

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Brazil
▪ TC Name:	Management and initial operation of the Transition Fund for ARPA for Life
▪ TC Number:	BR-T1287
▪ Team Leader/Members:	Juan Chang (INE/CCS, team leader), Axelle Boulay (INE/CCS), John Horton (RND/CBR), Lars Johnsen (CCS/CBR) and Milagros De Pomar (INE/CCS).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Client Support
▪ Reference to Request: (IDB docs #)	Pending
▪ Date of TC Abstract:	Sept 10 th 2013
▪ Beneficiary:	Brazilian Ministry of Environment
▪ Executing Agency and contact name:	Brazilian Biodiversity Fund (FUNBIO)
▪ IDB Funding Requested:	US\$4,500,000
▪ Local counterpart funding, if any:	US\$1,125,000
▪ Disbursement period (which includes execution period):	36 months
▪ Required start date:	February, 2014
▪ Types of consultants (firm or individual consultants):	Consulting firms
▪ Prepared by Unit:	Climate Change and Sustainability Division (INE/CCS)
▪ Unit of Disbursement Responsibility:	INE
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	Y Y
▪ GCI-9 Sector Priority:	Protect the environment, respond to climate change, promote renewable energy and ensure food security.

II. Objective and Justification

This TC will support the management and initial operation of the Amazon Region Protected Areas (or ARPA for Life) fund. “ARPA for Life” aims to protect 15% of the Brazilian Amazon for the next 25 years. Subsequently, the Brazilian government has committed to fully fund ARPA. This fund is therefore a transition fund until the Brazilian government is capable of funding ARPA on its own. As land use change and deforestation represent 45 percent of Brazil’s carbon emissions, the TC will have significant climate change mitigation effects.

The Brazilian Government’s ARPA program is the world’s largest tropical forest conservation program. Since its launch in 2002, ARPA has established 25 million hectares of new protected areas in the Brazilian Amazon, which has significantly contributed to reduced deforestation and associated biodiversity, climate change, and other ecosystem service benefits. To ensure the forest ecosystems in these protected areas and that the benefits they generate are sustained, long-term funding must be secured. While ARPA has delivered substantial results in Brazil, a comprehensive effort with similar objectives for neighboring Amazonian countries has yet to be realized.

As per the Intergovernmental Panel on Climate Change (IPCC), global deforestation accounts for roughly 20 percent of the world's CO² emissions. Due to Brazil's relatively clean energy matrix, carbon emissions from land use change and deforestation represent 45 percent of Brazil's total annual emissions. Multiple strategies have been implemented to counter the destruction of the tropical rainforest, and in recent years the deforestation rate of the Brazilian Amazon decreased dramatically from 27,772 km² in 2004 to 6,280 in 2010. The establishment of Protected Areas (PAs) has been a key component of the long term strategy to reduce deforestation rates. An assessment of the role of Amazon Region Protected Areas Program (ARPA) estimated that 37% of the region's total reduction in deforestation between 2004 and 2006 could be attributed to the establishment of ARPA PAs. This represents a reduction of 1.4 ± 0.2 Pg in carbon emissions by 2050 directly resulting from avoided deforestation in ARPA PAs, the equivalent of approximately 16% of the current annual global anthropogenic emissions.

ARPA's overall objective is to permanently fund the protection of 15% of the Brazilian Amazon, or 60 million hectares of Protected Areas, including the creation of 6 - 8 million hectares of new protected areas in the next years. This TC is aimed to increase the management and initial operation of ARPA for the next 3 years.

III. Description of activities and outputs

This TC will support: a) studies and analysis, including legal studies, to support and strengthen ARPA for Life, including provisions for long-term compensation for bio climate services and evaluation for climate resiliency; b) consulting services directly linked to the management of PAs; c) training; d) monitoring equipment; and e) administration costs. Together, these activities will strengthen the technical and management functions of FUNBIO as it operates and monitors the deployment of the transition fund.

The studies and analysis are expected to result in the assessment and implementation of options to secure the long term sustainability of ARPA as well as incorporate a diagnosis of adjustments in strategies to ensure that the climate change factor is included in the program's overall strategy. The recommendations will form the basis for decisions to be taken in the context of the deployment of the US\$200 million transition fund.

The consulting services will support the monitoring and management functions, in the field as ARPA for Life is initially deployed. This will enable an infusion of additional workforce to the expanded program and provide the means to manage the PAs closely during the initial implementation period and support the consolidation and expansion of information data bases. Training services will support the acquisition of skills for management, monitoring and verification processes. It will also provide opportunities to present the achievements of ARPA and raise awareness of the challenges ahead at different forums.

Monitoring equipment will be acquired to enable the ARPA Program to strengthen its supervision of the program and monitor threats on real time. The equipment will complement the existing capacity at Program associated institutions and will expand FUNBIO's capabilities into new and cost effective techniques. The TC will also enable FUNBIO to absorb the additional administration costs associated with the management of the Transition Fund.

IV. Indicative Budget

The total ARPA Transition Fund will finance the recurrent costs of Brazil's Amazonian protected areas system over the next 25 years, with payouts starting high and declining to zero as the Government steadily increases its own funding. Transition Fund requirements have been estimated to total US\$200 million, with US\$180 million already committed from both public and private donors inside and outside Brazil. For this specific TC, US\$4.5 million of IDB funds are required. The duration is 3 years. FUNBIO will manage and administrate the Transition Fund.

Component	Description	Type	IDB Funding (US\$)	Counterpart Funding (in species)
1	Contracted studies and analysis in agreement with Brazilian government, including legal studies to support and strengthen ARPA for Life, and provisions for long-term compensation for bio climate services; and evaluation for resiliency and stability in the face of climate impacts and other threats.	Tech support	1,122,000	280,500
2	Professional services (IT specialists, biologist, geographer, forest engineer, climate modeler) working directly with PAs in the project for 3 years supporting all ARPA for Life	Tech support	1,364,000	341,000
3	Training to incorporate climate dimension in protection efforts and enhance project effectiveness and travel costs for technical staff	Tech support	259,600	64,900
4	Equipment and support for upgrade of software and remote sensing equipment for monitoring and support of avoided deforestation activities in protected areas	Equipment	1,372,000	343,000
5	Annual audits and other administrative costs (rent, office supplies, utilities) for 3 years supporting all ARPA for Life	Admin	382,400	95,600
	Total		4,500,000	1,125,000

V. Executing agency and execution structure

ARPA is coordinated by the Brazilian Ministry of Environment and implemented through a partnership between Protected Areas managing agencies, donors and the Brazilian Biodiversity Fund (FUNBIO). This TC will be executed by FUNBIO, which is a private non-profit organization that raises funds and provides services for biodiversity conservation and climate change. The Infrastructure and Environmental Sector (INE/INE) will be the unit with Disbursement Policy (UDR) and will also be responsible for procurement and execution. Technical responsibility will be with INE/CCS and the Environment, Rural Development Disaster Risk Management Division (INE/RND).

VI. Project Risks and Issues

The main risk for this project is that the transition fund will not achieve full funding. However this risk is mitigated since US\$180 million out of US\$200 million has already been committed. The project also runs the risk of policy changes since the transition fund will last 25 years. This risk is mitigated by the huge success of ARPA and the national and international interest in protecting the Amazon.

VII. Environmental and Social Classification

It is not anticipated that the activities to be financed under this TC will have negative direct social or environmental impacts. Therefore the team considers that, according to the Bank's safeguards Screening Toolkit, this operation should be given a classification of C: no environmental or social risks and direct contribution to solve an environmental issue.