

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC859

<b>Project Name</b>	FIP: Environmental regularization of rural lands in the Cerrado of Brazil (P143334)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Brazil
<b>Sector(s)</b>	Public administration- Agriculture, fishing and forestry (34%), General agriculture, fishing and forestry sector (33%), Forestry (33 %)
<b>Theme(s)</b>	Land administration and management (40%), Environmental policies and institutions (40%), Climate change (20%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P143334
<b>Borrower(s)</b>	Federative Republic of Brazil
<b>Implementing Agency</b>	Ministry of Environment
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	08-May-2013
<b>Date PID Approved/ Disclosed</b>	18-Jul-2013
<b>Estimated Date of Appraisal Completion</b>	10-Aug-2013
<b>Estimated Date of Board Approval</b>	24-Sep-2013
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Agriculture and Growth. Brazil has been experiencing remarkable growth since 2000, except for 2009 due to the financial crisis, but there has been a slow-down in 2011 and 2012. In 2009, agriculture accounted for 19.3% of the labor force, or 19 million people. Presently, Brazil ranks third among the world's major agricultural exporters, fourth for food products and second for bio-ethanol production. Brazil has now the largest cattle herd after India's. It is the world's largest exporter of poultry, sugar cane and ethanol. Much of that agricultural growth has occurred over the last decade, and much of it has taken place in the Brazilian savanna, the Cerrado biome.

The Cerrado biome, located in central Brazil, covers almost one quarter, or 2.04 million km<sup>2</sup>, of the country, with a mosaic of 23 types of vegetation consisting of tropical savannas woodland,

grasslands and forests. It is considered one of the world's 34 biodiversity hotspots by Conservation International. The rapid expansion of agriculture in the Cerrado biome has caused the conversion of natural vegetation to alternative land uses (deforestation) and has also increased the use of slash-and-burn as an agriculture practice. The Cerrado had already lost about 48% of its forest cover by 2010. Estimates indicate that deforestation in the Cerrado is proportionally more severe than that of the Amazon.

Distributed over 11 States (Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Bahia, Maranhão, Piauí, Rondônia, Paraná, São Paulo) and the Federal District, and 4 geopolitical regions (N, NE, Center-West and SE), the Cerrado biome is mostly occupied by private landholdings. Some 78% of about one million landholdings in the biome are small landholders, up to 4 fiscal modules (the fiscal module (módulo fiscal) is a land unit established by the National Institute of Colonization and Agrarian Reform (INCRA) mainly for rural real state taxation according to Federal Decree Nº 8.485/1980 and INCRA, NIo 20/1980. In the Cerrado biome most municipalities have fiscal modules from 20 to 75 ha, with exception of the metropolitan areas), but occupy only 15% of the area of all landholdings, while 22% of the larger landholdings occupy 85% of the area (Statistics for the biome were derived from agricultural census data in 2006 for municipalities which are located partially or wholly in the Cerrado. Absolute numbers - 1,066,000 landholdings over 149.7 million ha - overstate the total number of landholdings and area actually in the Cerrado biome).

### **Sectoral and Institutional Context**

**Legal and Policy Framework.** The Brazilian Forest Code, Law 12,651/2012, requires: (i) that all private rural landholdings maintain a percentage of native vegetation as “Legal Reserve” (RL - the percentage to be held as Legal Reserve varies from 80% in the Amazon to 35% in the Cerrado within the so-called Legal Amazon, to 20% in the rest of Brazil); and (ii) that “Areas of Permanent Preservation” (APP), such as riparian forest along water courses, steep slopes, mountain tops, etc., also be maintained by landholders.

The new Forest Code also obliges landholders to register their landholdings in the Rural Environmental Register (CAR) (Federal Law 12,651, May 2012, articles 29, 30, and 53, as altered by Law 12.727 of October 2012 and Federal Decree 7,830, October 2012). The CAR is an electronic register of privately owned rural landholdings maintained by an official environmental entity aimed at effectively monitoring, supervising, controlling, planning and ensuring the environmental compliance of landholdings. This register contains geo-referenced details of the total area of individual farms, the areas earmarked for alternative land use, APPs and RLs. The CAR will provide essential information for monitoring and controlling private rural land use, including compliance with reforestation obligations, the system will be able to distinguish between legal and illegal land clearing, and will facilitate land use planning.

**Forest Investment Program.** The Strategic Climate Fund (SCF) was created to provide financing for new ways of developing or up-scaling activities which seek to respond to a specific challenge related to climate change or to provide a sectoral response through directed programs. The Forest Investment Program (FIP) was created as one of these directed initiatives in order to catalyze policies and measures and to mobilize funds to facilitate the decrease of deforestation and forest degradation, with a view to promote more sustainable forest management, thus leading to reduced emissions and enhanced conservation of forest carbon stocks.

Brazil is one of eight pilot countries participating in the FIP. The Brazil Investment Plan (BIP), approved by the FIP Subcommittee in April 2012, seeks to promote sustainable land use and forest management improvement in the Cerrado, so as to reduce pressure on remaining forests, reduce GHG emissions and increase CO2 sequestration. The BIP comprises actions by three Ministries, Environment (MMA); Science, Technology & Innovation (MCTI); and Agriculture and Livestock (MAPA). These actions will build synergies to maximize the impact of policies aimed at reducing deforestation in the Cerrado biome through (a) improving environmental management in areas previously converted and (b) producing and disseminating environmental information at the biome scale. The BIP has two thematic areas and four projects, to be implemented as a coordinated set:

Theme 1 - : Management and Use of already anthropized areas - Improvement on access by producers to resources on offer for Low Carbon Emission Agriculture Implementation of the Rural Environmental Cadastre in the entire biome, which include the following projects:

Project 1.1- Environmental regularization of rural lands (based on based on the Rural Environmental Registry, CAR) - Loan: US\$32.5million - MDB: IBRD

Project 1.2- Sustainable production in areas previously converted to agricultural use (based upon the ABC Plan) - Grant:US\$10.72million - MDB:IDB

Theme 2: Generation and Management of Forest Information - Generation and availability of spatially and temporally consistent environmental information - forest inventory, remote sensing monitoring and early warning system for forest fires, which include the following projects:

Project 2.1- Forest information to support public and private sectors in managing initiatives focused on conservation and valorization of forest resources - Grant:US\$16.55million - MDB: IBRD

Project 2.2- Implementation of an early-warning system for preventing forest fires and a system for monitoring the vegetation cover - Grant:US\$9.25million - MDB: IBRD

### **Relationship to CAS**

The objectives of the proposed Project are fully covered by the current World Bank Group's Country Partnership Strategy, discussed by the Executive Directors on November 1, 2011 (CPS 2012-2015) (Report No 63731 BR), under the heading "Improving environmental management, biodiversity conservation and climate change mitigation", specifically through the support to "efforts by the Federal and selected sub-national Governments to further strengthen and integrate their environmental management systems, including at the metropolitan level, and ensure environmental compliance in rural areas, including through the implementation of Rural Environmental Registries, and other mechanisms which monitor compliance in the forest, agricultural and livestock productive chains."

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The proposed Project development objective is to: (i) strengthen the 11 State Environmental agencies' capacity to receive, analyze and approve the rural environmental cadastre entries and to link them to the national system (SICAR) and (ii) register in the CAR system, applications for registration in the CAR in the selected priority municipalities have been received and entered into the system and linked to the national system, at least 70% of the privately owned rural landholdings in the selected priority municipalities.

### **Key Results (From PCN)**

The proposed Project scales up the actions to reduce deforestation, forest degradation and

greenhouse gas emissions. The implementation of environmental regularization of rural landholdings through the CAR enables a more effective supervision and monitoring of deforestation and degradation of natural vegetation. Furthermore, the widespread application of the CAR contributes to a better management of the remaining forest areas on private landholdings and to recover degraded RL and APPs in them.

The Project results would be measured against the following indicators:

- State environmental agencies that have adopted an improved Rural Environmental Cadastre system promoted by the Project (number); (adapted from agriculture core indicators)
- Government institutions provided with capacity building support to improve CAR implementation (number); (adapted from forestry core indicators)
- Targeted clients in the selected priority municipalities satisfied with CAR services (percentage). (adapted from agriculture core indicators)
- Area of landholdings in a selected municipality entered into the state or national cadastre system in accordance with the applicable legal federal and State norms (%); (adapted from land administration core indicators)
- Landholders registered into the CAR system as a result of the Project (number); (adapted from land administration core indicators).

### **III. Preliminary Description**

#### **Concept Description**

The proposed Project is part of the Brazil Investment Plan (BIP). It will assist States and Municipalities Governments, as well as landholders in the Cerrado Biome in implementing the Forest Code (Law 12,651/2012).

The following components are proposed:

Implementation of the national rural environmental cadastre system in the 11 states of the Cerrado – the proposed component aims at strengthening the States’ capacity to carry out the CAR in their territories, i.e., to complete the regulatory framework, receive, verify and approve registry entries, to connect to the national data base, to conduct an environmental diagnostic from the data received, and to assist land holders in preparing their declarations. Analysis and verification of entries would be largely automatized. The following activities are expected: (i) technical, legal and financial assistance to target States, which will facilitate the preparation of normative, institutional, operational and other necessary frameworks as necessary; (ii) purchase of equipment and materials; (iii) training for stakeholders.

Registration of privately owned rural landholdings in priority municipalities – the proposed component aims at the registration of the majority of properties in selected municipalities. The following activities are expected: dissemination and mobilization campaigns, preparation of maps and treatment of available data on land use and landholdings, informational support to medium and large landholders to motivate and facilitate their voluntary self-registration, creation of local service desks and state call centers, as well as field surveys, and direct assistance to smallholders in documenting their landholdings and getting them registered in the CAR.

Implementation and management of the Project – the proposed component aims at supporting

activities related to Project management and implementation. MMA will be responsible to supervise technical and financial aspects of the Project, and monitor Project indicators.

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#### IV. Safeguard Policies that might apply

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

#### V. Financing (in USD Million)

Total Project Cost:	32.48	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
<b>Financing Source</b>		<b>Amount</b>	
Borrower		0.00	
Strategic Climate Fund Credit		32.48	
Total		32.48	

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#### VI. Contact point

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