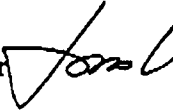


THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: April 14, 1998

TO: Mr. Ken King, Assistant Deputy CEO, GEF Secretariat
"FOR OPERATIONS COORDINATION"

FROM: Lars Vidaeus, GEF Executive Coordinator 

EXTENSION: 3-4188

SUBJECT: **PDF Block B Requests
Request for Bilateral Meeting(s)**

Please find attached two PDF Block B requests.

1. **BRAZIL: Expansion and Consolidation of a System of Strict Protected Areas in the Amazonian region of Brazil.**
2. **GEORGIA: Conservation of Forest Ecosystems in the Caucasus Mountains.**

Because of the forthcoming Biodiversity COP IV Meeting in Bratislava, we would like to schedule a Bilateral Meeting not later than April 28th. We would appreciate receiving any comments prior to that date.

You may recall that on March 26th we submitted a Block B proposal for the **PNG Forest and Conservation Project** which we would also like to discuss in a bilateral meeting preferably to take place by April 24th.

Distribution:

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Kimes, MacKinnon, Castro, Bossard (ENVGC); Schneider (LCC5), Koch-Weser, Redwood (LCSES), Newcombe, Kiernan (ENV), Brylski (ECSRE), ENVGC ISC

**GLOBAL ENVIRONMENT FACILITY
PROPOSAL FOR PROJECT DEVELOPMENT FUNDS (PDF)
BLOCK B GRANT**

Country:	Brazil
GEF Focal Area:	Biodiversity
Project Title:	Expansion and Consolidation of a System of Strict Protected Areas in the Amazonian region of Brazil
Requesting Agency:	World Bank
Executing Agencies:	Ministry of the Environment, Water Resources, and the Legal Amazon
Total Project Cost¹:	US\$84.0 - \$156.5 million (to be defined)
Financing Plan:	US\$12.5 - \$25.0 million Government of Brazil US\$35.0 million GEF US\$10.0 million Rainforest Trust Fund (PPG-7) US\$26.5 - 86.5 million Other Co-Funding (World Bank and others)
Project Duration:	10 years in phases
PDF Block B Funds Requested:	US\$300,000
PDF Co-Funding:	US\$390,000 (IBAMA/PROBIO) US\$30,000 (WWF-Brazil)
Block A Grant Awarded:	No

Project Objectives

1. The goal of the project is to expand and consolidate a system of strict protected areas in the Amazonian region of Brazil as a cornerstone of a landscape approach for conservation and sustainable development in the region. Three specific objectives have been identified by the Government of Brazil (GOB) as being crucial to reaching this goal: (a) Identification and creation of new strict protected areas; (b) Effective on-the-ground establishment of these new areas; and (c) Development of long-term sustainable management tools and mechanisms for effective protection within all Amazonian strict protected areas.

2. The project emerges from a GOB commitment to expand effective strict protection in the Amazon to cover at least 10% (37 million ha) of the biome (370 million ha). The execution of this commitment will result in the effective protection of a large fraction of all globally important biodiversity on earth. Therefore the great importance of

¹ The project will follow the new World Bank "Adaptable Program Framework" with financial support tied to specific deliverables and demonstrated absorptive capacity. Final project costs will be more accurately determined during preparation. The main co-funding source under discussion is an IBRD loan (range \$26.5 - \$86.5 million).

this effort cannot be over-emphasized. Although it is expected that all costs associated with the project will be of global benefit and incremental, GEF grant funds will only cover a fraction of these costs, while catalyzing additional funds to cover the remainder of these incremental costs.

Background and Overall Strategic Approach

3. The Amazon biome (555 million ha) contains the largest continuous forest on the planet, including 40% of all remaining tropical forests. Two-thirds of it occurs within Brazil (370 million ha). The fact that it is the most important repository of biological diversity on earth is undisputed. Given its enormous size, and the very rich natural resources it contains, conserving and sustainably utilizing the Amazon is an enormous challenge.

4. The key approach taken by the GOB to conserve and sustainably use this vast region is to promote land-use practices that maintain ecosystem health, ecological integrity, and biodiversity over the entire landscape, while allowing sustainable exploitation of its rich water, forest, agricultural, and mineral resources (i.e., an ecosystem or landscape approach). Such an approach to land-use must allow for the existence of an assortment of land-use practices appropriate to the particular ecological characteristics and economic opportunities of each sub-region, while simultaneously maintaining the ecological integrity of the entire ecosystem. This includes ensuring a proper configuration of protected areas and indigenous territories, linking them through corridors, maintaining a minimum percentage of the biome (at least 10%) under strict protection, and promoting land-use practices that maintain as much forest cover as possible over the remaining area.

Baseline and GEF role

5. The GOB is promoting and implementing a series of institutional and policy approaches to this end, trying to balance legitimate aspirations for economic growth with the need to maintain ecological sustainability in the region. These initiatives include the National Environment Program (PNMA/WB), the National Program of Biological Diversity (PRONABIO/GEF), the Pilot Project to Conserve the Amazon Rainforest (PPG-7), and the development of the National Biodiversity Strategy and Action Plan within the context of the Convention on Biological Diversity (GEF/UNDP supported). The combination of these initiatives provides an excellent enabling environment for conservation and sustainable development. In addition to policy and institutional aspects, these initiatives have also supported the expansion of protected areas in the region. Table 1 shows the total area (present and additional) that will be achieved through all current efforts:

Land-Use Category	Projected Total Area (% of the biome)	Program and/or Funding Source
Strict Protection (IUCN I-II) Federal Level	12.0 million ha (3.2%)	GOB, PNMA, PPG-7 (estimated \$10.0 M still available for new areas)
Strict Protection (IUCN I-II) State Level	3.0 million ha (0.8%)	GOB, PPG-7
Private Reserves (RPPN, IUCN III-VI)	0.1 million ha (0.02%)	GOB legislation, FUNBIO
Other Protected Areas (IUCN III- VI, sustainable use)	22.2 million ha (6%)	GOB, PPG-7, PNMA
Indigenous Territories (restricted use but not considered within system of PAs)	74 million ha (20%)	GOB legislation and PPG-7
<i>Total Under IUCN I-II</i>	<i>15.0 million ha (4.0%)</i>	
<i>Total Under IUCN III-VI</i>	<i>22.3 million ha (6.0%)</i>	

6. Through the combination of these efforts, 15.0 million ha will be within strict protection (IUCN categories I and II), with an additional 22.3 million ha under sustainable use (IUCN categories III-VI), for a total of 37.3 million ha or about 10 % of the Amazon biome within all protected area categories. This area is complemented by an additional 74 million ha (or 20% of the Amazon) under indigenous territories which restricts use but does not constitute protection under the National System of Protected Areas. With support from the PPG-7, the configuration of these areas is being arranged to establish biological corridors. These efforts are complemented by legislation requiring the maintenance of at least 50% of forest cover within private lands (currently increased to 80% under Presidential Decree). This requirement complements protection efforts by ensuring the maintenance of forest cover and therefore some degree of ecological integrity over the entire Amazon biome, although enforcement of this law has proven difficult.

7. The combination of these efforts is therefore producing progress towards a set of land-use practices that increase the likelihood of maintaining overall ecosystem integrity, particularly when linked through the Corridor efforts. These actions will be considered the baseline of this GEF project. Nevertheless, only 4.0% of the Amazon will be within strict protected area categories, even though strict protection must be the cornerstone for such a landscape approach. Because of a rapid expansion of intensive land-use practices outside protected areas, in the absence of this project it is expected that most areas not currently protected will be soon committed for other uses, and the overall efforts of maintaining ecosystem integrity will be in jeopardy. Under the baseline scenario, current opportunities to create additional strict protected areas will be lost.

8. This project will therefore support the pledge of the GOB to expand strict protection ("Indirect Use" under Brazilian legislation), to cover at least 10% of the biome, including the establishment of an additional ca. 25 million ha of new strict protected areas. This goal is a necessary component to achieve overall Amazonian conservation and sustainability and intrinsically complements the ongoing initiatives described above. Consequently all costs associated with additional strict protection addressed through this proposal are incremental. The GEF will also help bring additional cohesion to the existing baseline activities by linking their relevant components and catalyzing new funding to achieve the overall goal of the project. The fact that all of these initiatives have been supported or coordinated by the World Bank and/or MMA/IBAMA provides an opportunity for incorporating lessons-learned and maintaining the cohesion of many of the working teams already involved in their implementation.

Project Components

9. Identification and Creation of New Strict Protected Areas. Under this component, new areas to be designated for Indirect Use (i.e., strict protection) will be identified through a combination of scientific and participatory processes. A set of priorities thus identified will be compared with opportunities for protection.. The final set of protected areas will be recommended for establishment through Presidential Decree. Although the exact number of new areas will be determined during project implementation, it is expected that the average size of each area will be 500,000 ha. Given that the estimated combined new area will be 25 million ha, it is expected that approximately 50 new areas will be created. This indicative figure has been used to develop the estimated project budget.

- (a) *Scientific Identification of New Protected Areas.* There are several initiatives underway that are producing relevant information, including the National Environment Program (PNMA) and the National Biodiversity Program (PRONABIO). These and other existing information will be analyzed, consolidated, and discussed with the national and international scientific community to agree on an ideal set of recommendations from a scientific perspective. This set will also be adopted by IBAMA as the Amazonian section (Indirect Use) of the National System of Protected Areas Plan currently under development. This component will also include a survey of local communities, including an analysis of their main economic activities and dependence upon natural resources (Estimated Final Cost: \$500,000).
- (b) *Participatory Stakeholder Review.* Once this set of options is identified, it will be discussed with relevant national and local stakeholders. A series of workshops will be conducted at the national and state level. At least one major workshop will be conducted within each State. Emphasis will be on

complementarity with current State conservation initiatives and State Protected Area plans (Estimated Final Cost: \$600,000).

- (c) *Identification of available areas.* Available areas for conservation (e.g., those that belong to the government and that still maintain their ecological integrity) will be identified and mapped. This will provide a database on which the priority areas identified in the previous phase can be overlapped. This is consistent with the policy of IBAMA to minimize potential land-tenure conflicts when establishing new protected areas (Estimated Final Cost: \$400,000).
- (d) *Elaboration of a final set of recommendations for Decree.* The inputs from activities (a), (b), and (c) above will be combined and a final set of recommendations will be developed, maximizing existing opportunities for unconstrained establishment of protected status. A rapid fieldwork assessment will be performed by IBAMA to collect basic information and develop a final set for enacting through Presidential decree. It will also include proposals for alternatives to address the needs of the local populations impacted by the creation of the new areas. No re-settlement is envisioned (Estimated Final Cost: \$500,000).

10. Effective on-the-ground Establishment of these New Areas. The decree of these new areas is only a first step towards ensuring that they become effective in conserving biodiversity. Establishing these areas "on-the-ground" requires a series of legal steps for delimitation, demarcation, and plans for local community involvement. It also requires the provision of physical infrastructure to enable a basic presence as the foundation for long-term effective management.

- (a) *Legal Regularization, Delimitation, and Demarcation.* This component includes delimitation, demarcation, land-purchasing, and transfer of rights. The current proposal is based on the premise that most new areas will be established on lands currently under Federal ownership; therefore, little if any land-purchasing is envisioned. The cost estimate therefore does not include land purchase, although these costs will be estimated during preparation (\$600,000 per area, for a Total Estimated Cost of \$30.0M).
- (b) *Infrastructure, Staffing, and Community Involvement.* Including basic infrastructure, training and capacity building (particularly for State agencies when appropriate), and development of management plans. The project will also work with local communities to increase awareness and community participation in protected area management. This will be done through a series of workshops, meetings, and discussions with stakeholders on each area. The costs for these components have been based on the experience with the establishment of new protected areas under the PPG-7 project (average range \$500,000 to \$1.0M per area, for a

total of \$25.0 to \$50.0M). This component also includes the establishment of basic staff per area (range 2 to 20), with an estimated cost of \$12.5 to \$60.0M over 5 years (Total Estimated Cost: \$37.5 to 110.0M).

11. Development of Long-term Sustainable Management Tools and Mechanisms for Effective Protection within all Amazonian Strict Protected Areas. Given the current shortage of resources to manage existing protected areas, it is unlikely that there will be sufficient government resources to properly address the long-term needs (i.e., after 5 years) of these additional areas, particularly at a time of shrinking government and enhanced participation of the private sector and civil society in achieving public policy goals. This problem is compounded by the huge area under consideration. For example, IBAMA today has only 1 staff for each 27,560 ha under its responsibility; yet throughout the country it has more than 175 units with a total area of 35M ha. Therefore a critical element of this proposal is to support the creation of new tools and mechanisms to generate revenue and management capacity for long-term protected area management after this project ends.

12. The specific set of options to be explored and developed will be more explicitly defined during project preparation, but some options to be considered include:

- (a) Biodiversity Bonds. Issued by the GOB in the international market, the proceeds of which would be invested in conservation.
- (b) Long-term Management Concessions. In the form of 15-20 year contracts to national and international NGOs for in-situ management. Although the GOB would still maintain ultimate responsibility over these areas, NGOs would be awarded, under competitive bid, contracts for managing them with international resources that they would raise (example Noel-Kempf Mercado in Bolivia).
- (c) Eco-tourism Concessions. Concessions could also be awarded to tourism companies which in return for exclusive use would be responsible for overall management (only low-impact eco-tourism will be considered).
- (d) Community Co-management. Local communities would be allowed to continue utilizing local resources (as long the impact is negligible as determined in a management plan) in exchange for supporting patrolling efforts (example Mamiraua).
- (e) Carbon Sequestration. Section 11 certificates to be handled through the Clean Development Mechanism under the Climate Change Convention.

13. Additional mechanisms to be studied include the creation of Trust Funds, Tradable Protection Rights for Forest Conservation, and Entrance Fee mechanisms for easily accessible areas. The project will also raise awareness about the importance of

these areas and this may in itself enhance the possibilities for increased budget allocations (both State and Federal) to them. (Total Estimated Cost: \$2.0M).

14. Project Monitoring and Evaluation. This component will include support for scientifically sound monitoring and evaluation of biodiversity. Collaboration with other initiatives will be sought including PROBIO and COBIO. In particular, partnerships will be sought with the GTZ-funded SIMBIO project of biodiversity monitoring within protected areas under execution by IBAMA. SIMBIO is developing and testing a methodology on a pilot basis. The SIMBIO project will be ready for full implementation by the time this GEF project becomes fully effective; therefore there is a good opportunity for collaboration while avoiding duplication. SIMBIO personnel have expressed interest in full collaboration. Links will also be sought with the "Large-Scale Biosphere/Atmosphere Experiment" (LBA) project implemented jointly by INPE and NASA. A sub-set of 5 representative protected areas will be chosen for intense on-the-ground biodiversity monitoring, estimated at \$500,000 per area per year (Total Estimated Cost: \$12.5M).

15. Phasing of the Project. Given the innovative nature of this project and the large scale of the efforts, it is important to recognize up-front the challenges associated with such an scale and the need for proper absorptive capacity to be in place. The project will therefore take a flexible implementation approach based on the World Bank's new "Adaptable Program Framework." Release of GEF resources will be tied to agreed upon implementation benchmarks for each project phase. In addition, project activities will be implemented sequentially for each of 5-10 "cohorts" of new protected areas, in such a way that new areas are created, implanted, and "graduated" in waves, allowing for lessons learned to be incorporated as new areas enter the system. The total duration of the project has been estimated to be between 5 and 10 years and the number of phases will be determined during project preparation.

Eligibility

16. Brazil was the first signatory of the Convention on Biological Diversity and ratified it on February 3, 1994. The proposed project is consistent with the GEF Operational Strategy, supporting long-term protection of globally important ecosystems. Without doubt, Brazil is the repository of the highest biological diversity on the planet. It has the highest diversity of plants, mammals, and freshwater fish in the world; second in amphibians; third in birds; and fifth in reptiles. This project supports Operational Programs 3 (Forests Ecosystems) and 2 (Freshwater Ecosystems).

17. In addition to conservation and sustainable use, the Operational Strategy also notes that operational programs should also include underlying causes and policy analysis, stakeholder involvement, and targeted research. All three of these supporting activities are either an integral part of this project or of the complementing ongoing projects in the Amazon.

18. The project is fully consistent with, and is prominently featured as a priority goal under Brazil's first report to COP IV. The project is also fully consistent with the principles of the CBD by supporting all three levels of biodiversity (ecosystems, species, and genes) and supports COP Decisions I/8, II/8, II/9, III/9, III/10 and III/12, and SBSTTA Recommendation I/3.

Coordination with other Implementing Agencies

19. The National Biodiversity Program (PRONABIO) financed by the GEF (WB Implementing Agency) and the GOB promotes partnerships between government and civil society to achieve biodiversity conservation and sustainable use. It includes two components, the PROBIO which supports the development of information on biodiversity for decision-making; and FUNBIO, which supports pilot projects of sustainable use.

20. UNDP has provided extensive technical assistance to the GOB in a wide range of environment related projects. The most relevant to the present proposal is the project "Management of Biological Diversity in Brazil," (funded by the GEF as an Enabling Activity), which is supporting coordination efforts of the National Biological Diversity Commission (COBIO) within the MMA. COBIO has the charter to plan, monitor and evaluate actions related to the conservation and sustainable use of Brazilian biological diversity, especially those within the PRONABIO. As a result of this project, the first Strategy and Action Plan will be prepared by 1999; the first National Report to the COP will be ready in March of 1998. This proposal has been developed under full coordination with both PRONABIO and COBIO and complements both efforts.

National Level Support

21. Commitment for the project is very high among all participating agencies and at all levels. The Amazon forest of Brazil is recognized as part of the National Patrimony in the Constitution of Brazil (article 225). The project has gained political support at the highest level through the recent announcement of President Cardoso to achieve the target of at least 10% strict conservation of all forest types in Brazil by the year 2,000. This project proposal supports the pledge for the Amazonian biome, but it is expected that as experience is gained through this process, additional protected areas will be similarly created in other biomes. This pledge is also consistent with a report prepared by Congress about the Amazon forest, in which a priority recommendation included the achievement of the 10% target by the year 2,000. Finally, IBAMA has identified the consolidation of the National System of Protected Areas as a top institutional priority.

22. As a response to President Cardoso's pledge, a steering group representing the Ministry of Environment, Water and Legal Amazon (MMA), IBAMA, and WWF-Brazil have coordinated actively to develop this proposal, and has established bridges with

complementary initiatives and players, particularly the PPG-7 and the World Bank. This initiative therefore enjoys political commitment at the highest level as well as a strong degree of inter-agency cooperation, and cooperation between the GOB and an NGO. As a result of this partnership, the GOB is already in the process of creating 3 new Strict Protected areas in the Amazon and 2 in the Atlantic Forest, for a total combined area of 1.2 million ha.

Justification for PDF Grant

23. The PDF grant will finance preparation of those components of the project which are expected to have an entirely global benefit. Complementary ongoing activities, including those of the PPG-7, PNMA, and PRONABIO have paved the way for the proper set of institutional and policy frameworks to support implementation of this project. Therefore, and even though most of these contributions are not an explicit part of this proposal, it is clear that they have played and will continue to play very key complementary roles in both preparation and implementation activities.

Description of PDF Activities

24. PDF grant funds are requested to support part of the preparatory activities. These activities will be carried out by the Ministry of the Environment. Portuguese language terms of reference (TORs) are available in draft form for individual consultancies to be executed under each activity. Specific preparation activities to be financed through the PDF are described below.

25. Coordination: The PDF activities and project preparation will be coordinated and administered by the Secretary of Integrated Development of the Ministry of the Environment with support from a Steering Committee integrated by representatives of the MMA/SDI, MMA/SMA, IBAMA, BIRD and WWF/Brazil. This steering committee is already in place and has been responsible for developing this draft proposal (please refer to point 20 above). Under this component a framework for proper phasing of all project activities will also be developed and definition of performance benchmarks. (Cost of Component \$120,000).

25. Identification and Creation of New Strict Protected Areas. Under this component, preparation will include discussions with the national and international scientific community to agree on the methodology that will be used to develop the proposed set. Emphasis will be on state of the art gap analysis of vegetation types in each major interfluvial region of the Brazilian Amazon (i.e., an approach based on landscape analyses instead of distribution of species). An inventory will also be done of all existing analysis of biodiversity in the Amazon, including those under development through PNMA and PPG-7, as well as identifying experts that will participate in the final selection during project implementation. The most important input for this component

will be the Amazonian workshop to be organized by PROBIO in September, which will consolidate and analyze available information on biodiversity and conservation status and identify and evaluate options for conservation and sustainable use in the Amazon. Preparation will also include an analysis of State-level efforts to create protected areas and discussions with authorities in all 7 states involved, and the agreement on more specific protocols regarding local community involvement during project implementation (Cost of Component \$375,000).

26. Effective on-the-ground Establishment of New Areas. Under this component, preparation will include the elaboration of a basic program for the effective establishment of the new areas. This program will more accurately identify needs and costs associated with demarcation, establishment of basic infrastructure, local personnel training, interaction with local communities, and defensibility of given areas against unauthorized access. (Cost of Component \$85,000).

27. Development of Long-term Sustainable Management Tools and Mechanisms for Effective Protection within all Amazonian Strict Protected Areas. Preparation activities will include an analysis of current legislation and policy options to establish these mechanisms, and a series of meetings and trips to learn about similar national and international experiences and identification of new partners (particularly international NGOs with this type of experience). Through this process, a final list of options will be prepared for in-depth analysis and consideration during project implementation. (Cost of Component \$75,000).

28. Monitoring and Evaluation. A monitoring and evaluation protocol will be developed based on the work underway through PROBIO and SIMBIO and through consultations with international, national and State scientific and government institutions. (Cost of Component \$25,000).

29. Identification of Co-funding Institutions and Additional Partnerships. Meetings and workshops will be organized to announce the preparation of this project, and to enhance cooperation with other initiatives under way, additional Government institutions, international donors, and the private sector. Particular attention will concentrate in the identification of co-funders and implementation partners (private sector, national and international NGOs, etc). WWF-Brazil will actively participate through lobbying efforts and international mobilization of potential donor sources (\$40,000).

30. The following table summarizes the funding sources for the preparation activities:

Activity	GEF Financing	Government Contribution	Co-financing (WWF)	TOTAL
Coordination	\$35,000	\$75,000	\$10,000	\$120,000
Identification and Creation of New Areas	\$75,000	\$300,000		\$375,000
Establishment of New Areas	\$75,000	\$10,000		\$85,000
Long-Term Sustainable Mechanisms	\$65,000		\$10,000	\$75,000
M&E	\$20,000	\$5,000		\$25,000
Identification of Co- funders and awareness	\$30,000		\$10,000	\$40,000
TOTAL	\$300,000	\$390,000	\$30,000	\$720,000

Expected Outputs

31. The expected outputs from this PDF Block B grant will be:

- (i) A full GEF Proposal for an investment package to achieve the objectives described above, including protocol for phasing of activities within the Bank's "adaptable program framework."
- (ii) Full agreed-upon methodology and complete database for the creation of new areas and protocols and cost tables for establishment of new areas.
- (iii) A set of agreed-upon options of long-term financial mechanisms appropriate to the national and local contexts, and a database on knowledge and contacts.
- (iv) An agreed-upon protocol for biodiversity M&E and establishment of partnerships.
- (v) Identification of new partners (including-co-funders), and national awareness of the initiative.

Expected Date of Project Preparation Completion

32. The preparation will be completed by December, 1998.

Implementing Agency Task Manager

33. Robert Schneider