

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: 100940

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<b>Project Name</b>	Brazil Cerrado Climate Change Mitigation: ProCERRADO Federal Project
<b>Region</b>	LCR
<b>Country</b>	Brazil
<b>Sector</b>	Environment
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P150892
<b>Recipient</b>	Fundação Pró-Natureza (Funatura)
<b>Implementing Agency</b>	Ministry of Environment (MMA)
<b>Environmental Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared/Updated</b>	February 27, 2015
<b>Date of Appraisal Completion</b>	January 30, 2015
<b>Estimated Date of Approval</b>	April 10, 2015
<b>Concept Review Decision</b>	Following the review of the concept note, the decision was taken to proceed with the preparation of the operation.

## I. Project Context

1. The Brazilian Cerrado is the second largest biome in Brazil and South America (2.04 million km<sup>2</sup> or 24 percent of the country's total land area). The Cerrado is important not only as the world's most biodiverse savannah, but also because of the large amounts of carbon it stores, about 70 percent of which occurs in the soil and in underground biomass.

2. The Cerrado is a strategic biome for Brazil's economy, environment and food security. It has become the country's major producer and exporter of important cash crops and beef. The rapid expansion of agriculture in the Cerrado has caused the conversion of natural vegetation to alternative land uses (deforestation) as well as the increased use of slash-and-burn agricultural practices.

3. According to the latest data on deforestation, in 2010<sup>1</sup> the Cerrado was on a par with the Amazon in terms of annually deforested area, but was actually far higher percentage-wise: 0.32 percent of the Cerrado versus 0.15 percent of the Amazon.

4. Although fire is considered one of the determinants of the Cerrado's vegetation, the rapid occupation of the Cerrado Biome has changed the natural fire regime (season and frequency of burning), with consequences for vegetation structure and composition, and has resulted in large biomass losses as well as carbon emissions. In 2010 alone, 74,120 hotspots were detected in the biome.

5. The very high potential for reduction of greenhouse gas (GHG) emissions offered by the Cerrado's land-use change and forests could constitute a significant opportunity for emissions

<sup>1</sup> Source: <http://www.obt.inpe.br/prodes/index.php> and MMA, 2011. Monitoramento do Bioma Cerrado 2009-2010.

mitigation.

6. Furthermore, a sustainable path toward poverty reduction and development would be one that manages natural resources for future generations, ensures social inclusion, and adopts fiscal responsibility to ensure that gains are not short-lived or achieved at the cost of future prosperity.

7. Launched by Brazil in 2009, the National Climate Change Policy (*Política Nacional sobre Mudanças do Clima*, PNMC) defines the objectives and guidelines for operations related to climate change in Brazil. It officially determines the country's commitment to reduce emissions, which could generate a reduction of 36.1 to 38.9 percent in the projected emissions for 2020. Brazil's goal is to achieve an 80 percent reduction in deforestation in the Amazon from the 1996–2005 average (19,535 km<sup>2</sup>), and a 40 percent reduction in the Cerrado from the 1999–2008 average (15,700 km<sup>2</sup>). The PNMC also seeks to promote adaptation measures aimed at reducing the adverse effects of climate change and of environmental, social and economic vulnerability.

8. As a plan under the PNMC, the Federal Government launched the second phase of the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado (*Plano de Ação para Prevenção e Controle do Desmatamento e das Queimadas no Cerrado*, PPCerrado, 2014–2015). This plan has three components: (i) promotion of sustainable productive activities; (ii) protected areas and landscape planning; and (iii) monitoring and control. The PPCerrado is the operational instrument for implementation of the National Program for the Conservation and Sustainable Use of the Cerrado Biome (*Programa Nacional de Conservação e Uso Sustentável do Bioma Cerrado–Programa Cerrado Sustentável*)<sup>2</sup>, whose components establish all of the plan's actions.

9. The Law for the Protection of Native Vegetation (Forest Code, Law 12.651/2012) requires that (i) all private rural landholdings maintain a percentage of native vegetation as Legal Reserves (*Reservas Legais*, RLs<sup>3</sup>); and (ii) Areas of Permanent Preservation (*Áreas de Preservação Permanente*, APPs), such as riparian forests along watercourses, steep slopes, mountaintops, etc., also be maintained by landholders. In addition, the Forest Code obliges landholders to register their landholdings in the Rural Environmental Cadastre (*Cadastro Ambiental Rural*, CAR<sup>4</sup>). The CAR, an electronic registry of rural landholdings, is maintained by an official environmental entity whose aim is to effectively monitor, supervise, control, plan and ensure the environmental compliance of landholdings. This registry 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 the monitoring and control of private rural land use, including compliance with reforestation obligations. The system will facilitate land-use monitoring.

10. Law 12.651/2012 also requires all landholders to request and obtain authorization from

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<sup>2</sup> The National Program for the Conservation and Sustainable Use of the Cerrado Biome was formally established by Decree 5.577 dated November 8, 2005. Its objectives are to promote the conservation, recovery and sustainable use of natural resources, value and recognize local communities, and seek to reverse negative environmental and social impacts in the Cerrado Biome.

<sup>3</sup> The percentage to be held as Legal Reserves varies from 80 percent in the Amazon, to 35 percent in the Cerrado within the Legal Amazon, and to 20 percent in the rest of Brazil.

<sup>4</sup> Federal Law 12.651 of May 2012, articles 29, 30, and 53, as amended by Law 12.727 of October 2012 and Federal Decree 7.830 of October 2012.

State environment agencies to use fire as a land management tool for agro-pastoral and forestry activities. It also stipulates that all environmental institutions (at Federal, State and Municipal levels) that are part of the National Environmental System (*Sistema Nacional do Meio Ambiente*, SISNAMA) must update and implement contingency plans to control forest fires, and that the Federal Government must establish a National Policy on Forest Fire Management, Prevention and Control.

11. Thus, the PPCerrado and the Forest Code provide the framework for the Ministry of Environment's (*Ministério do Meio Ambiente*, MMA) approach with regard to the Cerrado Biome.

12. MMA has both national and external funding to support implementation of the PPCerrado and meet the PNMC's target of reducing emissions from deforestation, and as provided by Law 12.651/2012. The national resources are allocated in the Brazilian Federal Government's 2012–2015 Multi-Year Plan (Plano Plurianual [PPA] 2012–2015) and through two federal environmental funds: the National Climate Change Fund (*Fundo Nacional sobre Mudanças do Clima*, FNMC<sup>5</sup>) and the National Forest Development Fund (*Fundo Nacional de Desenvolvimento Florestal*, FNDF).

13. Furthermore, the Chico Mendes Institute for Biodiversity Conservation (*Instituto Chico Mendes de Conservação da Biodiversidade*, <sup>ICMBio</sup><sup>6</sup>), linked to MMA, is responsible for implementing the National System of Protected Areas (PAs), and may propose, implement, manage, protect, supervise and monitor the PAs instituted by the Federal Government. It is also responsible for monitoring, preventing and fighting forest fires in federal PAs.

14. In this context, the World Bank has been supporting MMA's efforts to coordinate different programs and institutional actions, in order to avoid duplication, maximize synergies and guide the allocation of resources, effectively contribute to the achievement of objectives stated in the PNMC and the PPCerrado. The programs and projects operate in partnership with other ministries, state agencies, governmental and non-governmental organizations (NGOs), as well as international organizations.

15. Thus, the Project will support MMA in its efforts to manage the ProCerrado Program, to establish national policies to reduce deforestation and forest fires in the Cerrado Biome, and to address different aspects of interagency implementation, including the strengthening of the ICMBio for actions to prevent and fight forest fires in PAs.

16. The Project's objectives and strategy are fully in line with the World Bank Group's twin global goals of shared prosperity and poverty reduction, because it will (i) help small rural landholders to be in compliance with the National Environmental Law, enable their access to government rural credit and assistance services, and potentially increase employment and income for landholders and other partners in the value chain generated by farming activities, thus contributing to poverty alleviation; and (ii) develop the Government's capacity to manage the Cerrado Biome's natural resources for future generations and on a sustainable path to promote climate change resilience.

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<sup>5</sup> Information on the FNMC is available at: <http://www.mma.gov.br/apoio-a-projetos/fundo-nacional-sobre-mudanca-do-clima>.

<sup>6</sup> The Chico Mendes Institute of Biodiversity Conservation is an autonomous agency under a special scheme. It was created on August 28, 2007, by Law 11.516.

17. The Project's objectives are also fully in line with the current Brazil Country Partnership Strategy (CPS) 2012–20157, under Strategic Objective 4: Improving sustainable natural resource management and climate resilience. The engagement in the biome seeks to (i) support the mapping of degraded areas across all Brazilian biomes and help develop financial incentives to promote their rehabilitation; (ii) support the increased sustainability of agricultural production and forestry in the Cerrado; (iii) support efforts by federal and selected subnational governments to further strengthen and integrate their environmental management systems, including those at the metropolitan level, and ensure environmental compliance in rural areas; (iv) help improve the efficiency and effectiveness of environmental licensing and monitoring systems; and (v) help the Federal Government and the private sector to implement Brazil's National Climate Change Plan.

18. The World Bank is organizing its approach to Brazil's Cerrado Biome through partnership building with all government levels, the private sector and civil society. The biome approach combines conservation with the promotion of local and regional rural economic development. The Bank is currently supporting a set of initiatives by the Government of Brazil (GoB) to promote inclusive development through the following complementary programs and projects: (i) the GEF Sustainable Cerrado Initiative; (ii) the Brazil Cerrado Climate Change Mitigation Trust Fund (BCCCMTF – ProCerrado Program); and (iii) the Forest Investment Program (FIP): Brazil Investment Plan (BIP).

19. This Project is part of the BCCCMTF, whose aim is to assist the GoB in mitigating climate change in the Cerrado Biome and to improve its environmental and natural resources management through appropriate policies and practices.

## II. Proposed Development Objective(s)

20. The Project development objective is to enhance the capacity of the Ministry of Environment to establish integrated forest fire management and landholding registration in selected rural areas of the Cerrado Biome.

### PDO-Level Results Indicators

21. The PDO will be measured against the following indicators:

- Reforms in forest policy, legislation or other regulations supported (*yes/no*) (*forest core indicator*<sup>8</sup>). This indicator will measure: (i) whether the Project has supported the implementation of the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado (PPCerrado Phase 2<sup>9</sup>). The target value is that the PPCerrado Phase 2 is formalized by means of documented official endorsement by

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<sup>7</sup> Report No. 63731-BR discussed by the Executive Directors of the World Bank Group on November 1, 2011.

<sup>8</sup> The use of standardized [Core Sector Indicators](http://intranet.worldbank.org/WBSITE/INTRANET/UNITS/INTOPCS/0,,menuPK:6250526~contentMDK:22226896~menuPK:6250526~pagePK:51455324~piPK:3763353~theSitePK:380832,00.html) in project results frameworks is mandatory for IDA/IBRD operations, where relevant and is highly recommended for recipient-executed trust funds

<sup>9</sup> PPCerrado Phase 2 is an up-to-date version of the Operational Plan, which will be formally established by the end of March 2015.

- the end of the Project; and (ii) whether the Project has supported the design of the National Policy on Forest Fire Management, Prevention and Control, including the Cerrado Biome. The target value is that this policy has been formalized by means of documented official endorsement by the end of the Project.
- Land area where sustainable land management has been adopted because of the Project (*hectares [ha]*) (*land management core indicator*<sup>10</sup>). This indicator will measure the total area of landholdings enrolled in the Rural Environmental Cadastre System (*Sistema Nacional de Cadastro Ambiental Rural, SICAR*) as a result of the Project.
  - Protected Areas (PAs) brought under integrated forest fires management plans (*number*).

22. The intermediate results indicators will be:

*Support to PPCerrado*

- Actions of PPCerrado Phase 2 under implementation (*number or percentage*).
- PPCerrado monitored and evaluated periodically (*yes/no*).
- National Policy on Forest-fire Management, Prevention and Control, including the Cerrado Biome, under discussion/consultation (*yes/no*).

*Rural Environmental Cadastre (CAR)*

- Small landholding applications to enroll in the CAR system (*number*).
- Medium and larger landholding applications to enroll in the CAR system (*number*).

*Preventing and Fighting Forest Fires in Protected Areas*

- People trained to prevent forest fires in the selected PAs (*number*).
- PAs provided with capacity-building support and equipment to improve integrated forest fire management (*number*).
- PAs' forest-fire management plans prepared (*number*).

### **III. Project Description**

23. The proposed Project is part of the BCCCMTF. It will support MMA's efforts to manage the ProCerrado Program, to establish national policies to reduce deforestation and forest fires in the Cerrado Biome and to address different aspects of interagency implementation, including the strengthening of Federal agencies such as ICMBio that are directly responsible for actions to prevent and control forest fires.

24. The Project is expected to have an overall impact on the Cerrado Biome, which includes a total of 11 Federative Units: the States of Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Maranhão, Paraná, Bahia, Piauí and São Paulo; and the Federal District, in

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<sup>10</sup> The aim of the Bank's set of core sector indicators is to help better measure and aggregate the impact of Bank work in line with its commitment to results, openness and accountability. The use of core sector indicators in project results frameworks is mandatory for IDA/IBRD operations, where relevant, and is highly recommended for recipient-executed trust funds.

relation to actions supporting the PPCerrado and the forest-fire policy and regulations.

25. The Project's implementation strategy is to register small landholdings in 6 selected municipalities. CAR communication actions will be implemented in 58 municipalities. The following criteria were used to select the municipalities: (i) Decree 97/2012, which lists 52 municipalities deemed priorities under the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado Biome (PPCerrado); (ii) municipalities surrounding the PAs that are the focus of the Project; and (iii) municipalities that were nominated by the States in the CAR consultations held during the preparation of the Environmental Regularization of Rural Lands in the Cerrado of Brazil Project, under the FIP: Brazil Investment Plan<sup>11</sup>. The municipalities selected for registration work are located in the States of Tocantins (Natividade and Pium) and Maranhão (Alto Parnaíba, Balsas, Riachão and São João do Soter). In addition, service desks would be established in 8 selected municipalities: Alto Parnaíba, Balsas, Riachão, São João do Soter Carolina, Estreito, Natividade and Pium.

26. In addition, three federal PAs were selected among those PAs most affected by forest fires in Brazil and in the biome: (i) 41.92% (82,930 ha) of the area of Serra da Canasta National Park was affected by fires in 2010, 14.36% (28,404 ha) in 2011, and 44.67% (86,144 ha) in 2012; (ii) 30.6% (48,944 ha) of the area of Chapada das Mesas National Park was affected by fires in 2010, 16.01% (25,594 ha) in 2011, and 10.6% (16,956 ha) in 2012; and (iii) 48.96% (62,697 ha) of the area of the Veredas do Oeste Baiano Wildlife Refuge was affected by fires in 2011 (data from 2010 and 2012 are being validated).

27. **The proposed Project will have the following components:**

**Component 1:** Support to the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado-PPCerrado (Estimated Cost: US\$0.16 million). The aim of this component is to support activities to reduce deforestation and promote landholders' environmental compliance with Brazilian forest legislation by monitoring and evaluating the PPCerrado, in light of changes introduced by the Forest Code; and by developing the governance capacity to implement this plan and supporting the reform in forest policy, focusing on the National Policy for Forest-fire Management, Prevention and Control.

**Component 2:** Rural Environmental Cadastre (Estimated Cost: US\$1.42 million). The aim of this component is to support small landholders in the States of Tocantins and Maranhão in complying with the Forest Code (Law 12.651 of 2012) through CAR registration.

**Component 3: Preventing and Fighting Forest Fires in Protected Areas** (*Estimated Cost: US\$1.90 million*). The aims of this component are to strengthen the ICMBio capacity to prevent and fight forest fires, and to promote alternatives to the use of fire in the Cerrado Biome and especially in the Project's targeted PAs.

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<sup>11</sup> The Environmental Regularization of Rural Lands in the Cerrado of Brazil Project's core area will include a total of nine Federative Units: the States of Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Maranhão, Paraná and São Paulo; and the Federal District, as well as 47 selected municipalities. For more information, see: <http://www.mma.gov.br/desenvolvimento-rural/cadastro-ambiental-rural/projeto-de-regularizacao-ambiental-de-imoveis-rurais-no-cerrado-car-fip>

**Component 4: Project Management and Administration** (*Estimated cost: US\$0.82 million*). The aim of this component is to ensure proper and ongoing procedures to implement the Project, including overall management, financial management (FM), procurement, accounting and audits, in accordance with World Bank guidelines.

#### IV. Financing

Project Financing Data(US\$M)					
<input type="checkbox"/>	Loan	<input checked="" type="checkbox"/>	Grant	<input type="checkbox"/>	Other
<input type="checkbox"/>	Credit	<input type="checkbox"/>	Guarantee		
<b>For Loans/Credits/Others</b>					
Total Project Cost:		4.30		Total Bank Financing:	4.30
Total Cofinancing:		00		Financing Gap:	00
Financing Source				Amount(US\$M)	
BORROWER/RECIPIENT				00	
IBRD				00	
IDA: New				00	
IDA: Recommitted				00	
Others: Cerrado Climate Change Mitigation Trust Fund				4.30	
Financing Gap				00	
Total				4.30	

#### V. Implementation

28. This Project will be implemented from 2015 to 2017. The Fundação Pró-Natureza (Pro-Nature Foundation, Funatura) will manage the Project in close agreement with the primary partners: MMA and ICMBio.

29. MMA and ICMBio will sign a Technical Cooperation Agreement (TCA) with Funatura aimed at achieving Project objectives. This TCA will commit the parties to implement, in a coordinated manner, all joint actions and control mechanisms, and will set forth their respective responsibilities under the Grant Agreement. Funatura will be responsible for the Project's FM and procurement, and MMA will be responsible for supervising technical activities and coordinating actions with ICMBio and Funatura in order to achieve the Project's overall goals.

30. Funatura will implement the Project in accordance with the respective policies, procedures and approaches for implementation, and will monitor and evaluate the Project (including its indicators) in close coordination with MMA. Funatura will also implement the organizational structure needed for Project execution, which will include mechanisms to identify potential environmental and social problems that may arise during Project execution, including prevention and mitigation measures.

31. Project implementation arrangements will build on lessons learned from past operations

with MMA that proved to be robust and effective for meeting objectives in a timely and efficient manner.

32. MMA and Funatura have prepared a Project Operational Manual (Manual Operacional do Projeto, MOP). The MOP documents the arrangements made for recording Project impacts, outcomes, outputs and inputs that are required to assess progress toward the achievement of Project objectives. The MOP contains detailed procedures and guidelines for disbursements, payments, approvals, commitments, reporting, and procurement procedures. The MOP also contains the M&E strategy and guides overall Project implementation.

## VI. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	X		
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	X		
Pest Management ( <a href="#">OP 4.09</a> )		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )		X	
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )		X	
Forests ( <a href="#">OP/BP 4.36</a> )	X		
Safety of Dams ( <a href="#">OP/BP 4.37</a> )		X	
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*		X	
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )		X	

### Contact point

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

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