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Report No: 95636-BR

PROJECT PAPER
FOR
SMALL RETF GRANT
ON A
PROPOSED BRAZIL CERRADO CLIMATE CHANGE MITIGATION TRUST FUND
GRANT
(US\$4.3 MILLION)
TO THE
FUNDAÇÃO PRÓ-NATUREZA
FOR A
ProCERRADO FEDERAL PROJECT

April 27, 2015

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: October 20, 2014)

Currency Unit = Brazilian Reals
BRL 2.46 = US\$1.0
BRL1.00 = US\$0.41

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|----------|--|
| APP | <i>Área de Preservação Permanente</i> (Area of Permanent Preservation) |
| BCCCMTF | Brazil Cerrado Climate Change Mitigation Trust Fund |
| BIP | Brazil Investment Plan |
| CAR | <i>Cadastro Ambiental Rural</i> (Rural Environmental Cadastre) |
| CEFIR | <i>Cadastro Estadual Florestal de Imóveis Rurais</i> State Forest Cadastre of Rural Landholdings |
| CPS | Country Partnership Strategy |
| CQS | Selection Based on Consultant's Qualifications |
| ESMF | Environmental and Social Management Framework |
| FBS | Fixed-Budget Selection |
| FIP | Forest Investment Plan |
| FM | Financial Management |
| FNDF | <i>Fundo Nacional de Desenvolvimento Florestal</i> (National Forest Development Fund) |
| FNMC | <i>Fundo Nacional sobre Mudanças do Clima</i> (National Climate Change Fund) |
| Funatura | <i>Fundação Pró-Natureza</i> (Pro-Nature Foundation) |
| GHG | Greenhouse Gases |
| GoB | Government of Brazil |
| ha | Hectare(s) |
| ICMBio | <i>Instituto Chico Mendes de Conservação da Biodiversidade</i> (Chico Mendes Institute for Biodiversity Conservation) |
| IFR | Interim Financial Report |
| INPE | <i>Instituto Nacional de Pesquisas Espaciais</i> (National Institute of Space Research) |
| LCS | Least-Cost Selection |
| M&E | Monitoring and Evaluation |
| MMA | <i>Ministério do Meio Ambiente</i> (Ministry of Environment) |

| | |
|-----------|---|
| MOP | <i>Manual Operacional do Projeto</i> (Project Operacional Manual) |
| NCB | National Competitive Bidding |
| NGO | Nongovernmental Organization |
| PA | <u>Protected Area</u> |
| PNCM | <i>Parque Nacional da Chapada das Mesas</i> (Chapada das Mesas National Park) |
| PNMC | <i>Política Nacional sobre Mudanças do Clima</i> (National Climate Change Policy) |
| PPCerrado | <i>Plano de Ação para Prevenção e Controle do Desmatamento e das Queimadas no Cerrado</i> (Action Plan for Prevention and Control of Deforestation and forest Fire in the Cerrado) |
| PRA | <i>Programa de Regularização Ambiental</i> (Environmental Regularization Program) |
| PRADA | <i>Projeto de Recuperação de Áreas Degradadas e Alteradas</i> (Degraded and Changed Land Recovery Project) |
| QBS | Quality-Based Selection |
| QCBS | Quality- and Cost-Based Selection |
| RL | <i>Reserva Legal</i> (Legal Reserve) |
| SBD | Standard Bidding Document |
| SICAR | <i>Sistema Nacional de Cadastro Ambiental Rural</i> (Rural Environmental Cadastre System) |
| SISNAMA | <i>Sistema Nacional do Meio Ambiente</i> (National Environmental System) |
| SOE | Statement of Expenditure |
| SSS | Single-Source Selection |
| TCA | Technical Cooperation Agreement |
| TORs | Terms of Reference |
| UGP | <i>Unidade de Gerenciamento de Projetos / MMA</i> (Projects Management Unit under MMA) |

| | |
|----------------------------------|-------------------|
| Regional Vice President: | Jorge Familiar |
| Country Director: | Deborah Wetzel |
| Senior Global Practice Director: | Paula Caballero |
| Practice Manager: | Emilia Battaglini |
| Task Team Leader: | Bernadete Lange |

BRAZIL
ProCerrado Federal Project

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DATA SHEET

Brazil

ProCerrado Federal Project

Small RETF Grant Project Paper

Environment and Natural Resources Global Practice

| Basic Information | | | |
|---|---|--------------------------------|---|
| Date: | April 27, 2015 | Sectors: | General agriculture, fishing and forestry sector 50%; Public administration, agriculture, fishing and forestry 50% |
| Country Director: | Deborah Wetzel | Themes: | Climate change 50%; Land administration and management 35%; Biodiversity 15% |
| Practice Manager: | Emilia Battaglini | EA Category: | B |
| Project ID: | P150892 | | |
| Instrument: | Investment Project Financing | | |
| Team Leader(s): | Bernadete Lange | | |
| Recipient: Fundação Pró-Natureza (Funatura) | | | |
| Executing Agency: Ministry of Environment | | | |
| Contact: | Cesar Victor do Espírito Santo | Title: | Superintendente Executivo |
| Telephone No.: | +556132745449 | Email: | cesarvictor@funatura.org.br |
| Project Implementation Period: Start Date: April 30, 2015 End Date: June 30, 2017 | | | |
| Expected Effectiveness Date: May 30, 2015 | | | |
| Expected Closing Date: December 29, 2017 | | | |
| 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 | | |
| For Loans/Credits/Others | | | |
| 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 |
|-------|------|

Expected Disbursements (in USD Million)

| Fiscal Year | FY15 | FY16 | FY17 | FY18 | | | | |
|-------------|------|------|------|------|--|--|--|--|
| Annual | 0.86 | 1.50 | 1.44 | 0.50 | | | | |
| Cumulative | 0.86 | 2.36 | 3.80 | 4.30 | | | | |

Project Development Objective(s)

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.

Components

| Component Name | Cost (USD Millions) |
|---|---------------------|
| Component 1: Support to the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado (PPCerrado) | 0.16 |
| Component 2: Rural Environmental Cadastre | 1.42 |
| Component 3: Preventing and Fighting Forest Fires in Protected Areas | 1.90 |
| Component 4: Project Management and Administration | 0.82 |

Compliance

Policy

| | | |
|---|---------|--------|
| Does the project depart from the CAS in content or in other significant respects? | Yes [] | No [x] |
| Does the project require any exceptions from Bank policies? | Yes [] | No [x] |
| Have these been approved by Bank management? | Yes [] | No [] |
| Is approval for any policy exception sought from the Board? | Yes [] | No [x] |
| Does the project meet the Regional criteria for readiness for implementation? | Yes [x] | No [] |

Safeguard Policies Triggered by the Project

| | Yes | No |
|---|-----|----|
| 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 Waters OP/BP 7.50 | | x |
| Projects in Disputed Areas OP/BP 7.60 | | x |

Legal Covenants

| Name | Recurrent | Due Date | Frequency |
|------|-----------|----------|-----------|
| | | | |

Description of Covenant**Conditions**

| Source Of Fund | Name | Type |
|----------------|--|---------------|
| DCTF | Operational Manual finalized, approved and adopted by the Recipient. | Effectiveness |

Description of Condition

The Legal Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the Operational Manual has been adopted by the Recipient, as stated in Art IV 4.01 (a) of the Legal Agreement.

| Source Of Fund | Name | Type |
|----------------|--|---------------|
| DCTF | Technical Cooperation Agreement between MMA, ICMBio and Funatura signed. | Effectiveness |

Description of Condition

This Agreement shall become effective as of the date of its countersignature upon receipt by the World Bank of a copy of the Technical Cooperation Agreement referred to in Section 2.03 (b) of the Annex to this Agreement

| Source Of Fund | Name | Type |
|----------------|-----------------------|--------------|
| DCTF | Retroactive financing | Disbursement |

Description of Condition

No withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made during the 12 months immediately prior to the date of the countersignature of the Grant Agreement, for Eligible Expenditures under Category (3) of the Project, as stated in the Legal Agreement Annex, Article III, 3.02.

Team Composition**Bank Staff**

| Name | Title | Specialization | Unit | UPI |
|------------------------------------|--------------------------------------|--|-------|--------|
| Alberto Coelho Gomes Costa | Senior Social Development Specialist | Senior Social Development Specialist | GURDR | 83629 |
| Daniella Ziller Arruda Karagiannis | Operations Analyst | Operations Analyst | GENDR | 286713 |
| Frederico Rabello T. Costa | Senior Procurement Specialist | Senior Procurement Specialist | GGODR | 313313 |
| Garo Batmanian | Lead Environmental Specialist | Lead Environmental Specialist, peer reviewer | GENDR | 72896 |
| Maria Bernadete Ribas Lange | Senior Environmental Specialist | Team Leader | GENDR | 322535 |
| Patricia Miranda | Senior Counsel | Senior Counsel | LEGLE | 218833 |
| Waleska Pedrosa | Paralegal | Legal | LCC5C | 192401 |
| Tatiana de Abreu | Financial Analyst | Finance Analyst | CTRLN | 232816 |

| | | | | |
|--------------------------------|----------------------------|--|-------|--------|
| Thiago De Oliveira Teodoro | ET Consultant | Financial Management | GGODR | 461534 |
| Wanessa De Matos Firmino Silva | Team Assistant | Team Assistant | LCC5C | 355544 |
| Erick Fernandes | Adviser | Agriculture and Climate Change, , peer reviewer | GFADR | 248567 |
| Andrew M. Mitchell | Senior Forestry Specialist | Senior Forestry Specialist, peer reviewer | GENDR | 180145 |

Non-Bank Staff

Locations

| Country | First Administrative Division | Location | Planned | Actual | Comments |
|---------|-------------------------------|---|---------|--------|----------|
| Brazil | Distrito Federal | Brasília | X | | |
| | Maranhão | Alto Parnaíba, Balsas, Riachão, São João do Soter, Parque Nacional Chapada das Mesas | X | | |
| | Tocantins | Natividade, Pium | X | | |
| | Bahia | Reserva de Vida Silvestre do Oeste Bahiano | X | | |
| | Minas Gerais | Parque Nacional Serra da Canasta | X | | |

BRAZIL

ProCerrado Federal Project

I. STRATEGIC CONTEXT

Country Context

The Brazilian Cerrado Biome

1. The Brazilian Cerrado is the second largest biome in Brazil and South America (2.04 million km² 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 2010¹ 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 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.

Brazil's National Climate Change Policy

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 km²), and a 40 percent reduction in the Cerrado from the 1999–2008 average (15,700 km²). The PNMC also seeks to promote adaptation measures aimed at reducing the adverse

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

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 g; (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*)², whose components establish all of the plan's actions.

Policy Framework

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*, RLs³); 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*, CAR⁴). 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 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.

² 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.

³ 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.

⁴ 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.

Sectoral and Institutional Context

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*, FNMC⁵) and the National Forest Development Fund (*Fundo Nacional de Desenvolvimento Florestal*, FNDF).

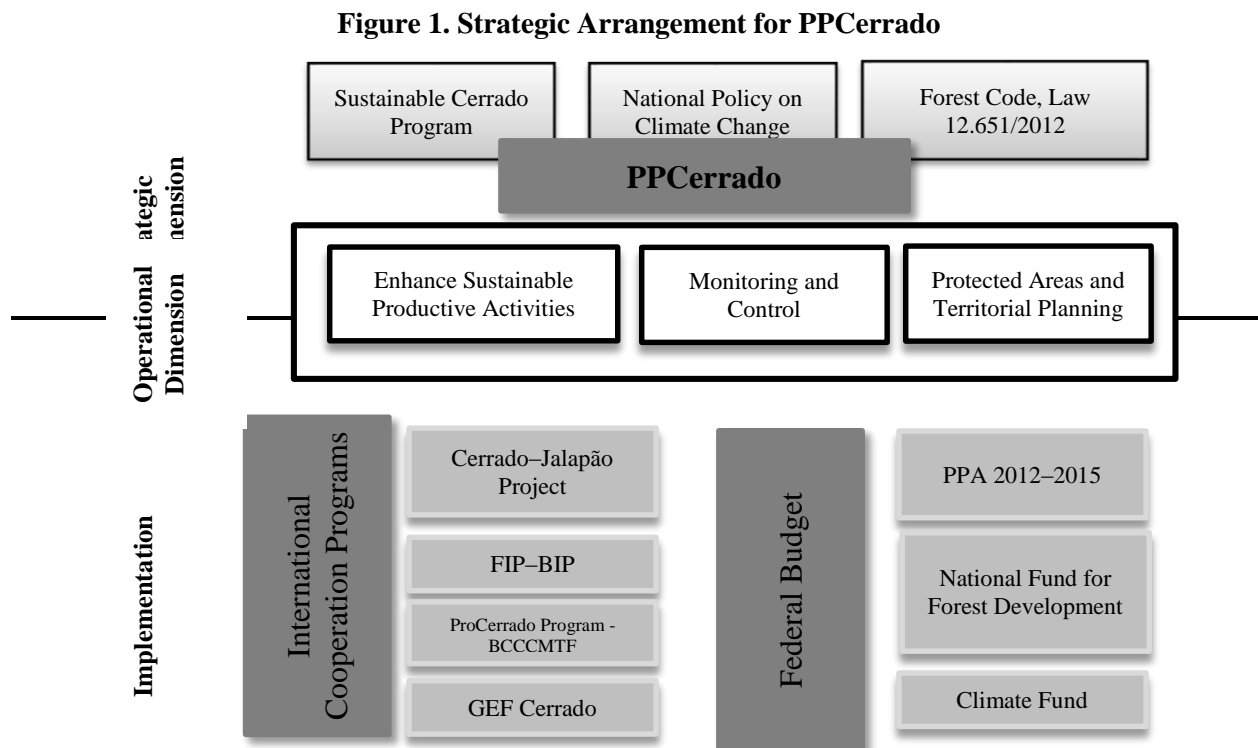
13. Furthermore, the Chico Mendes Institute for Biodiversity Conservation (*Instituto Chico Mendes de Conservação da Biodiversidade*, ICMBio⁶), linked to MMA, is responsible for implementing the National System of Protected Areas (PAs), and may propose, implement, manage, protect, supervise and monitor 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, World Bank's 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.

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

⁶ 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.

15. Figure 1 shows the strategic arrangement adopted by MMA to implement the PPCerrado-2014-2015.



*Other international institutions may donate resources to the funds mentioned above.

16. 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.

Higher-Level Objectives to which the Project Contributes

17. 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.

18. 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

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

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.

19. 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).

20. 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. PROJECT DEVELOPMENT OBJECTIVES (PDO)

PDO

21. 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.

Project Beneficiaries

22. Project Beneficiaries are (i) small landholders in the targeted municipalities, who will be registered in the CAR; (ii) all other landholders who may benefit from CAR's help desks and communication campaigns; (iii) ICMBio, whose capacity to fight and prevent forest fires in three PAs will be strengthened; and (iv) MMA itself, whose coordination and monitoring system for the PPCerrado will be improved.

PDO-Level Results Indicators

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

- Reforms in forest policy, legislation or other regulations supported (*yes/no*) (*forest core indicator*⁸). This indicator will measure: (i) whether the Project has supported the implementation of the Action Plan for Prevention and Control of Deforestation and

⁸ 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

Forest Fires in the Cerrado (PPCerrado Phase 2⁹). The target value is that the PPCerrado Phase 2 is formalized by means of documented official endorsement by 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*¹⁰). 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*).

24. 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

Project Components

25. In order to achieve its PDO, the Project will have the following components:

26. **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'

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

¹⁰ 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.

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.

27. Possible activities to be undertaken under this component are (i) workshops, training, seminars, meetings with relevant stakeholders at the three levels of the government to disseminate the PPCerrado; (ii) technical and scientific seminars and workshops to discuss and refine tools for the production of data on deforestation and forest fires in the Cerrado; (iii) seminars to share experiences among States and Municipalities on best practices for promoting environmental compliance by landholders; (iv) development and implementation of a PPCerrado monitoring and evaluation process; (v) studies to support strategic decision making; (vi) studies on forest fire management, prevention and control; (vii) seminars and workshops to discuss forest-fire prevention and control with key stakeholders; and (viii) a communication strategy and promotional materials.

28. This Component would finance workshops, seminars, roundtables, training courses, equipment (including software licenses, hardware and servers), studies, travel expenses, expenses for communication materials, and consultants.

29. **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.

30. Possible activities to be undertaken under this component are (i) communication campaigns to promote the CAR and to mobilize key stakeholders in targeted municipalities; (ii) the establishment of a CAR help desk in selected municipalities; (iii) geo-referencing of small landholdings in targeted municipalities; and (v) prepare Degraded and Changed Land Recovery Projects (*Projetos de Recuperação de Áreas Degradadas e Alteradas, PRADAs*) for small landholdings not in compliance with the Forest Code.

31. The Component'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 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 Plan¹¹. The selected Municipalities 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.

32. The component would finance consultants, communication materials (such as brochures,

¹¹ 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>

booklets, posters and banners, radio spots, videos, airtime for advertisers), events, follow-up visits, travel, computers and equipment, operational infrastructure (such as tents, stands and furniture), small civil works to implement service desks, wireless service, training event services, geoprocessing services, and travel expenses.

33. **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's 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.

34. This component will support ICMBio actions to prevent and control forest fires in three selected federal PAs. It will contribute to the management of these three federal PAs to prevent and control forest fires. Possible activities to be performed under this component are (i) equipping volunteer brigades, and providing training to the volunteer brigades on integrated forest fire management in the three PAs; (ii) a consultancy to draft protection plans for the three federal PAs; (iii) training on environmental management and environmental education in the three federal PAs' communities and neighboring areas; and (iv) the acquisition of equipment to strengthen actions aimed at forest-fire prevention and control in the three federal PAs.

35. The three federal PAs were selected among those PAs most affected by forest fires in Brazil and in the Cerrado Biome: (i) 41.92 percent (82,930 ha) of the area of Serra da Canasta National Park was affected by fires in 2010, 14.36 percent (28,404 ha) in 2011, and 44.67 percent (86,144 ha) in 2012; (ii) 30.6 percent (48,944 ha) of the area of Chapada das Mesas National Park was affected by fires in 2010, 16.01 percent (25,594 ha) in 2011 and 10.6 percent (16,956 ha) in 2012; and (iii) 48.96 percent (62,697 ha) of the area of the Veredas do Oeste Baiano Wildlife Refuge was affected by fires in 2011. Management plans are under implementation in the three selected PAs, and the proposed activities are fully in line with these plans.

36. This Component would finance workshops and training courses, firefighting equipment, communication, studies, and communication materials. The Component also includes studies and field analyses, geoprocessing services, technical assistance, consultants, acquisition of computers and equipment, operational infrastructure, vehicles, works, and travel expenses.

37. **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.

38. This Component would finance studies, training, travel, technical assistance, administrative services, limited acquisition of software and computers, and operating costs.

Project Financing

39. The Project will be a US\$4.3 million grant from the Brazil Cerrado Climate Change Mitigation Trust Fund (BCCCMTF). The Recipient will be a nongovernmental institution that will sign a Grant Agreement with the World Bank.

Project Cost and Financing

| Project Components | Project Cost | Grant Financing | % Financing |
|---|------------------|------------------|-------------|
| 1. Support to the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado | 165,000 | 165,000 | 100 |
| 2. Rural Environmental Cadastre | 1,420,000 | 1,420,000 | 100 |
| 3. Forest-Fire Prevention and Control in Protected Areas | 1,893,000 | 1,893,000 | 100 |
| 4: Project Management and Administration | | 822 | 100 |
| (a) Funatura | 430,000 | | |
| (b) MMA | 306,000 | | |
| (c) Audits | 86,000 | | |
| Total Financing Required | 4,300,000 | 4,300,000 | 100 |

40. Retroactive financing for Eligible Expenditures under Category (3) up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made during the 12 months immediately prior to the date of the countersignature of the Grant Agreement.

IV. IMPLEMENTATION

Institutional and Implementation Arrangements

41. 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.

42. 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.

43. 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.

44. 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.

45. 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.

Results Monitoring and Evaluation

46. MMA will lead the monitoring and evaluation (M&E) system. M&E will be conducted in accordance with (i) the BCCCMTF M&E plan, and (ii) established BCCCMTF rules and procedures.

47. MMA will have primary responsibility for tracking technical progress related to Project outputs and outcomes. Project progress reports will be prepared by Funatura in coordination with MMA. Funatura will submit Project progress report to the Bank twice a year. M&E indicators and arrangements are further detailed in Annex 1.

Sustainability

48. Overall, the Project will help MMA, ICMBio and landholders to comply with the Forest Code mandate of (i) conducting a cadastre of landholdings to be enrolled in the SICAR, and (ii) preventing and controlling forest fires.

49. The Project's institutional sustainability will be guaranteed through the strengthening of the regulatory and policy framework in order to improve the management of the Cerrado Biome. All products will benefit MMA and ICMBio with regard to its strategic planning and long-term decision making.

V. KEY RISKS AND MITIGATION MEASURES

Risk Ratings Summary Table

| Stakeholder Risk | Risk Rating | Mitigation Measures |
|--|-------------|---|
| Implementing Agency Risk | | |
| - Capacity | Substantial | Training and technical assistance have been provided so that Funatura and MMA can efficiently and effectively manage Project resources. Technical experts will be hired to provide assistance in preparing ToRs. |
| - Governance Coordination of all entities involved in the Project, including MMA, ICMBio and Funatura | Moderate | Technical supervision of the Project will be the overall responsibility of MMA. 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 help achieve the Project's overall goals. |
| Project Risk | | |
| - Design | Moderate | The Project's technical implementation is complex since it includes actions at the Federal, State, Municipal, and Protected Areas levels. Therefore, MMA, ICMBio and Funatura will have overall responsibility for the Project's technical implementation. |

| | | |
|--|-----------------|--|
| - Social and Environmental | Low | MMA prepared an environmental impact framework that evaluates and proposes mitigation measures for potential environmental impacts generated by the Project. MMA has engaged in extensive consultation with Project stakeholders on the outcome of the environmental assessment. |
| - Program and Donor | Low | |
| - Delivery Monitoring and Sustainability | Low | There may be an initial difficulty in generating baselines and establishing monitoring routines. The Project will be supervised regularly and support will be provided for integration with other MMA actions on CAR issues and on forest-fire prevention and control. |
| Overall Implementation Risk | Moderate | |

Overall Risk Rating Explanation

50. The following are the principal risks inherent in the Project design: (i) the Project’s feasibility and success are highly dependent on the participation and commitment of key partners such as ICMBio, State agencies and landholders; and (ii) the Project’s feasibility and success are highly dependent on the participation and commitment of key stakeholders such as the landholders.

VI. APPRAISAL SUMMARY

51. The activities under the Project would contribute positively to the coordination and compatibility among different initiatives, programs and projects aimed at addressing deforestation and forest fires in the Cerrado Biome, as well as their connection with climate issues.

Financial Management (FM)

52. The Bank undertook an assessment of the financial management (FM) arrangements for the Project. As a result of this assessment, the Bank concluded that the arrangements meet its minimum requirements under OP/BP10.00, and are adequate to provide, with reasonable assurance, accurate and timely information on the status of the Project as required by the World Bank. The Financial Management Specialist assessed the implementing agency and found its financial management systems to be Moderate Satisfactory and the associated risk to be Moderate.

53. The objectives of the FM system may be achieved for the Project in order to: (i) ensure that funds are used only for their intended purposes in an efficient and economical manner while agreed activities are implemented; (ii) enable the preparation of accurate and timely financial reports; (iii) ensure that funds are properly managed and flow smoothly, adequately, regularly and predictably to implementing agencies; (iv) enable the Funatura to monitor the Project’s efficient implementation; and (v) safeguard the Project’s assets and resources. The key risks that Funatura may face in achieving these objectives arise from the need to ensure effective supervision and coordination of arrangements for the accountability of Project finances, to comply with established internal control procedures and financial report requirements. To mitigate these risks, Funatura will set up an implementation structure in order to review estimates for budgeting, prepare a disbursement plan, prepare a schedule for the Project’s life cycle, and establish milestones and deliverables for cost allocations to enable an effective procedure for monitoring and evaluation. Annex 3 describes in detail the fiduciary arrangements for this Project.

Procurement

54. An assessment of Funatura's capacity to implement procurement actions was conducted on December 11, 2014, and consolidated its acceptable performance. No additional assessment is needed under this Grant, because all procurement will be carried out exclusively by Funatura, the risk is rated as Moderate.

55. Procurement for the Project will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers," dated January 2011 (Procurement Guidelines); "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers," dated January 2011 (Consultant Guidelines); and the provisions stipulated in the Legal Agreement. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior-review requirements, and time frame are agreed by the Grant Recipient and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the Project's actual implementation needs and improvements in institutional capacity. Annex 3 describes in detail the procurement management for this Project.

Other Safeguard Policies Triggered

56. This conservation Project is rated as Category B. The Project's environmental benefits would be (i) reduced illegal deforestation, relative to a scenario without intervention, and thus reduced carbon emissions from land-use change; (ii) reduced carbon emissions from pasture burning and forest fires; and (iii) enhanced biodiversity conservation through reduced loss of native vegetation cover in the selected PAs. Notwithstanding these positive impacts, the Project will be working in various sensitive biodiversity and dry-forest areas.

57. The Project can potentially contribute to reducing the impact of "slash and burn" practices to acceptable levels and bring about changes of attitude with regard to forest fires without causing adverse socioeconomic impacts. It must be emphasized that the Brazilian Forest Code (Law 12.651 of 2012, art. 38 §2) does allow "slash and burn" practices by traditional and indigenous populations. The Project will not interfere with indigenous peoples and lands. However, indigenous peoples and traditional communities whose livelihoods rely mostly on forests and natural resources will co-benefit from project interventions that may reduce pressures on and threats to their traditional territories caused by deforestation and uncontrolled forest fires.

58. As a preventive measure, the Project's approach includes a wide-ranging outreach communication strategy to mobilize and inform all landholders, landholder associations and local governments in the targeted areas. MMA prepared an Environmental and Social Management Framework (ESMF), approved by the Bank on September 15, 2014, to serve as a guide to address issues arising during Project implementation.

59. During implementation, the Bank team will supervise the Project's activities to ensure that implementation activities are consistent with Category B.

World Bank Grievance Redress

60. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.”

Annex 1: Results Framework and Monitoring

BRAZIL: PROJECT NAME

Project Development Objective (PDO): 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* | Core | Unit of Measure | Baseline | Cumulative Target Values** | | | Frequency | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition, etc.) |
|--|-------------------------------------|-----------------|----------|----------------------------|---------|--------------------------|-----------|--------------------------|------------------------------------|---|
| | | | | YR 1 | YR 2 | YR 3 | | | | |
| <i>Reforms in forest policy, legislation or other regulations supported</i> | <input checked="" type="checkbox"/> | Yes/No | No | -- | Yes | Yes | Biannual | Progress reports | MMA | This indicator will measure 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 must be formalized by means of documented official endorsement. |
| <i>Reforms in forest policy, legislation or other regulations supported</i> | <input checked="" type="checkbox"/> | Yes/No | No | -- | -- | National Policy approved | Biannual | Progress reports | MMA | This indicator will measure whether the Project has supported the design of the National Policy on Forest fire Management, Prevention and Control, including the Cerrado Biome. This national policy must be formalized by means of documented official endorsement. |
| <i>Land area where sustainable land management has been adopted because of the Project</i> | <input checked="" type="checkbox"/> | Hectares | 0 | -- | 301,000 | 533,200 | Biannual | Progress reports | MMA | In the context of this Project, sustainable land management means landholding areas enrolled in the SICAR as a result of the Project. This indicator can track progress toward CAR registration in landholdings. The Legal Reserves (RLs) and Areas of Permanent Preservation (APPs) will be measured as disaggregated data from the landholding areas inputted in the CAR system. The baseline value for this indicator is zero. |
| <i>Protected Areas brought under integrated forest-fire management plans</i> | | Number | 0 | -- | 1 | 3 | Biannual | Progress reports | ICMBio | |

INTERMEDIATE RESULTS

Intermediate Result (Component One): Support to the Action Plan for Prevention and Control of Deforestation and Forest Fires in the Cerrado (PPCerrado)

| | | | | | | | | | | |
|--|--------------------------|------------|----|----|-------|-------|----------|-----------------------|--------|---|
| <i>Actions of PPCerrado Phase 2 under implementation</i> | <input type="checkbox"/> | Percentage | 0 | -- | 10 | 30 | Biannual | Progress reports | MMA | This indicator will measure cumulative percentage of action of the PPCerrado under implementation. |
| <i>PPCerrado monitored and evaluated periodically</i> | <input type="checkbox"/> | Reports | 0 | -- | 1 | 2 | Biannual | PPCerrado M&E reports | MMA | |
| <i>National Policy on Forest-Fire Management, Prevention and Control, including the Cerrado Biome, under preparation</i> | | Yes/No | No | -- | Yes | Yes | Annual | Progress reports | MMA | This indicator measures whether the Project has supported national policy preparation. It includes studies, drafts, consultation |
| Intermediate Result (Component Two): Rural Environmental Cadastre | | | | | | | | | | |
| <i>Small landholding applications to enroll in CAR</i> | <input type="checkbox"/> | Number | 0 | 0 | 2,600 | 3,700 | Biannual | Progress reports | MMA | This indicator measures the cumulative total number of small landholding entered in the SICAR. It will assess the efficiency of each service offered (service desks, events, collective mobilization, one-stop shopping, etc.). |
| <i>Medium and larger landholding applications to enroll in CAR system</i> | <input type="checkbox"/> | Number | 0 | 0 | 140 | 280 | Biannual | Progress reports | MMA | This indicator measures the cumulative total number of individual applications focused on medium and large landholders. |
| Intermediate Result (Component Three): Preventing and Controlling Forest Fires in Protected Areas | | | | | | | | | | |
| <i>People trained to combat forest fires in the selected PAs</i> | | Number | 0 | 0 | 145 | 580 | Biannual | Progress reports | ICMBio | This indicator measures the cumulative total number of people (males and females) trained to fight forest fires under the Project. |
| <i>PAs provided with capacity-building support to improve integrated forest fire management</i> | | Number | 0 | -- | 2 | 3 | Biannual | Progress reports | ICMBio | |
| <i>PAs' forest-fire management plans prepared</i> | | Number | 0 | -- | 2 | 3 | Biannual | Progress Reports | ICMBio | |

Annex 2: Detailed Project Description

BRAZIL: ProCerrado Federal Project

A. The Brazilian Cerrado Biome

1. The Brazilian Cerrado is the second largest biome in Brazil and South America (2.04 million km² or 24 percent of the country's total land area). In this context, 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. In this regard, the largest share of Brazilian carbon dioxide (CO₂) emissions comes from land-use change, forestry and agriculture, especially the conversion of native forests to cropland and pasture. For the year 2010, deforestation in 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. In addition, deforestation in the Cerrado was responsible for 30 percent of Brazil's greenhouse gas (GHG) emissions in 2009.
5. Besides the conversion of natural vegetation for livestock and agriculture, the excessive use of fire in traditional pasture management and the cutting of wood for charcoal production have resulted in large biomass losses as well as carbon emissions.
6. In 2010 alone, the 74,120 hotspots detected in the biome, 70 percent of which were located in areas with remnant native vegetation, indicated the enormous damage to the Cerrado's conservation.
7. The very high potential for reduction of GHG emissions offered by the Cerrado's forest land-use change and forestry could constitute a significant opportunity for emissions mitigation.

Brazil's National Climate Change Policy and the Forest Code

8. Through the National Climate Change Policy (PNMC), Brazil has committed to reduce the rate of deforestation in the Cerrado by 40 percent, compared to average deforestation rates from 1999 to 2008.
9. As a sectoral 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 (PPCerrado 2014-2015). The 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 to implement the National Program for the Conservation

and Sustainable Use of the Cerrado Biome¹², whose components establish all of the plan's actions.

Rural Environmental Cadastre (CAR)

10. Since 1965, Brazilian law requires that (i) all private rural landholdings maintain a percentage of native vegetation as Legal Reserves (*Reservas Legais*, RLs¹³); 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 intact by landholders. Nevertheless, in the past the process to register APPs and RLs was complex and in many instances expensive for landholders, and the Government lacked the necessary tools to monitor the compliance of rural landholdings. Thus, the CAR was introduced by the Law for the Protection of Native Vegetation (Forest Code, Law 12.651/2012) as a tool to input environmental information on rural properties and holdings in a database to control and monitor environmental and economic planning and to fight deforestation. The law requires all landholdings in Brazil to be registered in the CAR, and restricts the granting of agricultural credit by financial institutions to rural landowners registered in the CAR.

11. In fact, Law 12.651 of 2012 and Decree 7.930 of 2012 highlight that the rural environmental cadastre and restoration of degraded areas in small landholdings/family agriculture should be supported by the Government. Decree 7.930 of 2012 and Decree 8.235 of 2014 also gave further weight to the importance of the Environmental Regularization Programs (*Programas de Regularização Ambiental*, PRAs) and the Degraded Area Restoration Project.

12. Moreover, Federal Decrees 7.830 of 2012 and 8.235 of 2014 require the Federal and State governments to implement PRAs. PRAs can only be used to regularize APPs, RLs and restricted-use areas, whether this is done through restoration, regeneration or offsetting measures, the latter applicable to RLs only. Under the new Forest Code, landholders with environmental liabilities may only apply for PRAs after enrollment in the CAR registry.

Forest-fire Prevention and Control

13. Fires play a key role in the ecological functioning of the Cerrado Biome. The Brazilian Cerrado developed as a response to a history of frequent fires, nutrient-poor soils, a deep water table and a climate with marked wet and dry seasons. Eiten estimated that in late 1960s, an average would be burned by indigenous peoples of the Cerrado in Mato Grosso every three to five years (Eiten 1972 and 1975). Plant adaptations to these environmental variables include the presence of below-ground meristematic and storage organisms (Rachid-Edwards 1956; Rawitscher 1948; Rizzini & Heringer 1961, 1962).

14. Although fire is considered one of the determinants of Cerrado 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.

¹² 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.

¹³ The percentage to be considered as Legal Reserves varies from 80 percent in the Amazon, to 35 percent in the Cerrado encompassed by the Legal Amazon, and to 20 percent in the rest of Brazil.

15. For instance, fire from prescribed burning that is used to induce pasture regrowth during the dry season often escapes and spreads to larger areas. The increased frequency of fire contributes to degradation processes and reduces the biome's resilience to natural disturbances caused by extreme drought and fire itself. Ecosystem experiments and modeling show that changes in land cover, due to the excessive use of fire, are altering hydrology and affecting carbon stocks and fluxes. They also show that the biennial fire regime is changing the physiognomies of the Cerrado *sensu stricto* and of *campo sujo* ecosystems to an even more open form, with grasses as the major component of the herbaceous layer, thus favoring the occurrence of more intense and frequent fires.

16. In addition, the influence of fire on vegetation composition and structure is a function of fuel consumption and fire intensity, both of which are influenced by weather conditions at the time of burning, topography and fuel moisture content (Chandler et al. 1983; Pyne 1984).

17. With specific regard to forest-fire prevention and control, Law No. 12.651/2012 requires all landholders to request and obtain authorization from State environmental agencies to use fire as a land-management tool for agro-pastoral and forestry activities. It also States that all environmental institutions (at Federal, State and Municipal levels) that are part of 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.

B. Sectoral and Institutional Context

18. MMA is responsible for the formulation of policies and strategies to implement programs and projects aimed at preventing illegal deforestation and forest fires. This includes the implementation, monitoring and evaluation of the PPCerrado and the development of the National Policy on Forest-Fire Management, Prevention and Control.

19. MMA has both national and external funding to support the implementation of PPCerrado and meet the PNMC target of reducing emissions from deforestation, and as provided by Law 12.651/2012. The national resources are allocated in the Federal Government's 2012–2015 Multi-Year Plan (PPA 2012–2015) and through two federal environment funds: the FNMC¹⁴ and the FNDF.

20. In addition, several international cooperation programs and projects are also administered under the PNMC and PPCerrado:

- **Brazil Cerrado Climate Change Mitigation Trust Fund (BCCMTF – ProCerrado Program)** is a single-donor trust fund with Bank- and recipient-executed components from the Department for Environment, Food and Rural Affairs of the United Kingdom (DEFRA) to support the implementation of the Cerrado Program.

Launched in 2012, this trust fund 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)

¹⁴ Information on the FNMC is available at: <http://www.mma.gov.br/apoio-a-projetos/fundo-nacional-sobre-mudanca-do-clima>.

promotion of controlled burning, prevention of forest fires, replacement of burning with more sustainable agricultural practices, and strengthened firefighting capacity.

In addition to the present Project, the following projects are part of the Cerrado Program:

- **Rural Environmental Cadastre and Fire Prevention in Bahia Project, implemented by the Bahia State Secretariat of Environment (SEMA-BA).** The project's main activities are to: (i) assist rural landholders to bring their lands into compliance with the Forest Code by implementing the CAR (in the State of Bahia, the system is called CEFIR [*Catastro Estadual Florestal de Imóveis Rurais*/State Forestry Cadastre of Rural Properties], developed by the State as a broader system than the CAR and covering other environmental aspects); (ii) promote sustainable productive activities; and (iii) strengthen municipal governments' capacity to prevent and control forest fires. This Project is under implementation.
 - **Rural Environmental Cadastre and Fire Prevention in Piauí Project, implemented by the Secretariat of Environment and Water Resources in Piauí.** The project's main activities are to (i) assist rural landholders to bring their lands into compliance with the Forest Code by implementing the CAR; (ii) promote sustainable productive activities; and (iii) strengthen municipal governments' capacities to prevent and control forest fires. This Project is under implementation.
 - **Platform of Monitoring and Warning of Forest Fires in the Brazilian Cerrado Project, coordinated by National Institute of Spatial Research (*Instituto Nacional de Pesquisas Espaciais, INPE*).** The project's objective is to develop a system to monitor and analyze forest fires and produce fire alerts in priority States of the Cerrado Biome as a pilot system. The Project includes a reconfiguration of the structure of INPE's Burning System, both internally in INPE as well as in users' Internet access, by adapting the system to the state of the art in remote sensing, geoprocessing, information technology, and decision intelligence. Project preparation is ongoing. This project will complement the implementation of an Early-Warning System Preventing Forest Fires and a System for Monitoring the Vegetation Cover Project, under the Brazil Investment Plan (BIP), funded by the Forest Investment Program (FIP). .
- **Sustainable Cerrado Initiative.** Supported by the Global Environmental Facility (GEF), this initiative aims to enhance biodiversity conservation and improve environmental and natural resource management in the Brazilian Cerrado through appropriate policies and practices. This Initiative will be concluded on June 30, 2015.
 - **Brazil Investment Plan (BIP).** The Forest Investment Program (FIP¹⁵) – one of three programs that comprise the Strategic Climate Fund (SCF), which in turn is part of the Climate Investment Funds (CIF) – is backed by donations from 14 countries and managed by Multilateral Development Banks (MDBs). In Brazil, it exclusively supports initiatives in the Cerrado, with funds administered by the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Inter-

¹⁵ More information is available at: <https://www.climateinvestmentfunds.org/cifnet/?q=country/brazil>.

American Development Bank (IDB). The Executive Secretary of MMA chairs the Interministerial Executive Committee that is responsible for implementing the BIP.

- **Cerrado–Jalapão Project.** Through the German Development Bank (KfW) and German Cooperation Agency (GIZ), Germany’s financial and technical cooperation seeks to improve forest fire management and new monitoring systems for bushfires and deforestation help to maintain the Cerrado as a global carbon reservoir, reduce greenhouse gas emissions and preserve biodiversity.

21. Furthermore, under Law 11.516 of August 28, 2007, ICMBio 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 also promotes and implements research, protection, preservation and biodiversity conservation programs, and has environmental policing powers to protect federal Protected Areas (PAs). Under Law 11.516/2007, ICMBio became responsible for monitoring, preventing and fighting forest fires in federal PAs.

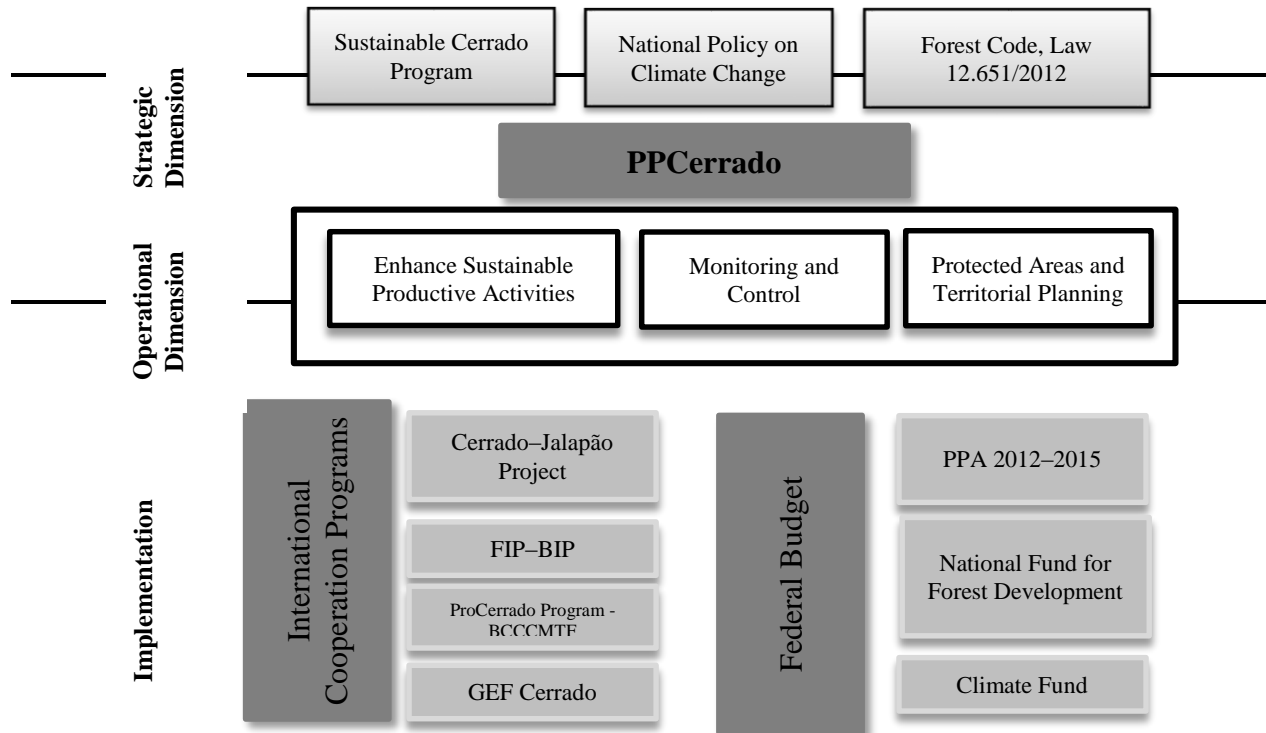
22. The Cerrado has 41 PAs: 9 federal PAs, 1 area of Relevant Ecological Interest, 5 Ecological Stations, 6 National Forests, 13 Ecological Parks, 1 Biological Reserve, 5 Extractive Reserves and 1 Wildlife Refuge. These PAs cover an area of approximately 5 million ha, all of which is subject to forest fires every year.

23. In 2010, forest fires affected a total PA area of 1,694,593 ha, followed by 630,375 ha in 2011 and 1,126,682 ha in 2012. ICMBio began hiring fire brigades to fight fires in the federal PAs. The program to fight forest fires in federal PAs first hired 606 people to work in 45 federal PAs. In 2012, 1,743 firefighters were hired to work in 100 PAs.

24. In this context, the World Bank has been supporting MMA’s efforts to coordinate different programs and institutional actions to avoid duplication, maximize synergies and guide the allocation of resources. These efforts effectively contribute toward achieving the objectives set out in the PNMC and PPCerrado. The programs and projects operate in partnership with other ministries, State agencies, governmental and NGOs, as well as international organizations.

25. Figure 1 shows the strategic arrangement adopted by MMA to implement the PPCerrado (2014-2015). Each of the programs and projects contributes to a coordinated effort and funds’ investments and activities designed to support actions of the various executors and their working relationships with participating governmental and nongovernmental entities.

Figure 1. Strategic Arrangement for PPCerrado



26. It is vital to ensure continuity of the significant progress made by MMA in mobilizing capacity, as well as in developing partnerships to work with various sectors of the Federal, State and Municipal governments, the private sector, civil society and traditional communities, to reduce deforestation and forest degradation, and to improve land use.

27. Thus, the Project 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.

C. Project Development Objective (PDO)

28. The PDO 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.

D. Project Beneficiaries

29. Project Beneficiaries are (i) small landholders in the targeted municipalities, who will be registered in the CAR; (ii) all other landholders who may benefit from CAR help desks and communication campaigns; (iii) ICMBio, whose capacity to fight and prevent forest fires in three PAs will be strengthened; and (iv) MMA itself, whose coordination and monitoring system for the PPCerrado will be improved.

E. Project Area

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

31. 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 Plan¹⁶. 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.

32. 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).

33. Serra da Canasta National Park houses several Cerrado Biome physiognomies, predominantly grassland, *campo sujo* and rocky fields. One of this region's most striking features is its dense drainage network with numerous tributaries and hundreds of springs that feed one of the country's most important watersheds: the São Francisco River Basin, which is critical for water supply in the country's drought-prone Northeast region.

34. Chapada das Mesas National Park (PNCM) was created mainly because it is an area of pristine Cerrado that is threatened by the recent expansion of agriculture and steel industries in the State of Maranhão. In addition, the PA protects over 400 sources of important waterways and is located in a region with recognized tourism potential. Aside from the numerous tabular sandstone plateaus (some with inscriptions), PNCM is famous for its numerous crystal-clear waterfalls and pleasant water temperature. The characteristic vegetation of PNCM is typical of the Cerrado Biome, where several types of plant cover can be found, such as *Cerrado stricto sensu*; *campo sujo*, grasslands, areas of dense woodland, and *vereda* springs with *buriti* trees.

35. Besides its importance in assuring conditions for the existence and reproduction of native

¹⁶ 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>

species, the Veredas do Oeste Baiano Wildlife Refuge stands out for its protection of the headwaters of the Pratudinho and Pratudão Rivers, which are essential for water supply in communities and rural holdings of western Bahia.

36. Management plans are under implementation in the three selected PAs, and the Project's proposed activities are fully in line with these plans.

F. Project Components

37. The Project will support MMA in the national coordination of policies to reduce deforestation and forest fires in the Cerrado, to implement the CAR in targeted municipalities within the Cerrado Biome, and to strengthen the fire prevention and control capacity in three PAs. With the environmental regularization of landholdings and the strengthening of the management capacity and operations of MMA and ICMBio, the Project will contribute to lower GHG emissions by reducing forest fires and deforestation. In order to achieve these goals, the Project will have the following components:

38. **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.

39. Possible activities to be undertaken under this component are: (i) workshops, training, seminars, meetings with relevant stakeholders at the three levels of government to disseminate the PPCerrado; (ii) technical and scientific seminars and workshops to discuss and refine tools for the production of data on deforestation and forest fire in the Cerrado; (iii) seminars to exchange experiences among States and municipalities on best practices to promote landholders' environmental compliance; (iv) development and implementation of a PPCerrado monitoring and evaluation process; (v) studies to support strategic decision making on changes in the PPCerrado; (vi) studies on forest-fire management, prevention and control; (ii) seminars and workshops to discuss forest-fire prevention and control with key stakeholders;; and (v) communication strategy and materials.

40. This Component would finance workshops, seminars, roundtables, training courses, equipment (including software licenses, hardware and servers), studies, travel expenses, expenses for communication materials, and consultants.

41. **Component 2: Rural Environmental Cadastre** (*Estimated Cost: US\$1.4 million*). The aim of this Component is to help small landholders in the States of Tocantins and Maranhão to comply with the Forest Code (Law 12.651 of 2012) through CAR registration.

42. Possible activities to be undertaken under this Component are: (i) communication campaigns to promote the CAR and to mobilize the focus group and the institutions that represent the focus group in selected municipalities; (ii) the establishment of a CAR help desk in targeted municipalities; (iii) geoprocessing activities to register the CAR for small landholdings in targeted municipalities; and (iv) prepare Degraded and Changed Land Recovery Projects (*Projetos de Recuperação de Áreas Degradadas e Alteradas*, PRADAs) for small landholdings not in compliance

with the Forest Code.

43. The Component would finance consultants, communication materials (such as brochures, booklets, posters and banners, radio spots, videos, airtime for advertisers), events, follow-up visits, travel, computers and equipment, operational infrastructure (such tents, stands and furniture), small civil works to implement service desks, wireless service, training event services, geoprocessing services, and travel.

44. **Component 3: Preventing and Fighting Forest Fires in Protected Areas** (*Estimated Cost: US\$1.9 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. This component will have two subcomponents:

45. This component supports actions to prevent and control forest fires in federal PAs. It will contribute to the managing of the three federal PAs to prevent and control forest fires. Possible activities to be performed under this component are (i) equip volunteer brigades and provide training to them on integrated forest fire management in the three federal PAs; (ii) a consultancy to draft Protection Plans for the three federal PAs; (iii) training and environmental management in the three federal PAs' communities and neighboring areas; and (iv) the acquisition of equipment to strengthen actions aimed at preventing and controlling forest fires in the three federal PAs.

46. This Component would finance workshops and training courses, firefighting equipment, communications, studies, and communication materials. It also includes studies and field analyses, georeferencing services, technical assistance, consultants, acquisition of computers and equipment, operational infrastructure, vehicles, works, and travel expenses.

47. **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 FM, procurement, accounting and audits in accordance with World Bank guidelines

48. This Component would finance, *inter alia*, studies, technical assistance, administrative services, limited acquisition of software and computers, training, audits and operating costs.

Annex 3: Implementation Arrangements
BRAZIL: ProCerrado Federal Project

Project Institutional and Implementation Arrangements

1. The Project will be carried out by the Recipient, the *Fundação Pró-Natureza* (Funatura), in close agreement with the primary partners, MMA and ICMBio. The parties will work jointly and in a coordinated manner to implement the necessary actions and control mechanisms. MMA will be responsible for supervising and monitoring the progress of work and the achievement of results. Each of the institutions involved (MMA, ICMBio and Funatura) will appoint a focal point who will be responsible for monitoring Project implementation.
2. 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 to achieve the Project's overall goals.
3. The TCA therein setting forth the roles and responsibilities of each party in the implementation of the Project, including, inter alia, the following: (i) the parties' obligation to implement all joint actions and control mechanisms required for the carrying out of the Project in a coordinated manner, including appointing one staff each to be responsible for monitoring Project implementation on each party's behalf; (ii) the Funatura's obligation to (A) implement, monitor and evaluate the Project under the technical supervision of MMA, (B) carry out the overall financial and administration management of the Project, (C) hire consultants for project-related activities and make them available to MMA and ICMBio, and (D) prepare Annual Operational Plans, Procurement Plans, Progress Reports and Completion Report, in coordination with MMA; (iii) the responsibility of MMA for (A) leading the monitoring and evaluation system under the Project, in accordance with BCCCMTF rules and procedures, (B) tracking Project's technical progress, including the achievement of results, and coordinating with Funatura and ICMBio the preparation of respective progress reports; (iv) the respective responsibilities of Funatura, MMA and ICMBio to hold regular meetings for operational planning, monitoring and adjustment of actions needed for the carrying out of the Project; and (v) the responsibility of MMA and ICMBio to prepare, and furnish to Funatura in a timely manner, with the support of Funatura, the terms of reference for hiring the services of third parties (consultants), as well as set the technical specifications of goods needed by the Project.
4. 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.
5. For purposes of the Project, Funatura would hire consultants with various technical skills necessary for the development of project-related activities, and will make them available to MMA

and ICMBio under a tripartite technical cooperation agreement, to be reviewed by the Bank and found satisfactory. No funds will be transferred by Funatura to partner institutions under such an agreement.

6. Funatura will hire a consultant as Project manager to oversee and monitor project implementation, and will hire other consultants to provide technical assistance to the implementation of project related activities in selected municipalities and Protected Areas. Project management will be located at Funatura's headquarters in Brasília.

7. Funatura's team will comprise four staff members dedicated to the Project: the Project Supervisor, Chief Financial Officer, a Procurement Specialist, and an Administrative Assistant.

8. Funatura, MMA and ICMBio will hold regular meetings for operational planning, monitoring and adjustment of actions.

9. MMA and ICMBio, with the collaboration of Funatura, will prepare the Terms of Reference (TORs) for hiring the services, as well as the technical specifications of goods needed by the Project. Funatura will undertake the procurement of all goods, non-consultant services and consultant services.

10. Funatura will implement the Project in accordance with relevant policies, procedures and approaches for implementation, and will monitor and evaluate the Project (including its indicators) under the technical supervision of MMA.

Financial Management, Disbursements and Procurement

Financial Management (FM)

11. The Bank conducted a desk-review Financial Management Assessment at Funatura's office, in accordance with OP/BP 10 (updated July 1, 2014) and BP14.40 (Trust Fund, revised July 2013). The scope of the assessment included (i) an evaluation of existing financial management systems in place, to be used for program monitoring, accounting and reporting; (ii) review of staffing requirements; (iii) review of the flow-of-funds arrangements and disbursement methodology; (iv) a review of internal control mechanisms in place; (v) discussion of reporting requirements, including the format and content of Interim Financial Reports (IFRs); and (vi) review of internal and external audit arrangements.

12. Financial Management Assessment overall conclusion on the assessment of Funatura is that the financial management arrangements as set out for this Project meet the Bank's minimum fiduciary requirements. The Financial Management Specialist assessed the implementing agency and found its financial management systems to be Moderate Satisfactory and the associated risk to be Moderate.

13. In accordance with the requirements of OP/BP 10.00, Funatura will maintain financial management arrangements that are acceptable to the Bank and that, as part of the overall arrangements that the Recipient has in place for implementing the operation, to provide reasonable assurance that the proceeds of the grant are used for the purposes for which the grant was granted.

14. FM supervision will take place each year and include (i) a review of semiannual IFRs; (ii) a review of the auditors' reports and follow-up of any issues raised by auditors in the Management

Letter, as appropriate; (iii) participation in Project supervision; and (iv) update of the financial management rating in the Implementation Status Report (ISR).

15. The Grant Recipient will be Funatura. The technical execution will be carried out by Funatura, MMA and ICMBio. Funatura is responsible for conducting the Project's administrative and financial management tasks, accounting and disbursements. Funatura will also consolidate and prepare Interim Financial Reports (IFR's) and the Summary Sheets with Records and Statements of Expenditure (SOEs) for reporting purposes. All financial transaction (recording of annual budgets, budget commitments and payables, authorization of payments, and internal control reviews) will be conducted by Funatura, which will oversee the payments and control the segregated Project bank account. These functions are conducted by Funatura's Administrative and Financial Team. Other internal control mechanisms include but are not limited to: review and reconciliation of payments, proper access to systems, and segregation of duties.

16. Funatura will have primary responsibility for Project implementation. All payments will be prepared by the financial department with the approval of the Director-General, once expenditures have been incurred and properly documented. Payments will be issued directly by Funatura to service providers and contractors. In order to issue these payments, the funds should be committed by source, enabling the tracking of grant disbursements to project expenditures and categories of expenditures. Each semester, with the issuance of IFRs, the expenditures for the period will be accounted for, and a revised cash-flow forecast for the ensuing period will determine the level of disbursement from the grant account, also taking into consideration the account's balance.

17. Grant disbursements will be made on a transaction basis and expenditures will be documented to the Bank using Summary Sheets with Records and Statements of Expenditure (SOEs). The direct-payment disbursement method will not be used. Advance disbursement will be the primary method used. The Bank will disburse the proceeds of the grant to a separate Designated Account in Brazilian Reais (R\$) held and managed by the Funatura. Payments for project goods and services will be made directly from this account. The Designated Account will have a fixed ceiling of US\$800,000.00. The disbursement reports for eligible expenditures paid from the Designated Account will be on a quarterly basis. The Minimum Application Size will be US\$300,000 equivalent. The Project will also have a four-month grace period after the closing date, during which the Bank will accept withdrawal applications related to project transactions incurred before the closing date. The payments made for grant activities will be included in the Summary Sheets and SOEs and forwarded to the World Bank's Brasília office.

18. Retroactive financing is allowed for up to US\$100,000 equivalent for payments made during the 12 months immediately prior to the date of the Grant Agreement, for Eligible Expenditures under Disbursement of the Category 3. All eligible expenditures submitted for retroactive financing must be procured under procurement methods and procedures acceptable to the Bank.

19. Funatura will ensure the timely production of semiannually Project Interim Financial Reports (IFRs) for monitoring reasons. These IFRs will be produced and consolidate the Project's financial data for all components. The following semiannually IFRs will be prepared for management purposes and submitted to the Bank:

- IFR 1 – Source and application of funds by cost category, cumulative (project-to-date, year-to-date),
- 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,
- IFR 3 – Disbursements reconciliation with the Bank’s Client Connection site (attached with latest Bank Statement),
- IFR 4 – Progress Report of components.
- Notes to the Financial Statements.

20. The IFR will show Project expenditures and reconcile advances made into the Project account with closing balances and the Bank’s share of actual expenditures. The frequency for reporting eligible expenditures paid from the Designated Account will be quarterly. The Trust Fund will also have a four-month grace period after the closing date, during which the Bank will accept withdrawal applications related to Project transactions incurred prior to the closing date. All disbursement-related details will be determined in the Disbursement Letter.

21. Funatura’s currently have its external control made by the “*Promotoria de Justiça de Tutela das Fundações e Entidades de Interesse Social (MPU/MPDFT)*” without a specific project audit procedure established for their projects. In this case, annual financial statements will be audited by independent auditors, in a manner satisfactory to the Bank, and in accordance with acceptable auditing standards. The external audit will be conducted according to TORs acceptable to the Bank. Auditors will be required to issue an opinion on the Project’s financial statements (IFRs), in accordance with Bank guidelines. Auditors must also produce a Management Letter, in which any internal control weaknesses will be identified. This Letter will help to strengthen the control environment. The auditors’ report will be submitted to the Bank no later than six months after the closing of the Grantee’s fiscal year, and the annual audit will be financed from grant proceeds.

Financial Categories

22. The table below specifies the categories of eligible expenditures that may be financed from Project proceeds and the percentage of expenditures to be financed for eligible expenditures in each category:

| Category | Amount of the Grant Allocated (US\$) | Percentage of Expenditures to be Financed |
|--|---|--|
| (1), goods, non-consulting services, consultants’ services, and training | 3,208,000 | 100% |
| (2) civil works | 270,000 | 100% |
| (3) Operating costs | | |
| 2.1 MMA costs | 306,000 | 100% |
| 2.2 Funatura costs | 430,000 | 100% |

| | | |
|---------------------|-----------|------|
| 2.3 Audits | 86,000 | 100% |
| TOTAL AMOUNT | 4,300,000 | 100% |

23. For the purposes of this Project, the term:

- “Operating Costs” means the costs incurred for the purposes of project implementation, including (i) operation and maintenance of vehicles; (ii) incremental office equipment and supplies; (iii) shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies; (v) rent for office facilities; (vi) utilities; (vii) travel and per diem costs for administration and technical staff carrying out supervisory and quality control activities; (viii) communication costs, including advertisement for procurement purposes; (ix) administrative and operational support staff; and (x) auditing.
- “Training” means the costs associated with the preparation and carrying out of seminars and workshops, including event logistics, transportation, catering, material preparation, course enrollment fees, per diems and other costs directly related to the preparation and implementation of seminars and workshops.

Procurement

24. The Project will be technically implemented by Funatura, MMA and ICMBio. However, Funatura will have sole responsibility for procuring goods, works and services, as well for selecting consultants, in accordance with the Bank’s procurement policies. Funatura will also be responsible for proper contract management. MMA and ICMBio will provide the necessary technical inputs (TORs, technical specifications, etc.) to allow Funatura to carry out the procurement process with due diligence.

25. An assessment of Funatura’s capacity to implement procurement actions was conducted on December 11, 2014, and consolidated its acceptable performance. No additional assessment is needed under this Grant. Because all procurement will be carried out exclusively by Funatura, the risk is rated as Moderate.

26. Procurement for the Project will be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated January 2011 (revised July 2014); “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated January 2011 (Revised July 2014); and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, estimated costs, prior-review requirements, and time frame are agreed by the Recipient and the Bank project team in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect actual project implementation needs and improvements in institutional capacity.

27. **Procurement of works.** Small works are expected under the Project and would include the construction of nurseries/greenhouses, renovations and small construction works. Procurement of small works should be carried out following Shopping procedures, as indicated in paragraph 3.5 of the Guidelines, up to US\$200,000. Direct contracting would also be used when the conditions

of paragraph 3.7 of the Guidelines are met.

28. **Procurement of goods.** Goods procured under this Project would include IT; office, communications, and georeferencing equipment; cameras; photocopies; vehicles, and so forth. Procurement of goods would follow National Competitive Bidding (NCB), including the method known as “pregão eletrônico” as provided in the Member Country’s law No. 10520 of July 17, 2002, under any e-procurement system acceptable to the Bank, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank or Shopping procedures. Bidding documents must include anticorruption and right-to-audit clauses in order to be considered acceptable to the Bank, and the Legal Agreement would need to include a provision that the National Competitive Bidding (NCB) documents must be acceptable to the Bank.

29. **Procurement of non-consulting services.** Procurement of non-consulting services would include georeferencing, graphic design, production of training and communication materials, etc. Procurement would be conducted using National SBDs agreed with or satisfactory to the Bank for all NCB. Bidding documents must include anticorruption and right-to-audit clauses in order to be considered acceptable to the Bank, and the Legal Agreement would need to include a provision that the NCB documents must be acceptable to the Bank. Small-value contracts not to exceed US\$100,000 would follow Shopping procedures. Direct contracting would also be used when the conditions of para. 3.7 of the Guidelines are met.

30. In addition, for off-the-shelf goods and readily available non-consultant services, the method known as *pregão eletrônico*, as provided in Brazil’s Law No. 10.520 dated July 17, 2002, under COMPRASNET, the federal procurement portal (or any other e-procurement system approved by the Bank), may be used in replacement of NCB and Shopping, subject to the following additional procedure, i.e., that the bidding documents must be acceptable to the Bank.

31. **Selection of consultants.** Consulting services by firms and individuals required for the Project would include a wide array of technical assistance and advisory services, such as the development of electronic systems, the preparation of maps, training, and economic diagnostics. Shortlists of consultants for services estimated to cost less than US\$1 million equivalent per contract may be composed entirely of national consultants in accordance with the provisions in the Consultant Guidelines. All contracts estimated to cost more than US\$300,000 equivalent per contract, the first process under each selection method, and any single source of consulting services would be subject to prior review by the Bank. Quality- and Cost-Based Selection (QCBS) would be the default method for the selection of firms, but Quality-Based Selection (QBS), Least-Cost Selection (LCS), Selection under a Fixed Budget (FBS), Selection Based on Consultant’s Qualifications (CQS), and Single-Source Selection (SSS) could also be used if the requirements of the Guidelines are met. Individual consultants should be selected in accordance with procedures in Section V of the Bank’s Consultant Guidelines.

32. Training-related expenditures would include contracts for event logistics, transportation, catering, material preparation, course enrollment fees, and per diems. These contracts would be procured following the agency’s administrative procedures, which were reviewed and found acceptable by the Bank.

33. Operational costs include (i) operation and maintenance of vehicles; (ii) incremental office equipment and supplies; (iii) shipment costs (whenever these costs are not included in the cost of goods); (iv) rent for office facilities; (v) utilities; (vi) travel and per diem costs for technical staff carrying out supervisory and quality control activities; (vii) communication costs including

advertisement for procurement purposes; (viii) administrative and operational support staff; and (ix) auditing. These contracts would be procured following the agency's administrative procedures, which were reviewed and found acceptable by the Bank.

34. **Procurement Plan.** The detailed 18-month Procurement Plan was approved by the Bank on March 4, 2015. During Project execution, the plan would be updated annually or as required to reflect the Project's actual implementation needs and improvements in institutional capacity. The recommended thresholds for the use of the procurement methods specified in the Grant Agreement are identified in the Procurement Plan.

35. **Frequency of procurement supervision.** Procurement supervision would be conducted through prior review, supplemented by supervision missions with a post review at least once a year.

Environmental and Social

36. This is a technical assistance project. For the purposes of this Project, two types of technical assistance are expected: Type 2: Assistance in the formulation of policies, programs, plans, strategies or legal frameworks, etc.; and Type 3: Land-use planning and natural resources management (NRM¹⁷).

37. Environmental Assessment (OP/BP 4.01). The Project's environmental benefits would be (i) reduced deforestation, relative to a scenario without intervention, and therefore reduced carbon emissions from land-use change; (ii) reduced carbon emissions from pasture burning and forest fires; (iii) increased carbon storage from the restoration of cleared forest reserves; and (iv) enhanced biodiversity conservation through reduced loss of native vegetation cover.

38. Notwithstanding these positive impacts, the Project will be working in several sensitive biodiversity and dry-forest areas. Thus, it is rated as Category B.

39. MMA prepared an Environmental and Social Framework (ESMF), which was approved by the Bank on September 15, 2014. The ESMF will serve as a guide for addressing issues arising during Project implementation. The ESMF: (i) identified the Indigenous Peoples, Quilombola Communities and other traditional communities within the Cerrado Biome; (ii) assessed the reliance of their livelihoods in forest and natural resources, the extent to which they are impacted by deforestation and forest fires, as well as their traditional knowledge and uses of fire; and (iii) described the institutional arrangements (involving the National Indigenous Foundation [Fundação Nacional do Índio, FUNAI] and the Brazilian Institute for the Environmental and Renewable Natural Resources [Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, IBAMA) and the agreed procedures and protocols already in place that are followed when fires occur inside Indigenous Lands.

40. As a preventive measure, the Project's approach includes an outreach communication strategy to mobilize and inform all landholders and landholder associations, local governments and other key stakeholders in the targeted municipalities. In addition, the ESMF assessed potential benefits identified for small farmers (e.g., access to credit, environmental compliance, and technical assistance) and other stakeholders. The ESMF also proposes measures designed to avoid

¹⁷ See: Interim Guidelines on the Application of Safeguard Policies to Technical Assistance Activities in Bank-financed Projects and Trust Funds Administered by the Bank.

social conflicts that could result from Project implementation.

41. No involuntary population displacement and/or negative impacts on livelihoods due to the creation of new protected areas are envisaged.

42. The nearly 100 Indigenous Lands located in the Cerrado Biome cover approximately 4.1 percent of the biome area and are home to 41 Indigenous Peoples. There are also hundreds of Quilombola Communities and other traditional communities of small farmers and extractive groups, which hold different consuetudinary systems for collective land tenure and use. All these groups, which rely on livelihoods that are mostly based on forest and natural resources, are key stakeholders of policies related to the prevention and the control of deforestation and forest fires.

43. Nevertheless, the Bank's Indigenous Peoples Policy is not triggered because the policies, action plans and activities to be supported by this Technical Assistance Project will not directly interfere with Indigenous Peoples, either positively or negatively. On the one hand, activities envisaged under Component 2 are exclusively focused on privately owned landholdings, and activities envisaged under Component 3 will be restricted to three PAs without the presence of Indigenous Peoples. On the other hand, envisaged activities for assistance in the preparation of policies or programs or plans under Component 1 will be carried out in compliance with the Brazilian Forest Code (Law 12.651/2012), which, although prohibiting the use of fire in vegetation, provides exceptional treatment to the fire prevention and control and subsistence agriculture practices of traditional populations and indigenous peoples.

Monitoring and Evaluation (M&E)

44. The M&E system will be led by MMA in collaboration with Funatura. M&E will be conducted in accordance with (a) the BCCCMTF monitoring and evaluation plan; and (b) established BCCCMTF rules and procedures. MMA will have primary responsibility for tracking technical progress related to project outputs and outcomes. Project progress reports will be prepared by Funatura, in coordination with MMA, and submitted to the Bank twice a year.