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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF

RURAL ENVIRONMENTAL CADASTRE AND FIRE PREVENTION IN BAHIA
STATE PROJECT TO FUNDAÇÃO LUÍS EDUARDO MAGALHÃES
APPROVED ON SEPTEMBER 12, 2014

GRANT FROM THE BRAZIL CERRADO CLIMATE CHANGE MITIGATION
TRUST FUND

February 26, 2016

Environment and Natural Resources Global Practice
Brazil Country Management Unit
Latin America and the Caribbean Region

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ABBREVIATIONS AND ACRONYMS

APP	<i>Área de Preservação Permanente</i> (Area of Permanent Preservation)
BCCCMTF	Brazil Cerrado Climate Change Mitigation Trust Fund
CAR	<i>Cadastro Ambiental Rural</i> (Rural Environmental Cadastre)
CEFIR	<i>Cadastro Estadual Florestal de Imóveis Rurais</i> State Forest Cadastre of Rural Landholdings
FLEM	<i>Fundação Luís Eduardo Magalhães</i> Luís Eduardo Magalhães Foundation
MMA	<i>Ministério do Meio Ambiente</i> (Ministry of Environment)
PPCerrado	<i>Plano de Ação para Prevenção e Controle do Desmatamento e das Queimadas no Cerrado</i> (Action Plan to Prevent and Control Deforestation in the Cerrado Biome)
PRADs	<i>Planos de Recuperação de Áreas Degradadas</i> (Plans for Recovery of Degraded Areas)
RL	<i>Reserva Legal</i> (Legal Reserve)
SBD	Standard Bidding Document
SEIA	<i>Sistema Estadual de Informações Ambientais</i> (State Environmental Information System)
SEMA	<i>Secretaria de Meio Ambiente e Recursos Hídricos do Estado do Bahia</i> (Bahia State Secretariat of Environment and Water Resources)
SICAR	<i>Sistema Nacional de Cadastro Ambiental Rural</i> (Rural Environmental Cadastre System)
PDO	Project Development Objective
TF	Trust Fund

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Country Director:	Martin Raiser
Sector Manager:	Raúl Alfaro-Pelico
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Brazil
**RURAL ENVIRONMENTAL CADASTRE AND FIRE PREVENTION IN BAHIA STATE
PROJECT**
BRAZIL CERRADO CLIMATE CHANGE MITIGATION TRUST FUND

CONTENTS

	<i>Page</i>
A. SUMMARY OF PROPOSED CHANGES	5
B. PROJECT STATUS	6
C. PROPOSED CHANGES	7
 ANNEX 1: RESULTS FRAMEWORK AND MONITORING	 10

DATA SHEET

Brazil

Rural Environmental Cadastre and Fire Prevention in Bahia State, Brazil (P143376)

LATIN AMERICA AND CARIBBEAN

Environment & Natural Resources

Report No: 103619-BR

Basic Information									
Project ID:	P143376	Lending Instrument:	Specific Investment Loan						
Regional Vice President:	Jorge Familiar	Original EA Category:	Partial Assessment (B)						
Country Director:	Martin Raiser	Current EA Category:	Partial Assessment (B)						
Sector Global Practice Director:	Raul Ivan Alfaro Pelico	Original Approval Date:	12 - Sep - 2014						
Sector Manager:	Raul Ivan Alfaro Pelico	Current Closing Date:	30 – Jun - 2016						
Team Leader:	Maria Bernadete Ribas Lange								
Recipient:	Fundação Luís Eduardo Magalhães - FLEM								
Responsible Agency:	Secretariat of Environment – State of Bahia – SEMA-BA								
Restructuring Type									
Form Type:	Full Restructuring Form	Decision Authority:	Country Director Approval						
Restructuring Level: Level 2									
Financing (as of 26-Feb-2016)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P143376	TF-15228	Effective	12-Sept-2014	17-Sept-2014	17-Sept-2014	30-Jun-2016	30-Jun-2016		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P143376	TF-15228	Effective	USD	4.4	4.4	0.00	1.03	3.36	23.45
Policy Waivers									

Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any policy waiver(s)?	Yes []	No [X]

A. Summary of Proposed Changes

This Restructuring Paper seeks the approval of the Country Director to undertake a Level Two Restructuring of TF015228 - Rural Environmental Cadastre and Fire Prevention in Bahia State Project to extend the Project's Closing Date by 18 months, from June 30, 2016 to December 31, 2017, and to revise the Results Framework of the Project. This is the first extension of Closing Date for this Project.

This Project is part of the Brazil Cerrado Climate Change Mitigation Trust Fund (BCCMTF – TF071814), which is a single-donor trust fund with Bank- and Recipient-executed components funded by the Department for Environment, Food and Rural Affairs of the United Kingdom (DEFRA) to support the implementation of the Cerrado Program.

Launched in 2012, the single-donor trust fund (TF071814) has been supporting activities and projects under a two-pronged approach: (i) promotion of farmers' compliance with the Brazilian Forest Code, based on strengthening the monitoring and enforcement of mandatory environmental reserve requirements through environmental registration of rural properties; and (ii) promotion of controlled burning, prevention of forest fires, replacement of burning with more sustainable agricultural practices, and strengthened firefighting capacity.

The Project is supported by the Brazilian Forest Code (Law 12.651 of 2012) which requires that: (i) all private rural landholdings maintain a percentage of native vegetation as Legal Reserves (*Reservas Legais*, RLs); and (ii) Areas of Permanent Preservation (*Áreas de Preservação Permanente*, APPs), such as riparian forests along watercourses, steep slopes, mountain tops, etc., also be maintained by landholders. The Forest Code also obliges landholders to register their landholdings in the CAR, which is an electronic register of rural landholdings maintained by an official environmental entity whose aim is to effectively monitor, supervise, control, plan and ensure the environmental compliance of landholdings. This register contains 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.

It is important to highlight that the CAR implementation is a priority for the Federal Government. The strong commitment by Ministry of Environment and the States to implement the CAR registration was evidenced during the Project preparation. The State of Bahia has its own system (CEFIR) for the CAR registration, which is fully connected to the National system (SICAR) and operational.

Change in Implementing Agency	Yes []	No [X]
Change in Project's Development Objectives	Yes []	No [X]
Change in Project's Global Environmental Objectives	Yes []	No [X]
Change in Results Framework	Yes [X]	No []

Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [X] No []
Cancellations Proposed	Yes [] No [X]
Change to Financing Plan	Yes [] No [X]
Change in Disbursement Arrangements	Yes [] No [X]
Reallocation between Disbursement Categories	Yes [] No [X]
Change in Disbursement Estimates	Yes [] No [X]
Change to Components and Cost	Yes [] No [X]
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [] No [X]
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [] No [X]
Appraisal Summary Change in Economic and Financial Analysis	Yes [] No [X]
Appraisal Summary Change in Technical Analysis	Yes [] No [X]
Appraisal Summary Change in Social Analysis	Yes [] No [X]
Appraisal Summary Change in Environmental Analysis	Yes [] No [X]
Appraisal Summary Change in Risk Analysis	Yes [] No [X]

B. Project Status

The Rural Environmental Cadastre and Fire Prevention in Bahia State Project, a Grant from the Brazil Cerrado Climate Change Mitigation Trust Fund, in the amount of US\$4.4 million, which is implemented by Fundação Luís Eduardo Magalhães, was declared effective on September 17, 2014. To date, the Project has disbursed US\$ 1.03 million (23.45 percent of the grant amount).

Before the Bank could officially start preparation of this project (along with the others under the Program) and to better fulfill the Program's objective, a thorough analysis of the possible areas of intervention was done in coordination with the selected partners. This identification phase took longer than expected but was crucial to have a clear decision of where the interventions would be more important and have a greater impact.

To guarantee that all parties involved in the Program were fully aware and committed, and that the Program and its Projects were a complementary effort to the overall Cerrado Program being implemented and coordinated by MMA, the identification and preparation period lasted longer than originally planned.

This proposed 18-month extension of the Project has been discussed and approved by the Donor, and agreed with MMA, the Program Coordinator.

The current scenario is positive; all activities that have been planned for this calendar year are under implementation. SEMA-BA is evaluating the possibility of mainstreaming Project activities, a second contract for CAR registration has been processed under the Project, and they are considering other potential activities that maybe implemented taking into consideration the devaluation of the Brazilian Real. The Bank team is confident that these additional 18 months will contribute to the achievement of the Project's objective and the Program's overall goals.

Development Objectives/Results

Project Development Objectives

Original PDO

The Project's main objective is to promote the reduction of climate change impacts in the Cerrado of the west of the Bahia State by: (i) promoting the environmental regularization of landholdings in the targeted municipalities and support actions to promote recovery of environmental liabilities; and (ii) strengthening the State's capacity to prevent and combat forest fires through the integration of local actors and promoting the adoption of sustainable production practices in the targeted municipalities.

C. Proposed Changes

Extension of Closing Date

Explanation:

This 18-month extension will be the first extension of the Closing Date for this project. The reason for this extension is to fully complete the activities started, complete financing of contracts under implementation and continue to evaluate achievement of the Project's outcome and intermediate indicators.

The proposed extension of Closing Date, from June 30, 2016 to December 31, 2017, was previously agreed with the Donor (Department of Environment, Food and Rural Affairs - United Kingdom of Great Britain and Northern).

Change in Results Framework

Explanation:

Once implementation started, SEMA-BA identified that some of the foreseen indicators were not fully appropriate, or that some would not be possible to accurately measure, or nor adequately linked to the project's objectives. With the support from MMA and other technical entities, SEMA-BA was able to review the proposed indicators and their feasibility. Based on the various meetings held, SEMA-BA proposed the revision of the indicators as detailed in the revised Results Framework at the end of this document. A brief description of the changes is provided below:

With respect to the PDO Indicator related to the reduction of forest-fire area observed in each targeted municipality, it is proposed to be replaced by a new PDO indicator to better reflect direct results of project, which is hotspots observed in APPs and RLs registered in the CEFIR in the targeted municipalities, as a result of the Project. The baseline for this Indicator will be the average number of hotspots identified by INPE in the APPs and RLs registered in the CEFIR between 2006 and 2016 in the targeted municipalities.

Intermediate indicator related to State Environment Agency (OEMA) of Bahia's provision of capacity to promote the registration of rural properties in CAR / CEFIR in the target municipalities of the Project in coordination with federal and municipal agencies is proposed to be removed and replaced by a new intermediate indicator which is Government institutions provided with capacity building support to improve management of forest resources, a Bank Core Indicator.

Intermediate indicator on small landholdings registered into the CAR system as a result of the Project is also recommended to be removed, since it was a repetition of an existing PDO indicator, and replaced by a new intermediate indicator related to the number of municipalities provided with CEFIR registration for small landholdings as a result of the Project.

Intermediate indicator related to the number of People in the State and Municipal environmental agencies trained to prepare and assist with the Plans of Recovery of Degraded Areas (PRAD) is recommended to be removed and replaced by an intermediate indicator related to the area (ha) of demonstrative degraded areas where recovery practices have been implemented as a result of the Project.

In support of these recommended changes, the Bank team confirms that: (i) the project's objectives continue to be achievable; (ii) all safeguards are being complied with; and (iii) the overall implementation progress is rated Satisfactory. Procurement post-review and financial management missions were carried out, and fiduciary management was found to be Satisfactory. The Recipient is in compliance with all major legal covenants including audit requirements concerning this Grant.

ANINEX 1. RESULTS FRAMEWORK

Brazil Cerrado Climate Change Mitigation: Rural Environmental Cadastre and Fire Prevention in Bahia State Project										
Project Development Objective (PDO): The Project's main objective is to promote the reduction of climate change impacts in the Cerrado of southern Bahia by: (i) promoting the environmental regularization of landholdings in the targeted municipalities and support actions to promote recovery of environmental liabilities; and (ii) strengthening the State's capacity to prevent and combat forest fires through the integration of local actors and promoting the adoption of sustainable production practices in the targeted municipalities.										
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values**			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3				
Indicator: Land users adopting sustainable land management practices as result of the project	<input checked="" type="checkbox"/>	Number	0	0	1,440	3,376	annual	CEFIR reports	SEMA	Number of small rural landholdings enrolled in CEFIR
Indicator: Land area where sustainable practices have been adopted as result of the project.	<input checked="" type="checkbox"/>	Number hectares	0	0	35,958	83,902	annual	CEFIR reports	SEMA	This indicator measures the land area that as a result of the project enrolled in CEFIR
Indicator: Reduction of forest fired area observed in each targeted municipalities as a result of the project - DELETED	<input type="checkbox"/>	Percentage	To be defined in YR1	0	5%	10%	annual	INPE reports	INPE	---
Indicator: Hotspots observed in Areas of Permanent Preservation (APPs) and Legal Reserves (RLs) registered in the in CEFIR, in the targeted municipalities, as a result of the Project – NEW	<input type="checkbox"/>	Percentage	Average of hotspots identified by INPE in the APPs and RLs registered in the CEFIR between 2006 and 2016	0	0	-7%	annual	INPE reports	INPE	This indicator measures the reduction of hotspots observed in APPs and RLs registered in the CEFIR
Indicator: Number of actions to combat forest fires in the targeted municipalities as a result of the project	<input type="checkbox"/>	Number	0	0	50	150	annual	SEMA reports	SEMA	Actions carried out in target municipalities. The proposed targets will be revised by the YR2
INTERMEDIATE RESULTS										
Intermediate Result (Component 1): Rural Environmental Regularization										
Indicator: State Environment Agency (OEMA) of Bahia	<input type="checkbox"/>	%	To be defined in YR1	0	50%	70%	Semiannual	MMA's matrix	SEMA	Preparedness of State Environment Agency to implement the CAR. The

<i>provide with capacity to promote the registration of rural properties in CAR/ CEFIR in the target municipalities of the Project in coordination with federal and municipal agencies - DELETED</i>										reports will monitor the results using the CAR system monitoring tool developed by the MMA.
Indicator: Government institutions provided with capacity building support to improve management of forest resources (SEMA-BA and INEMA-BA) - NEW	<input checked="" type="checkbox"/>	Number	0	2	2	2	Semiannual	Technical Reports	SEMA	As defined by the Bank, this refers to the number of institutions that have received capacity building as a result of the project. This includes support to training of officials, support to operations, information management or investments in physical infrastructure or other facilities.
Indicator: Small landholdings registered into the CAR system as a result of the Project - DELETED	<input type="checkbox"/>	Number	0	0	1,440	3,376	Semiannual	CEFIR reports	SEMA	Number of small rural landholdings enrolled in CEFIR
Indicator: Municipalities provided with CEFIR registration for small landholdings as a result of the Project - NEW	<input type="checkbox"/>	Number	0	0	4	4	Semiannual	Technical Reports	SEMA	This indicator measures the number of municipalities that have been provided with CEFIR registration as a result of the project.
Indicator: People in the State and Municipal environmental agencies trained to prepare and assist with the PRAD - DELETED	<input type="checkbox"/>	Number	0	0	100	200	Semiannual	SEMA reports	SEMA	Number of staff trained, of which female
Indicator: Demonstrative degraded areas where recovery practices have been implemented as a result of the Project - NEW	<input type="checkbox"/>	Hectares	0	0	0	30	Semiannual	Technical Reports	SEMA	Areas (ha) forecast in PRAs and under implementation
Indicator: People trained to prepare and assist with the PRAD - REVISED	<input type="checkbox"/>	Number	0	0	100	200	Semiannual	SEMA reports	SEMA	Number of persons trained, of which female

Intermediate Result (Component 2): Prevention and Control of Forest Fires										
<i>People trained on techniques to prevent and fight forest fires</i>	<input type="checkbox"/>	Number	0	0	50	120	semiannual	SEMA reports	SEMA	Number of staff trained, of which female
<i>People trained in alternatives to the use of fire under the Project.</i>	<input type="checkbox"/>	Number	0	0	60	160	semiannual	SEMA reports	SEMA	Number of staff trained, of which female
<i>Targeted Municipalities equipped to combat forest fires.</i>	<input type="checkbox"/>	Number	0	0	4	8	semiannual	SEMA reports	SEMA	Number of municipalities equipped to combat forest fires