PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: FULL-SIZED PROJECT
THE GEF TRUST FUND

Submission Date: September 3, 2009
Re-submission Date: January 21, 2010

PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID[1]: 4085
GEF AGENCY PROJECT ID:
COUNTRY(IES): Brazil
PROJECT TITLE: Amazon Region Protected Areas Program Phase 2
GEF AGENCY(IES): World Bank
OTHER EXECUTING PARTNER(S): KfW Entwicklungsbank, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), WWF (World Wide Fund for Nature – the WWF Global Network, through WWF-Brasil), Fundo Brasileiro para a Biodiversidade (Funbio), Government of Brazil, through the Ministry of Environment (MMA), Instituto Chico Mendes de Conservação da Biodiversidade (ICMBio), Brazilian Amazon States (Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima and Tocantins)
GEF FOCAL AREA (S): Biodiversity
GEF-4 STRATEGIC PROGRAM(S): BD-SP1, BD-SP3.
NAME OF PARENT PROGRAM/UMBRELLA PROJECT:ERROR! NOT A VALID BOOKMARK SELF-REFERENCE.ERROR! NOT A VALID BOOKMARK SELF-REFERENCE.

Indicative Calendar	
Milestones	**Expected Dates**
Work Program (for FSP)	March 2010
CEO Endorsement/Approval	June 2010
GEF Agency Approval	September 2010
Implementation Start	October 2010
Mid-term Review (if planned)	October 2012
Implementation Completion	December 2014

A. **PROJECT FRAMEWORK** (Expand table as necessary)

Project Objective: Expand and consolidate the protected areas system in the Brazilian Amazon and implement mechanisms for its financial sustainability

Project Components	Indicate whether Investment, TA, or STA**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total (US$ million)
				(US$ million)	%	(US$ million)	%	
1. Creation of new protected areas (PAs)	Investment	Additional protected areas created in the Brazilian Amazon	20 million hectares of additional new protected areas created in the Brazilian Amazon (10 million hectares of strict preservation areas and 10 million hectares of sustainable use reserves)	2.89	16.2%	15.00	83.8%	18.00
2. Consolidation of protected areas	Investment	New and existing "Strict Protection" protected areas consolidated in the Brazilian Amazon.	At least 12.0 million hectares of new and existing "Strict Protection" protected areas consolidated.	10.00	28.6%	25.00	71.4%	35.00

[1] Project ID number will be assigned initially by GEFSEC.

		New and existing "Sustainable Use" protected areas consolidated in the Brazilian Amazon.	At least 10 million hectares of new and existing "Sustainable Use" protected areas consolidated.					
3. Long-term sustainability of protected areas	Investment	ARPA's Endowment Fund ("FAP - *Fundo de Áreas Protegidas*") consolidated and increased Market-based and cost recovery mechanisms to finance PAs consolidated	Continue capitalization of the ARPA Endowment Fund ("FAP"), with a goal of estimated US$ 80.0 million by the end of Phase 2 FAP operational starting in the first year of Phase 2, with disbursements Additional mechanisms and procedures for financial sustainability of PAs in the Amazon Region tested and operational	0.00	0%	25.00	100.0%	25.00
4. Protected area monitoring	Investment	Environmental monitoring implemented for specific protected areas	Pilot monitoring systems implemented for 5 strict protection protected areas and 1 sustainable use reserve At least 26 strict protection protected areas being monitored with remote monitoring techniques.	1.40	41.2%	2.00	58.8%	3.40
5. Project management	Investment			1.60	34.8%	3.00	65.2%	4.60
Total project costs				15.89	18.5%	70.00	81.5%	85.89

* List the $ by project components. The percentage is the share of GEF and Co-financing respectively to the total amount for the component.
** TA = Technical Assistance; STA = Scientific & technical analysis.

B. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (US$)

	Project Preparation*	Project	Agency Fee	Total
GEF		15,890,000	1,588,999	17,478,999
Co-financing		70,000,000		70,000,000
Total		85,890,000	1,588,999	87,478,999

* Please include the previously approved PDFs and planned request for new PPG, if any. Indicate the amount already approved as footnote here and if the GEF funding is from GEF-3.

C. INDICATIVE CO-FINANCING FOR THE PROJECT (including project preparation amount) BY SOURCE and BY NAME (in parenthesis) if available, (US$)

Sources of Co-financing	Type of Co-financing	Amount
Project Government Contribution	In kind	25,000,000,
Bilateral Aid Agency(ies) (KfW)	Grant	30,000,000
Multilateral Agency(ies)		
Private Sector		
NGO – (WWF)	Grant	15,000,000
Others		
Total co-financing		70,000,000

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)* ()

GEF Agency	Focal Area	Country Name/ Global	(in US$)			
			Project Preparation	Project	Agency Fee	Total
WB	Biodiversity GEF 4	Brazil		15,890,000	1,588,999	17,478,999
Total GEF Resources				15,890,000	1,588,999	17,478,999

* No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

PART II: PROJECT JUSTIFICATION

A. **STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:**

With more than 4.0 million square kilometers (km^2) of rainforest and transition forests, the Brazilian Amazon is the largest share of rainforest in the planet. It is the repository of a significant share of the world's biodiversity (probably the world's largest biodiversity content area), especially regarding species of insects, vascular plants, freshwater fishes, birds and mammals. The Brazilian Amazon also has a significant influence on the regional and global climates and contains carbon stocks of around 70 billion tons. It is inhabited by more than 22 million people, mostly in urban areas, but with several social groups organized in local communities strongly dependent on natural resources, including more than 200 indigenous ethnic groups constituting a population of approximately 200,000 people also culturally strongly linked to the natural ecosystems. The conservation of this region with such a natural and human diversity retains invaluable assets for the whole humankind.

However, unsustainable economic activities are menacing the region's natural habitats and, consequently, their biological diversity. Deforestation and forest degradation are the main components of Brazilian carbon emissions, accounting for 62% of the country's total emissions, without considering other land-use related emissions. The destruction of natural resources is also a major threat to the livelihoods of the Amazonian population, especially forest dwellers, including indigenous peoples.

The deforestation of the Amazon in Brazil is driven by a complex set of causes. In general terms, after a new access is open (mostly a new road), sometimes provoked by new attraction points (as a new settlement, a dam, a mine etc.), logging is usually the first damaging activity to take place, degrading the forest, but without necessarily clearing the areas. Land-grabbers and cattle-raisers usually follow the loggers, clearing and burning the forest to convert into pastures and to establish the increasingly lucrative agricultural monocultures such as soybeans. This entire complex process is connected through the dubiously legal land market. Unsuitable settlement policies, undefined land tenure, government's limited enforcement capacity in remote areas and other damaging economic activities (such as unsustainable fishing methods and mining) are often part of the problem and also contribute to reducing biodiversity.

Considering the importance of the creation and consolidation of protected areas in the Amazon for the preservation of biological diversity and for the maintenance of important ecological services, including the reduction of Brazilian carbon emissions, the Brazilian Government, with support from the World Bank and financing from GEF, the WWF (World Wide Fund for Nature) Network, and the KfW Entwicklungsbank, launched in 2002 the Amazon Region Protected Areas Program (ARPA). ARPA's overall objective is to support the expansion and consolidation of a protected areas sub-system in the Brazilian Amazon, with a total goal of adding 50 million hectares of protected areas (now proposed to be increased to a total of 60 million hectares) to the existing system.

This proposed project is the second phase of the ARPA program. It will make a major contribution to protecting Amazon forest biodiversity through the definition of priority areas for protection followed by the creation, establishment, consolidation and long-term maintenance of protected areas. The creation and consolidation of protected areas has proved to be a viable strategy to reduce biodiversity loss in the Brazilian Amazon, as well to reduce deforestation. Protected areas (PAs) are valuable tools for the protection of the long-term ecological integrity of biodiversity-rich areas, the containment of anthropogenic pressures and the promotion of the sustainable use of forests and other ecosystems' natural resources. Due to the largely illegal land acquisition process, the simple fact of designating land-use is already hugely effective, when it instates permanent status and public land ownership, resulting in a short term drop in deforestation, as illegal land-grabbing interests are thwarted or move elsewhere. Therefore, creating protected areas from undesignated public lands in areas critical for conservation purposes is a cost-effective and strategically important choice for the Brazilian Amazon.

As the world looks to protect the Amazon as a globally essential carbon sink, ARPA has been an important showcase of the types of mechanisms needed for successful action. A recent model developed for the Amazon indicated that "by 2050, expansion of protected areas during 2003-07 reduced 272,000 km² (27.2 million ha) in deforestation, thereby avoiding 3.3±1.1 gigatons[2] of carbon (GT C) emissions, of which 0.4 GT C was attributable to 13 protected areas established with ARPA's support. Including an additional 127,000 km² (12.7 million hectares) of new ARPA protected areas throughout 2008, the ARPA program would reduce a total of 1.4 GT C (or 5.1 GT CO2) in emissions by 2050". Additional emission reductions are likely to be triggered by the creation of the proposed new 20 million hectares of PAs during the second phase. However, precise estimates of such emissions reductions will only be attainable after the exact localization of these areas is defined, when the above mentioned model can once more be applied.

But the creation of protected areas alone is not enough. The establishment, consolidation and long-term maintenance of protected areas, in combination with local and sub-regional social actors, are absolutely indispensable for the sustainability of the objectives and targets here expressed. Though the protected areas initiative (creation, establishment, consolidation, management and long term maintenance) is possibly the most important measure to reduce deforestation and degradation of forests and other ecosystems, it is necessary to integrate this measure with other governmental and non-governmental initiatives. These include systematic and stronger enforcement and patrolling, promotion of the sustainable use of natural resources associated with the protection of culturally and socially important livelihoods (contributing to forestall the entrance or increase of more damaging economic activities), and compensation for environmental services, including climate change mitigation and adaptation.

The success of ARPA's Phase 1 implementation (2003-2008) is striking. ARPA has doubled the amount of the Brazilian Amazon under strict protection – from the 3.2% (12 million ha) at the start of the project to almost 7% today. The project surpassed expectations for the vast majority of Phase 1 benchmarks and most of its specific objectives, supporting the

[2] A gigaton is equal to one billion tons. Cutting a gigaton of carbon dioxide emissions is equivalent to replacing 1,000 conventional 500-megawatt coal-fired electric generation plants with zero-emission plants.

creation of some 24.0 million hectares of protected areas (approximately 13.2 million hectares of strict preservation areas and 10.8 million hectares of sustainable use reserves), representing 6 million hectares above its Phase 1 target. ARPA also worked on consolidation activities for more than 8 million hectares of strict preservation areas with actions such as the preparation of rapid ecological assessments to collect baseline information, development of management plans, and ensuring adequate management. Furthermore, the ARPA Endowment Fund ("*Fundo de Áreas Protegidas* - FAP") was established and is operational, currently capitalized with US$ 40.5 million, to be used for ensuring the long-term sustainability of PA management (meaning mostly recurrent costs).

In addition to these quantitative advances, ARPA has developed innovative implementation mechanisms that contributed to its status of one of the most successful projects aimed at the conservation of the Amazon, having even developed a guidebook for protected area creation, which is being used throughout the National System for Protected Areas (SNUC) in Brazil. Contributions from an extraordinarily diverse set of institutional partners have been the driver for the success of the ARPA program. From the strong role of a nonprofit organization (FUNBIO) to the programmatic leadership of the Ministry of the Environment, to active engagement from international donors, civil society, scientific advisors, state government agencies, and international and domestic technical assistance providers, ARPA has engaged the strengths and commitment of many organizations. While there are clearly a few challenges in managing a large program among so many partners, the successes could not have been achieved by these institutions operating independently. ARPA is considered by many international organizations as the world's largest tropical forest conservation program, as it has set an ambitious 12-year effort to ensure comprehensive protection of the Brazilian Amazon. To accomplish this goal, the Brazilian government partners with international financing organizations to create a system of well-managed strict preservation areas and sustainable use reserves.

ARPA has successfully engaged 5 state governments (Mato Grosso, Acre, Tocantins, Rondônia and Amazonas) in creating and managing their own state PAs and strengthening their state environmental infrastructure. Other states all worked with the federal government (at different levels of commitment) to create new federal protected areas and sustainable use PAs. ARPA's efforts to institutionalize the political will and increase support for conservation goals as part of the mandate for state governance is an important contribution to state capacity in the Amazon.

As most of ARPA's Phase 1 targets have been met, the present proposal is for the program's Phase 2, which will provide continuity to the work completed in Phase 1, building on its achievements, innovations and lessons learned. The table below summarizes some of the results achieved in Phase 1 and the targets for Phase 2 of the ARPA program. As the original program design planned 3 phases along an implementation period of approximately 10 years, Phase 3 targets are also included in the table below to provide a broad perspective of the program's goals in the longer term.

Summary of ARPA's 3 phases.

ARPA's main targets (Millions of Hectares)	**Phase 1** (2003–2008)	**Phase 2** (2009–2013)	**Phase 3** (2014–2016)	**Total** (2003–2016)
Creation of protected areas	**24.0**	**20**	**3.5**	**47.5**
strict protection PAs	13.2	10	3.5	**26.7**
sustainable use PAs	10.8	10	-	**20.8**
Consolidation of protected areas	**8.5**	**22.0**	**29.5**	**60.0**
strict protection PAs	8.5	12.0	18.7	**39.2**
sustainable use PAs	0	10.0	10.8	**20.8**
Endowment Fund (Millions of US$)				
capitalization	40.5	80.0	100	**220.5**
annual income in FAP	2.0	3.2	4.0	**8.8**

During Phase 1, ARPA developed several innovative internet-based systems to track protected area management status (SisARPA) and allow partners to track procurement requests and other financial transactions ("Cerebro"). Joining these innovations is the much praised "*conta vinculada*" or "conjoined account" that allows a direct flow of resources from FUNBIO to protected area managers. This system avoids the problems often inherent in a government bureaucracy while providing ready accountability through an efficient receipt and documentation system. Given that numerous other Amazonian environmental projects managed by government agencies have been unable to successfully expend funds in a

regular and sustained way on site, the *conta vinculada* is an essential contribution to ARPA success. These innovations would be used in Phase 2.

SisARPA and "Cerebro" provide invaluable information for project management and planning. They are used by project partners almost on a daily basis and are key elements of project implementation and coordination. Biodiversity monitoring was not as widely used during Phase 1, but in the areas where it is being carried out, it is an important tool for PA planning and decision making.

As a whole the operating systems for monitoring and evaluation are meeting the needs of the ARPA partners. The bigger issue of adequately monitoring biological conservation is a conundrum for most large projects. While a large system-wide effort has not produced a cost-effective methodology to date, there are a number of efforts happening at the local scale that provide real promise for more effective biodiversity monitoring and evaluation in Phase 2.

Planning for the preparation of ARPA's second phase had been discussed at a workshop held in Brasilia in March 2009. The main stakeholders that attended the workshop agreed at that time that the ARPA's goal, objectives and approach as described in the PAD of ARPA 1 remained relevant to the program's next phase, with improvements on monitoring an evaluation. Also, the ICR for ARPA Phase 1 has been completed, with a number of important recommendations. ARPA's Phase 2 would build on these recommendations and retain the structure of Phase 1, with the following components:

Component 1 – Creation of new protected areas. This component will support the creation of new protected areas in priority landscapes of high importance in terms of biological diversity and ecological services within the Brazilian Amazon biome (as officially defined), as well as the continuous assessment of priorities to assure the ecological representativeness of the biological diversity protected and the maintenance of ecological processes and environmental services. This component will target the creation of 20 million hectares of new protected areas in five categories (parks, biological reserves, ecological stations, extractive reserves, and sustainable development reserves) over the next four years. The total area corresponds to 10 million hectares of new strict preservation areas (parks, biological reserves, and ecological stations – which correspond respectively to the categories II, Ia, and Ia of the IUCN international classification), and 10 million hectares of new sustainable use reserves (extractive reserves and sustainable development reserves – both corresponding to category VI of the IUCN international classification, but with local communities co-management). The protected areas under those five categories may be established both at federal and state levels. This component will benefit from the protected area creation guidebook developed under Phase 1 based on lessons learned from various parts of the process, such as land tenure regularization, community involvement, and boundary-setting, among others.

Component 2 – Consolidation of protected areas. The main objective of this component will be to promote the effective implementation of existing and recently created protected areas in the Amazon region. This component will target the consolidation of 12.0 million hectares of strict preservation areas, and 10.0 million hectares of sustainable use reserves to ensure their effective long term protection. Therefore, this component will focus on consolidation activities and benchmarks that follow the legal act of creating a protected area (targeted by component 1), such as the demarcation and land regularization of protected areas; financing land tenure assessments; outfitting protected areas with basic infrastructure, equipment, and core staff (this latter funded with Brazilian government counterpart resources) to secure basic protection actions and community outreach; the elaboration and implementation of management plans for new and existing protected areas; supporting community participation for the establishment and consolidation of protected areas, as well as strengthening capacity of local associations and committees, particularly those composed by representatives from local communities involved in the collaborative management of the protected areas; building capacity of staff allocated to the protected areas; promoting co-management with conservation NGOs acting locally; and promoting innovation and improvement in management tools, both at the level of the program and the individual protected areas (planning, participation, conflict resolution or management, gap analysis, buffer zone integration, etc.).

Component 3 - Long-term sustainability of protected areas. The objective of this component is to establish and consolidate mechanisms for the long-term financial sustainability of protected areas consolidated under ARPA and, as possible, for the entire PA system in the Amazon Region. This component would lay the basis for long-term financial

sustainability by consolidating the achievements of Phase 1 (which created the FAP[3]), further capitalizing FAP, with the goal of adding $30 million to the current amount and raising other $9.5 million, reaching a total of $80.0 million by the end of Phase 2; and building institutional capacity to ensure proper post-consolidation protected areas management, including through the development of mechanisms for the disbursement of FAP's resources. Other options, in addition to the endowment, will be explored by this component with the purpose of assuring the necessary financial sustainability of protected areas management. The component will also advance the search and testing of appropriate revenue-generating mechanisms for PA sustainability and income-generating activities for communities in buffers zone areas. Options would include responsibilities of the respective local governments, and relevant governmental institutions to provide the adequate funds, either to complement of to fulfill all protected areas maintenance requirements. For the moment, FAP will be capitalized with funds from current co-financiers (KfW, WWF). Phase 2 will also develop a fund raising strategy targeted at the private sector to continue capitalization of FAP, as the program's main mechanism for long-term sustainability of Amazon PA's.

Component 4 – Protected area monitoring. The objective of this component is to establish an environmental monitoring and evaluation system for protected areas – i.e., beyond the program management monitoring and evaluation system, to evaluate the ultimate goals for the conservation of Amazon biodiversity and ecological processes. This component will support the completion of the biodiversity monitoring system currently under construction, or possibly alternatives to it, and an analysis of new and existing protected areas to improve the decision-making process, as well as planning and programming, by making available more accurate and reliable information on the management effectiveness of the protected areas and efficacy of nature conservation. To this end, the project monitoring would include core ecological and other selected variables, such as soil erosion and status of deforestation and road construction, urban growth, planned and unplanned settlements, overgrazing, and community-based activities in and around protected areas. In addition, the system will monitor and measure the fulfillment of project objectives and targets. Remote monitoring techniques will complement the pilot monitoring systems, especially addressing those PAs without specific monitoring systems by allocating funds available in this second phase.

Component 5 – Project Coordination and Management. This component will support the operation of the established Project Coordination Unit (UCP) within the Ministry of Environment (MMA), as well as the operation of FUNBIO. The MMA unit would be responsible for the overall coordination of the various components, and would be specifically responsible for: (a) preparation of annual operating plans; (b) preparation of supervisory reports or any request for information by donors or the Bank; (c) monitoring and evaluation of project activities; (d) assurance that subsidiary agreements and financial execution are effectively carried out; and (e) communication and dissemination activities of ARPA. FUNBIO would be responsible for the efficient procurement, and the distribution and its logistics procedures, as well as the adequate financial management, including FAP.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS:

ARPA is one of the main components of Brazilian efforts to fight deforestation and conserve the ecological processes and biological diversity in the Amazon, including as a means to the local communities livelihood sustainability. However, it is by no means an isolated action. The proposed project is consistent with other government strategies and actions, such as the Sustainable Amazon Plan, Amazon's Positive Agenda and the National Strategic Plan for Protected Areas. ARPA's strategy is completely aligned with and a strong effort for the implementation of the Convention on Biological Diversity (CBD), particularly of its Decision VII/28, the Program of Work on Protected Areas (PoW-PA), and the National Policy and Plan on Protected Areas. This project also contributes to the principles of the National Policy on Biodiversity and follows the general guidelines established in Decree No. 4,339. The project also falls within the 2010 National Goals for Biodiversity established in Resolution No. 3 of December 2006. Through the reduction of deforestation and forest degradation it is consistent with and an important share of Brazil's contribution to the global climate change mitigation and adaptation efforts, including under the UN Framework Convention on Climate Change (UNFCCC). Furthermore, the proposed project is consistent with the Bank's country and sector strategies.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:

The proposed project is consistent with the Biodiversity Focal Area Strategic Priorities, in particular, SP-1: Sustainable financing of protected area systems at the national level, and SP-3: Strengthening terrestrial PA networks.

[3] The FAP is the protected areas endowment fund (*Fundo de Áreas Protegidas*).

The project seeks to address habitat change and overexploitation, which are the main drivers of biodiversity loss, through the creation and consolidation of a sustainable protected area system. It aims at improving financial sustainability and enhancing ecosystem representation of the protected of area system. This would be achieved by creating, with a participatory approach, new protected areas in biodiversity rich regions; by consolidating created protected areas with investments in equipment, basic infrastructure, and management plans; by supporting community participation in protected area management; by developing biodiversity monitoring systems; and by developing a long term financing scheme for protected areas.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

The proposed project would be developed and implemented in close coordination with other similar projects in the Amazon region. The project is expected to coordinate with the GEF-funded Integrated Management of Aquatic Resources in the Amazon (AQUABIO), which is currently under implementation in three Amazonian sub-watersheds (Xingu, Tocantins and Negro). The World Bank sub-national loans for the Pará Integrated Rural Development Project and the Acre Social and Economic Inclusion also presents coordination opportunities for ARPA Phase 2. The PPG7 Amazon Cartographic Base, which will provide an important enabling element for effective management of natural resources in the Amazon, could also be coordinated with ARPA's actions on the definition of biodiversity priority areas. Furthermore, the project would also benefit from the actions implemented by the GEF-Funded National Biodiversity Mainstreaming and Institutional Consolidation Project (PROBIO II), which aims at strengthening biodiversity awareness in the actions of several government agencies and in the private sector.

The Amazon Fund was created by the Government of Brazil in August 2008 as its alternative to receive compensation for reducing CO_2 from deforestation without having to rely on market-based mechanisms. The Fund will support the prevention, monitoring and combating of deforestation, and the promotion of conservation and sustainable use of natural resources in the Amazon, fully in line with the Sustainable Amazon Plan (PAS) and the Plan to Prevent and Combat Deforestation in the Amazon (PPCDAM). The Fund will operate through grants focusing on the following activities: (i) forest management in public lands; (ii) management of protected areas; (iii) monitoring and enforcement on environmental laws; (iv) sustainable use of forest resources; (v) zoning and land regularization; (vi) biodiversity conservation and sustainable use; and, (viii) rehabilitation of degraded areas. The Norwegian government has already pledged up to US$ 1 billion conditioned to the decrease of the deforestation rate. The Norwegian government also indicated that the overall initial contribution of US$140 million will be conditioned to the implementation of the first US$22 million yet to be deposited. There are also state initiatives aimed at preparing for an eventual availability of funds for use through REDD mechanisms (e.g.: Amazon State Fund).

E. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :

The Amazon region has more than 60 protected areas that do not receive ARPA support. These unsupported areas often lack investments, for example, for the preparation of management plans, the establishment of basic infra-structure, and biodiversity monitoring activities. In addition to restricted budgets, these areas also face problems with the Brazilian Government's usual procedures for the transfer of financial resources, which usually cause delays in payments and purchases. These issues may cause protected areas outside ARPA to be less effective in conserving biodiversity and in reducing deforestation – as well as in supporting the sustainability of local livelihoods. On the other hand, areas with ARPA support benefit from larger budgets for biodiversity protection activities, and most notably from the more efficient financial and systematic flow provided by the donors in partnership with FUNBIO, which allows protected area managers to use ARPA's resources in a more expeditious fashion and mostly in a more efficient way. GEF support would help bring more priority areas for biodiversity into the scope of ARPA, greatly improving management conditions of protected areas in comparison to leaving those areas without the support of ARPA.

F. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:

Risks	Rating	Management Strategy
The threat of soybean and other grain production, logging and cattle expansion.	Moderate	Economic activities pose an increasing pressure over the forest borders. Market incentives, such as the currently witnessed high demand for agricultural commodities in areas with cheap or free land, with poorly defined land tenure – conditions found from the southern portion to the eastern borders of the Amazon, area region known as "Deforestation Arc" – can greatly increase deforestation threats, as market forces are way beyond the control of governmental actions. The Brazilian land tenure legislation may grant ownership of unclaimed lands to occupiers who demonstrate effective occupation. In forest lands, supposedly effective occupation is usually attempted to be demonstrated through deforestation. Therefore, the legal definition of portions of land as protected areas eliminates this incentive to deforestation, as those lands cannot be legally entitled to occupiers. Consequently, protected areas can be effective in the containment of deforestation caused by economic activities if their creation takes place within the economic expansion frontier.
Political and institutional risks	Moderate	Brazilian politics have a history of relative instability, in the sense that changes in elected offices usually cause reorientation of priorities and large-scale changes in management personnel. Also, confrontations between federal, state, and municipal governments, red-tape, mismanagement and vested interests often hinder project implementation efforts. ARPA, for example, depends on general legal and policy definitions by governmental agencies, especially regarding the hiring of personnel to work at the protected areas, which cannot be funded by ARPA. Finally, reactions from those discontent with the restriction on the room for illegal actions may use political force against conservation policies, including ARPA. Institutional strengthening of the governmental (federal and state) institutions and the mainstreaming of biodiversity concerns in the actions of governmental agencies and the private sector could improve the political and institutional environment for biodiversity-friendly projects and activities.
Climate change could have a negative impact upon the key biodiversity and habitats within Protected Areas.	Low	Limited sound and non-controversial information is currently available on the specific potential impact of climate change upon Brazil's natural environment. Nevertheless, the Amazon biological diversity and ecological processes are likely to be affected by climate changes in the long term (recent estimates indicate as much as a 20% probability of the loss of forest in Southern Amazon). ARPA is working to protect extensive areas of forest and other habitats to mitigate against climate change threats to key biodiversity. A more careful design of individual protected areas, taking into account not only size and shape, but also strategic location working through the (sub)-system and groups to form mosaics and conservation corridors of protected areas, creating functional landscapes, is the best possible way to adapt to environmental changes. Over the longer term, the sustainable revenues from the FAP will allow the strengthening of ARPA's monitoring efforts, generating more information and allowing adaptation of management strategies in response to climate change induced trends.

G. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

The creation of protected areas is widely regarded as a cost effective way to protect biodiversity. Even without enforcement, the creation of protected areas consolidates, at relatively low costs, land tenure of unclaimed lands, thus providing a disincentive for eventual land-grabbing ("*grilagem*") and consequent deforestation. Although this is beneficial for certain areas in the short term, with the consolidation activities implemented by ARPA protected areas may reduce biodiversity loss even in areas with high deforestation pressures. Gaining support from local and national key social actors is crucial for this result and this aspect is therefore taken into account by all project activities. Reducing deforestation and degradation is also among the most efficient and cost-effective ways of reducing carbon emissions in comparison with other alternatives (such as financing the introduction of renewable energy sources, energy efficiency or

carbon sequestration, among others). This is particularly true in the case of Brazil, where most of the emissions come from deforestation and ecosystem degradation. ARPA can also be a pro-poor alternative to reduce emissions, through the creation and consolidation of sustainable use reserves. By protecting biodiversity and ecosystem processes that support the sustainability of natural resources-based livelihoods, ARPA is also safeguarding the traditional ways of life of local communities (indigenous and non-indigenous peoples) against climate change consequences. Moreover, the achievements of Phase 1 – particularly capacity-building activities, management systems and procedures, engagement of partners and the identification of priority areas for biodiversity conservation – will provide an advantageous starting point for Phase 2, since this phase will not need to bear the costs of overcoming some of the common obstacles faced by entirely new projects.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

The proposed project is largely an investment operation, and hence fits well into the GEF's matrix on the Comparative Advantage. Moreover, the World Bank's positive experience with Phase 1 is a clear indicator of the agency's comparative advantage in the project.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the country endorsement letter(s) or regional endorsement letter(s) with this template).

Carlos Eduardo Lampert Costa *Focal Point* *Ministry of Planning* *Brasília, Brazil*	Date*: 08/25/2009*

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
Steve Gorman GEF Executive Coordinator The World Bank	Jocelyne Albert Project Contact Person
Date: January 21, 2010	Tel. and Email: (202) 473-3458 Jalbert@worldbank.org