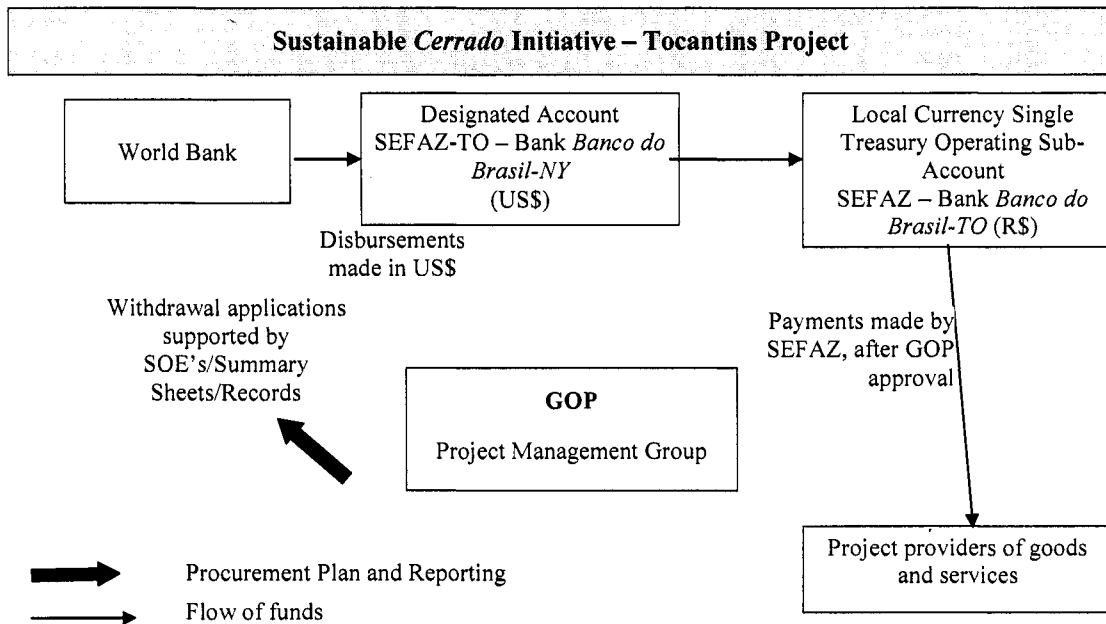
48. Even though the GOP reporting is highly satisfactory, the main weakness identified was related to low budget preparation process and an reporting and monitoring system for the project not extracting data directly from the SIAFEM. The GOP is making the necessary arrangements to improve budgeting and working with the SEFAZ-TO for the automatic extraction of financial data from the SIAFEM, in order to avoid double entry of data.

49. Implementing Entity. The SRHMA, RURALTINS and NATURATINS will carry out project implementation, while the Project Management Group – GOP (Gerencia Operacional do Projeto), within the administrative structure of the Secretaria de Infraestrutura de Tocantins – SEINF will handle the administrative and financial management tasks of the Project. The current GOP administrative, financial and procurement structure of the implementing agency will accompany project implementation, and carry out budgeting, procurement, accounting, disbursement and reporting. GOP's professional staff is considered adequately skilled with very low turnover. In order to handle the additional GEF work load the GOP team should be upsized, adding one financial and one procurement staff. As mentioned in the Risk Matrix above, the budget preparation control at GOP will be improved through budget preparation from each one of the implementing entities identification the sources of funds and the project components and disbursement categories, using common chart of accounts, specific for the Project and consolidation of the information by the GOP. Special attention will be given for the improvement of the supervision capacity of the implementing entities responsible for the implementation of the pilot community driven subprojects.

50. Internal Controls. The *ex-ante* internal controls are satisfactory and overviewed *Controladoria do Estado*, while the *ex-ante* controls will be routinely performed by the GOP, the *Núcleo Setorial de Controle Interno* and the SEFAZ-TO.

Funds Flow and Disbursement Arrangements

51. 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). GOP will request disbursements in US\$. In this case, the grant funds will flow from the grant account to a Designated Account denominated in US\$ at the *Banco do Brasil* in New York, in the name of the SEFAZ-TO, identifying the project. At the request of GOP and SEFAZ-TO, the *Banco do Brasil* will exchange the US\$ and transfer Brazilian *Reais* at an Operating Subaccount of the State Single Account in the *Banco do Brasil* bank in Palmas, specifying the Project. There will not be need for Counterpart payments, since the Bank will finance 100% of the Project activities. After GOP approval, the SEFAZ-TO will make payments to providers of goods and services furnished to all project implementing entities and pilot community driven subprojects, using the State SIAFEM system. In consultation with LOA, the funds will flow according to the following chart:



52. Disbursement Arrangements. During project implementation, the disbursement methods that will be used are the following: advances, reimbursements and direct payments. The documentation of the uses of advances will be through SOE's/Record/ Summary Sheets. Project expenditures will be reported on after they are approved by GOP and fully documented, ensuring that the GEF funds were exclusively used for eligible expenditures. 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. 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); and (vi) Designated Account Reconciliation Statement. 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 Tocantins.

53. This Project will use the existing for the Tocantins Sustainable Development project detailed procedures designed for the management of the bank accounts, which include acceptable internal controls, as well as procedures for the transfer of resources from the Designated Account to the Operating Single Treasury subaccount and final payments, including the reporting process, incorporated in the Tocantins Sustainable Development Project Operational Manual, which will be updated to reflect the above mentioned arrangements.

54. Financial Reporting. SRHMA, RURALTINS and NATURATINS and GOP/SEINF 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 procedures stipulated in the prevailing Law Lei n.º4.320/64, which follows international standard procedures. The SIAFEM will be used for accounting and budget execution, while the tailored parallel but satisfactory IT systems SCP (*Sistema de Controle do Projeto*), and the Project Portal will be used for disbursements, monitoring and reporting (IFRs). The GOP is making the necessary arrangements with the SEFAZ-TO for the automatic extraction of financial data from the SIAFEM.

55. 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 description of the IFRs is indicated below, and the final format of the reports will be agreed during negotiations and annexed to the minutes of negotiations and the Project Operational Manual-POM.

- *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

56. **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 end of the previous calendar year, as stated in the Bank's Financial Management Audit Guidelines (June 2003).

57. The audit TOR for the yearly audit required will be adjusted to include the requirements of the external yearly procurement audit, if applicable. The TOR will be determined by GOP, in agreement with the Bank, and will be based on the specific circumstances of the project. The Bank will provide its no objection to the audit TOR, within six months after signing and it will be annexed to the POM. T

58. Governance and Anti-Corruption. On 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.

59. 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.

60. 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)	% 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	0.30	100
Total Project Costs	3.00	100

61. The retroactive financing is allowed for up to \$500,000 equivalent for payments made during the twelve months immediately after the date of the Grant Agreement, but on or after June 10, 2009 for Eligible Expenditures under Categories 1 and 2 of the disbursement table.

VII. PROCUREMENT ARRANGEMENTS

62. 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 as revised in October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 as revised in October 2006, and the provisions stipulated in the Legal Agreement. 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 State of Tocantins and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

General

63. 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 as revised in October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 as revised in October 2006, and the provisions stipulated in the Grant Agreement. The general description of various items under different expenditure categories is described 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 State of Tocantins and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

64. The project will be implemented under the same structure as the one currently in use under the Tocantins Regional Sustainable Development Project. Under the coordination of the Project Coordination Unit, more than 150 bidding processes have successfully been undertaken under the PDRS since 2004 as a whole, and 25 biddings have been successfully undertaken by SRHMA, the executing agency under the project. SRHMA capacity to undertake procurement activities has been regularly considered satisfactory during the PDRS supervision (as part of the evaluation of the overall procurement capacity under the PDRS), as evaluated in the project ISRs.

65. The overall risk is considered as **moderate**.

Review of Client capacity to implement procurement

66. Project management activities, including procurement activities, will be carried out through the Project Management Group (Gerência Administrativa do Projeto, GAP), a structure established under the Directorate for Strategic Support (*Diretoria de Apoio Estratégico*, DAE) of the State Infrastructure Secretariat (SEINF), which has successfully been in charge of the management of the PDRS for the past 5 years. The GAP will coordinate and monitor all project activities implemented by the executing agency (SRHMA), including procurement planning, scheduling, monitoring and reporting, disbursement and internal controls, maintenance of project accounts and preparation of project management reports. SRHMA will originate the requests for procurement, including terms of reference, specifications, detailed budget and draft bidding documents. The GAP will approve the launch of the bidding process, following review of the draft bidding document by GAP and, as needed, the Bank.

67. The GAP is headed by a project manager and staffed with 5 full time professionals: one engineer, one procurement specialist, one computer specialist, one administrative assistant and at least one accountant. SEINF will, as necessary, hire consultants in accordance to Bank guidelines to assist GAP in carrying out its activities, including preparing bidding documents and monitoring project implementation. All permanent staff in GAP are familiar with Bank procurement policies and procedures since they are currently working on the actual PDRS and most of them have been also involved in the previous Bank financed project in Tocantins, the State Highway project completed in 2002 (Loan 3714-BR).

68. Bidding under the project will be carried out by the State's Permanent Procurement Commission (Comissão Permanente de Licitações, CPL), which reports to SEINF. The CPL is composed of 11 permanent staff, which is considered more than sufficient given the small workload for procurement activities under the Grant. Competences of staff from the CPL and GAP in Bank procurement rules and guidelines have been regularly updated in the undertaking of trainings during the implementation of the PDRS.

69. No key issue nor specific risks have been identified as regards procurement for implementation of the project as (i) the same structure in charge of managing the PDRS, which proved to be adequate, will be in charge; and (ii) the project represents only a slight increase of the volume of resources to be managed by the unit, in the range of 3%, without substantial increase of volumes of transactions expected.

Management of bidding processes

70. The SRHMA originates the requests for procurement which shall include terms of reference/specifications and a detailed budget, and with assistance of GAP, a first draft of the bidding documents. Volume of services, unit prices and equipment prices will be evaluated by SRHMA, based on experience of market prices.

71. Once GAP and CPL have reached agreement on technical issues and on the bidding documents, and once, as necessary, the Bank's no-objection has been obtained, the bidding process is as follows: (i) appropriate advertising by CPL as necessary as per Bank's guidelines and reception of expressions of interest, proposals or bids, (ii) handling by CPL, with participation from SRHMA, of questions from bidders, (iii) organization by CPL of bid

opening, (iv) undertaking by CPL, with participation from SRHMA, of bid evaluation and drafting of evaluation report; and (v) forwarding by GAP, as necessary, of the evaluation report for Bank review and no objection. The resulting contracts will be signed by SRHMA.

Procurement planning

72. The Responsible Agency, at appraisal, developed a draft procurement plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Responsible Agency and the Project Team. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The procurement plan include, among others, the following activities:

- **Procurement of Works:** Works procured under this project would include: construction of visitor centers or similar facilities within protected areas.
- **Procurement of non-consulting services:** Services under this project would include production of communication material; design and implementation of dissemination campaigns.
- **Procurement of Goods:** Goods procured under this project would include: vehicles, ITC equipment, furniture and GPS.
- **Selection of Consultants:** Consultants procured under this project would include: capacity building, training, monitoring and evaluation, preparation of sustainable management plans of natural resources, preparation of protected areas management plans, and design of monitoring systems. 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.

Procurement Arrangements

Procurement methods

- a. **International Competitive Bidding (ICB).** 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.
- b. **National Competitive Bidding (NCB).** All works, non-consultant services and goods contracts estimated to cost less than US\$500,000 equivalent per contract, may be procured under contracts awarded on the basis of NCB procedures.
- c. **Shopping.** Goods and technical services estimated to cost less than US\$ 100,000 equivalent per contract may be procured on the basis of shopping procedures.
- d. **Quality and Cost-Based Selection (QCBS).** These procedures will be used for consulting services, technical assistance and training contracts.
- e. **Selection based on Consultants' Qualifications (CQS).** These procedures will be used for services costing less than US\$200,000 per contract, and for which the need for preparing and evaluating competitive proposals is not justified according to paragraph 3.7 of the Guidelines.

- f. **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.
- g. **Individual Consultants Based on Qualifications (IC).** These procedures could be used for assignments which meet the criteria specified in Section V of the Guidelines.
- h. **Single-Source Selection (SSS).** These procedures could be used for assignments which meet the criteria specified in Section III of the Guidelines.

Bank Reviews

73. The proposed prior review thresholds for the project are US\$ 500,000 for goods and non-consulting services, and US\$ 200,000 for consulting services. In addition, the first 2 NCBs and 2 QCBSs will be submitted for the Bank’s prior review. All ICBs and single-source of consultants as well as direct contracting for goods and non-consulting services shall be prior reviewed by the Bank regardless of the amount involved. Also, the ratio of Bank reviews shall be one in 5 contracts. In addition to the prior review supervision to be carried out from Bank offices, at least 2 annual procurement post-review missions will be carried out during project implementation.

Details of the Procurement Arrangements Involving International Competition

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.

Consulting Services

- (a) No consulting assignments with short-list of international firms to be contracted is expected
- (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.

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.

<u>Procurement Method</u>
National Competitive Bidding
Shopping
Direct Contracting

VIII. ENVIRONMENTAL AND SOCIAL ASSESSMENT

74. All activities included in the Tocantins Sustainable *Cerrado* project present low or no negative environmental impact, with strong positive environmental impact and benefits to local traditional communities.

75. This project's planned activities trigger the following Bank safeguards: (i) Environmental Assessment; (ii) Natural Habitats; (iii) Pest Management; (iv) Physical Cultural Resources; (v) Involuntary Resettlement; (vi) Indigenous Peoples; and, (vii) Forests. 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.

76. Environmental Assessment: The draft EA and EMP were submitted to the Bank on February 16, 2009. The final EA/EMP report was disseminated in Brazil through the SRHMA website, and contains a more detailed description of positive and negative environmental impacts of project activities, as well as the identified preventive/corrective measures.

77. Overall Environmental Assessment: This category B project will generate positive environmental impacts on a state-wide basis through direct measures – the creation and strengthening of protected areas, the promotion of sustainable use production practices, and regularization of legal reserves and permanent preservation areas with the formation of ecological corridors – and indirectly through strengthening the state's capacity for environmental monitoring and conservation, greater involvement of communities in *Cerrado* conservation, and ensuring compliance with environmental safeguards and mitigation of adverse impacts of all activities supported by the project.

78. Component 1 should present major positive environmental impact, through the direct protection of ecologically valuable *Cerrado* with the creation and strengthening of state protected areas. The creation of new protected areas will include in the state's conservation portfolio areas of unique ecological characteristics, under strong development pressure, and containing vulnerable biodiversity. The project will also effectively implement the adequate management of existing full protection PAs, ensuring biodiversity protection in these important areas.

79. Component 2 will support production initiatives aiming at promoting a more intensive and sustainable use of lands within PA buffer zones and increasing income generation of traditional communities and family producers. These initiatives should reduce land abandonment and degradation rates, a process that has been contributing to deforestation in the state, and should also reduce the use of fire as a land management tool. Environmental impacts stemming from this component are expected to be positive as it will maintain or rehabilitate Legal Reserves to ensure the protection of the areas of permanent preservation (APPs). This component will also enhance biodiversity conservation in the production landscape surrounding target PAs, by ensuring compliance and regularization of legal reserves and permanent preservation areas and forming ecological corridors in PA buffer zones wherever possible.

80. It is expected that component 3 will contribute to positive environmental impacts through the strengthening of state agencies and the Mumbuca Association, and improvement of state environmental policies. Stronger state agencies will improve environmental enforcement and monitoring; and the strengthening of the Mumbuca Association will prepare its members for

the shared management of golden grass, to negotiate management plans, and to promote the sustainable extraction of this natural resource.

81. Institutional Arrangements for EMP implementation: The State Water Resources and Environmental Secretariat (SRHMA) will be responsible for supervising, monitoring and evaluating all actions related to the project Environmental Management Plan, as well as for detecting any unforeseen environmental impact resulting from project activities.

82. Natural Habitats: The conservation of natural habitats and their ecological functions, as well as other measures to protect and enhance the environment, are essential for promoting sustainable development in the long term. This project will contribute to the state's ecological sustainability through the direct protection of important ecosystems by creating new protected areas and ensuring adequate implementation of state PAs, with the development/improvement and implementation of management plans, securing the necessary personnel and infrastructure, and creation/strengthening of PA management councils, among other actions.

83. Additionally, the project will contribute to the conservation of the larger landscape by promoting the compliance and/or restoration of areas constituting "critical natural habitats" according to Bank policies – legal reserves and permanent preservation areas, in rural properties surrounding protected areas. The regularization of these critical habitats will take in to account their strategic location to form ecological corridors and connect protected areas.

84. Pest Management: The project will not finance (in terms of grant financing and counterpart funding) products listed in World Health Organization classes IA and IB. The project would also require support for training of agricultural producers participating in the small initiatives in the correct management and use of agricultural pesticides (such as the use of protective gear, etc). This project will adopt the Pest Management Framework prepared for the Sustainable Cerrado Initiative. The Operational Manual will include the Framework and recommend the adoption of an integrated pest management (IPM) approach whenever possible. Since there are no activities currently under consideration that would involve the use of agrochemicals it was not considered necessary to prepare a pest-management manual for the project as a whole.

85. 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. 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 Operational Manual will include the framework and recommend the procedures to be adopted in accordance with OP 4.11.

86. Involuntary Resettlement: The creation of PAs should have very limited and low negative social impact resulting from possible resettlement related with the creation of full protection areas. The Program adopts the principle of avoiding the need of resettlement as a result of the creation of protected areas. 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. Although involuntary population displacement and/or impacts on livelihoods is not envisaged at present, when unavoidable,

involuntary resettlement will follow the procedures set out in the project's Resettlement Framework, which contemplates World Bank and Brazilian legislation requirements. The Sustainable *Cerrado* Initiative Resettlement Framework was submitted to Infoshop on 05/13/2008 (Document N. RP676).

87. Indigenous Peoples: The project is directed at protected areas and their buffer zones. 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

88. Nevertheless, in the event that any project activity is implemented at a location within 10 km from Indigenous Lands, a previous study will be developed to evaluate possible social and environmental impacts of this activity affecting indigenous communities.

89. If the previous study concludes that the planned activity would cause potentially negative impacts, alternative locations will be sought. Given the nature of activities proposed by this project, it is highly unlikely that an activity causing potentially negative impacts could not be relocated. Nevertheless, if impacts cannot be avoided, the project's Indigenous Peoples Plan Framework would be followed. The Sustainable *Cerrado* Initiative IPF was submitted to Infoshop on 04/29/2008 (Document N. IPP292).

90. 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 COSTS ANALYSIS

“Business-as-Usual” Scenario

91. 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 uncoordinated 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.

92. The activities implemented by SRHMA, NATURATINS and RURALTINS would contribute, in the long term, to the conservation of biodiversity. Given the current degradation and land conversion of areas covered with native vegetation in production regions, the conservation of biodiversity through the creation of new protected areas and the effective implementation of existing ones is urgent. This urgency is further confirmed by the areas of

high biodiversity indicated by the rapid ecological assessments carried out at the end of the 1990's under the Natural Resources Policies Subprogram (PPG7/NRPP) of the Pilot Program to Protect the Brazilian Rain Forest, some of which have already lost their relevance given the degradation of biodiversity that occurred since that time. As the natural resources present in the state of Tocantins have a biome-level importance, and to ensure the agricultural and livestock productivity, it is fundamental that the remaining areas of high biodiversity value are protected as soon as possible.

93. Most of existing resources are earmarked to the maintenance of the current institutional capacity. Thus, these resources are insufficient to create and implement new protected areas, implement effective buffer zones, and promote the sustainable use of biodiversity. The available resources will maintain, with low coordination, the existing conservation system; but they do not suffice to provide the necessary increase in quality to resist the increasingly high pressure on environmental conservation exerted by the other sectors, to monitor biodiversity, and to plan and create a coherent system for biodiversity conservation.

94. The Government of Tocantins included in its budget various actions that are relevant to biodiversity protection, allocating to them approximately US\$ 44.0 million for the 2008-2011 Multi-Year Budget Plan (PPA). The number of programs and projects and the amount allocated to them demonstrate the commitment of the State Government with biodiversity protection. On the other hand, it is important to note that the PPA planned budget does not guarantee the availability of financial resources especially under the current situation of decreasing revenue owing to the global economic crisis. In addition most of the resources are spent with routine activities and staff as in the case the Environmental Control Program implemented by NATURATINS. Therefore, the baseline scenario considered for this analysis is US\$ 13.5 million.

Global Environmental Benefits and Strategic Fit

95. To ensure that globally significant biodiversity is maintained without negatively impacting on the traditional communities, the project will promote sustainable agricultural practices as well as the sustainable use of Cerrado resources in the buffer zone of protected areas. The project will also invest in the long-term conservation of ecologically important Cerrado through the creation and strengthening of protected areas, through their effective implementation. This will greatly contribute to reducing the loss of biodiversity while decreasing poverty and ensuring a better quality of life for those living in the Cerrado biome in Tocantins.

96. Global benefits will include: (i) increased conservation of the globally unique and important biodiversity of the Cerrado, a biome considered by Conservation International as one of the global biodiversity hotspots, and a region holding the largest variety of Cerrado ecoregions; and, (ii) improved monitoring, and therefore more reliable knowledge on the conservation status of *Cerrado* biodiversity.

97. 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

98. By adding the global dimension and providing financing for global investments in agriculture, transport, and water resources management this project under the Initiative would not only piggy-back on the Tocantins Regional Sustainable Development Project, but also contribute to the long-term sustainability of the ecosystem.

99. One important reason to undertake this project under the Initiative is 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 to be created under the Initiative will provide a forum for frequent and regular meetings among the State and Federal Governments, as well as civil society representatives to discuss the Initiative's implementation policies and activity performance that affect the conservation of the *Cerrado*.

100. The most important increment of the GEF Alternative is the possibility of integrating various activities, actions and policies in a coordinated set of activities that will be more efficient to reduce pressure, increase management effectiveness, and plan and ensure biodiversity conservation. This alternative is expected to generate a significantly improved basis in terms of policies and operational and knowledge capacity to create a conservation system composed by new PAs, RLs and APPs, proper management of buffer zones, and to promote more sustainable production practices. This strategy is expected to allow adequate conservation and protection of the last remaining large areas of pristine *Cerrado*.

101. One of the great innovations of this proposed project is the organized regularization of the lack of compliance of rural properties with the Forestry Code. The strategy of this regularization is based on Provisional Measure No. 2166, of July 26, 2001. This legal instrument opens the possibility to regularize legal reserves through compensation outside the non-compliant property, by a forest easement in a protected area or in consortium. This "compensation" means that the land owner has the option of compensating the property's legal reserve with another area equivalent in size and ecological importance, as long as the new area is located within the same ecosystem and in the same micro-watershed. "Legal reserve through forest easement regime" allows the land owner to purchase an area of equivalent size, pending land tenure regularization, located inside a national or state park, national forest, extractive reserve, biological reserve, or ecological station, and donate it to the relevant public environmental agency. Lastly, "legal reserves in condominium" allow several land owners to join and purchase or rent, together, an area sufficiently large to fulfill compliance of all participants with the Forestry Code requirements.

102. The total cost of the project is estimated at US\$ 9.00 million, broken down as follows: (i) US\$ 5.13 million for enhancing biodiversity protection at the ecosystem and species levels; (ii) US\$ 1.15 million for promoting the sustainable economic use of biodiversity in the production landscape around PAs; (iii) US\$ 2.11 million for strengthening the state's capacity for biodiversity conservation; and, (iv) US\$ 0.61 million for project coordination.

103. The GEF Alternative will significantly increase the total area under effective protection with the creation of new PAs and implementation of existing PAs, as well as with the environmental regularization of rural properties located in PA buffer zones. The strengthening of the environmental agencies involved in project execution and the support provided to sustainable production practices will also greatly benefit biodiversity conservation. The main contribution of the GEF Alternative is that the project will create a context in which its planned activities will be implemented in a coordinated fashion.

104. National-level benefits generated by this project will include: (i) increase in the number and extension of PAs, and therefore of the amount of Cerrado biodiversity under effective protection with an additional 250,000 hectares; (ii) the effective implementation of state full protection PAs; (iii) execution of Provisional Measure 2166 with the regularization of legal reserves and their compensation in protected areas with pending land tenure regularization, supporting rural land owners in their compliance with environmental legislation and creating an additional instrument for land tenure regularization of PAs; and, (iv) identification of sustainable and low impact production practices.

Result-based framework

105. The following matrix summarizes the baseline and incremental expenditures over the three-year project implementation period.

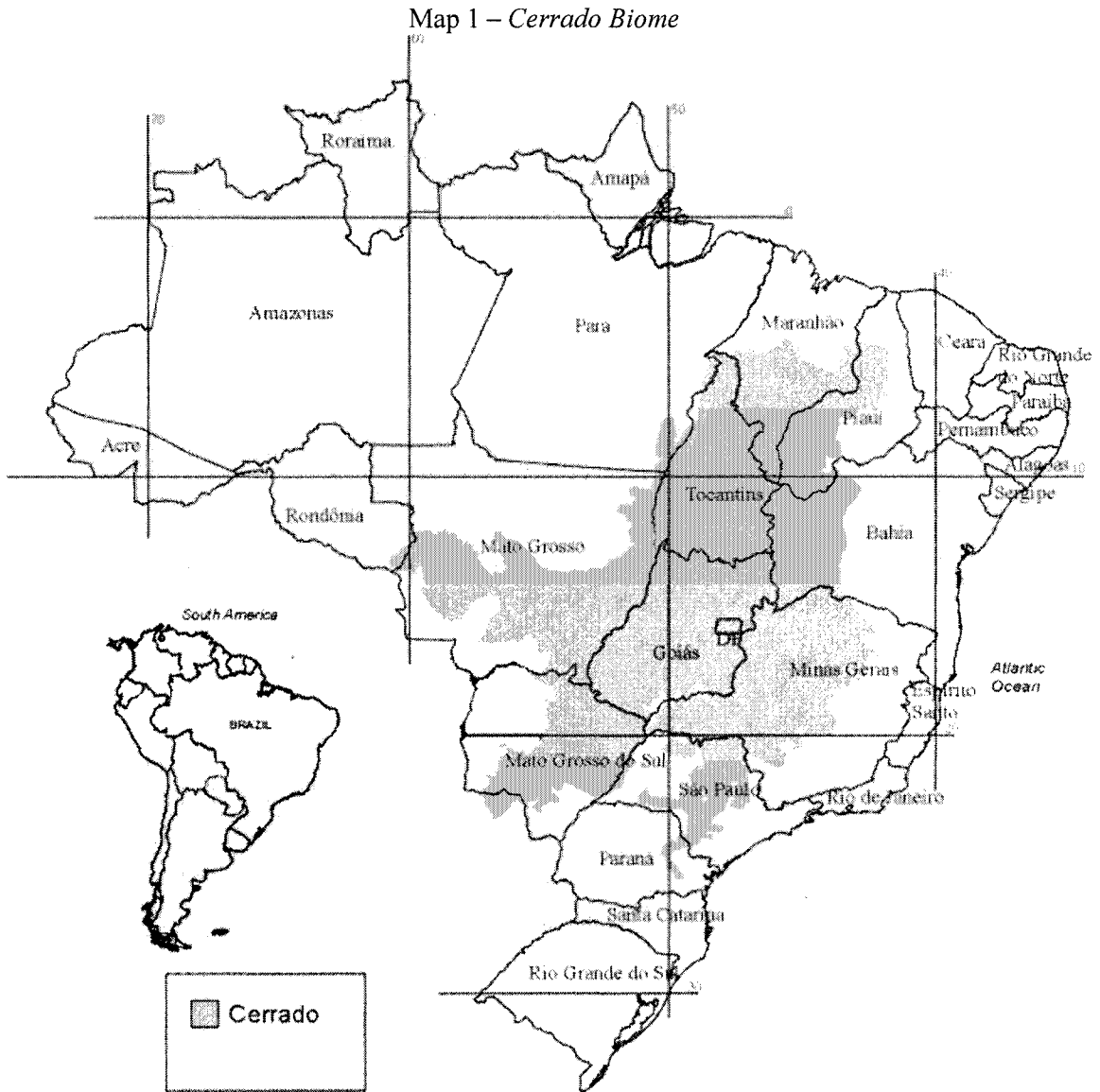
Component	Cost Category	US\$ million	National Benefit	Global Benefit
1. Increasing biodiversity protection in Tocantins at the ecosystem and species level.	Business as Usual	4.04	Most resources directed to maintenance of existing PAs and limited improvement in PA management.	Maintenance of current protection of globally relevant biodiversity.
	With GEF Alternative	5.13	Increase in the number and extension of PAs, therefore of the amount of <i>Cerrado</i> biodiversity under effective protection with additional 250,000 hectares; and the effective implementation of state full protection PAs. This will also benefit local and regional economy through the protection of landscapes, water resources, and biodiversity relevant to agricultural production and ecotourism.	Increased conservation of the globally unique and important biodiversity of the <i>Cerrado</i> , a biome considered by CI as one of the global biodiversity hotspots, and a region holding the largest variety of <i>Cerrado</i> ecoregions.
	Incremental	1.09		
2. Enhancing the sustainable use of biodiversity in the production landscape surrounding protected areas.	Business as Usual	0	Support to sustainable production practices not specifically directed to PA buffer zones or ecological corridors; no support to the identification and testing of new practices.	No direct incentives to the involvement of private land owners in landscape management and conservation of globally important biodiversity.
	With GEF Alternative	1.15	The identification of sustainable and low impact production practices and securing the sustainability of a traditional regional economic activity derived from golden grass extraction will improve ecological sustainability of the regional production landscapes.	Coordination of biodiversity protection efforts with incentives to sustainable production, creating awareness of rural producers to the importance of environmental protection

Component	Cost Category	US\$ million	National Benefit	Global Benefit
				and landscape management.
	Incremental	1.15		
3. Strengthening the state's capacity for biodiversity conservation and monitoring.	Business as Usual	1.37	Maintenance of current state capacity for environmental enforcement and monitoring, with no investment of direct relevance to the institutional strengthening of NATURATINS, RURALTINS, SRHMA, and CIPAMA. No support to the development of an integrated biodiversity monitoring system, nor to the regularization of RLs and APPs.	Limited and uncoordinated protection of globally important biodiversity and ecosystems. No direct incentives to the participation of the private sector in environmental protection.
	With GEF Alternative	2.11	Execution of Provisional Measure 2166 with the regularization of legal reserves and their compensation in protected areas with pending land tenure regularization, supporting rural land owners in their compliance with environmental legislation and creating an additional instrument for land tenure regularization of PAs. Improved institutional capacity and coordination for biodiversity conservation and monitoring, and improved environmental legislation.	Improved environmental monitoring, and therefore more reliable knowledge on the conservation status of <i>Cerrado</i> biodiversity.
	Incremental	0.74		
4. Project coordination, monitoring and evaluation, and information dissemination.	Business as Usual	0.59	Limited environmental information dissemination through environmental education actions.	No global benefit.
	With GEF Alternative	0.61	Development and implementation of a communication plan to disseminate environmental information relevant to the region.	Implementation of a regional project to improve protection of globally relevant biodiversity, and creation of conservation constituency by disseminating relevant environmental information.
	Incremental	0.02		
Total Business-as-usual Scenario: US\$ 6.00				
<i>GEF Alternative Costs</i> : US\$ 9 million of which US\$ 3.00 million is being requested from the GEF				

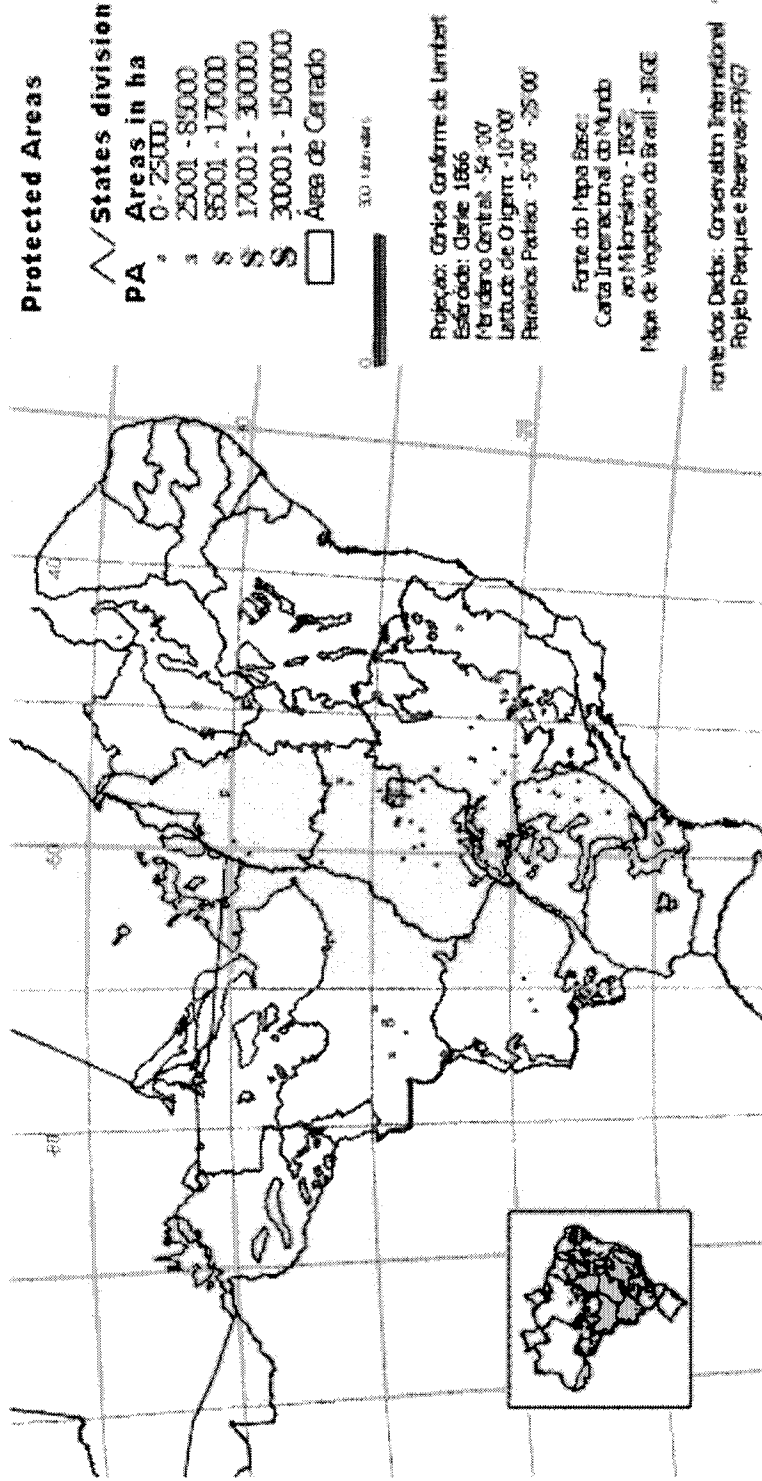
Incremental Costs and Role of Co-finance

106. The difference between the costs of the baseline scenario (US\$ 6.0 million) and the GEF Alternative (US\$ 9.0 million) is an estimated US\$ 3.0 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 state resources, but will also add to SRHMA's efforts to integrate biodiversity conservation and production practices, integrating the private sector in landscape management and fostering support to PA maintenance.

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

