

**UNITED NATIONS ENVIRONMENT PROGRAMME
GLOBAL ENVIRONMENT FACILITY
PROPOSAL FOR PDF BLOCK B GRANT**

Country: Regional Basin of the Sao Francisco River and Coastal Waters. (Brazil - South West Atlantic Large Marine Ecosystem)

Focal Area: International Waters

Project Title: Integrated Management of the Water Resources of the Rio Sao Francisco Basin and its Coastal Zone

Funding Requested: US\$341,000

Other Contributions: US\$279,000 (in kind)

Source: Various UNEP; OAS; WB; Ministério do Meio Ambiente, dos Recursos Hidricos e da Amazonia Legal (MMA); and the States of Alagoas, Bahia, Minas Gerais, Pernambuco and Sergipe, and Distrito Federal (Brazil).

Requesting Agencies: UNEP and the World Bank

Executing Agencies: Organization of American States (OAS)

Local Executing Agency: Secretaria de Recursos Hidricos/MMA (Brazil)

Block Block B

Block A Grant awarded No.

Duration February - October/1997

I. SUMMARY, PROJECT OBJECTIVES AND DESCRIPTION

BACKGROUND

The basin of the Rio Sao Francisco, located in the States of Alagoas, Bahia, Minas Gerais, Pernambuco and Sergipe, and the Distrito Federal, in the Republic of Brazil, drains an important industrial and agricultural area of Brazil to the Atlantic Ocean. Since colonization, the Sao Francisco River has played an important role in the development of Brazil. The Basin contains 15.6% of the population of the country and drains 7.6% of the land area of Brazil. The Rio Sao Francisco is known as the "River of National Unity". It is 2,700 km long and arises in the Canastra Mountains in the State of Minas Gerais, crossing the divide between the Planalto Atlantico and the "chapadas" of Central Brazil. The river flows in a generally south-north direction until it reaches the vicinity of the City of Barra, BA, where it flows in an approximately easterly direction to the Atlantic Ocean. The Basin drains an area of 640,000 km², of which 83% is located in the States of Minas Gerais and

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Bahia, 16% in the States of Alagoas, Pernambuco and Sergipe, and the Federal District.

The past fifty years have seen numerous governmental interventions to promote regional development which have been largely sectoral in nature, with little integrated effort or planned, sustainable development. Persistent socio-economic problems continue to exist in the basin and significant environmental problems have developed, largely due to the manner of development within the basin. Principal developments have included the construction of large hydroelectric energy facilities, large public and private irrigation schemes, industrial developments and mining activities. This has resulted in substantial economic benefit to the region but has also resulted in significant adverse environmental impacts and, in some instances, adverse social impacts to dislocated populations.

In the Upper Sao Francisco Basin, in Belo Horizonte metropolitan area, environmental problems have resulted from the establishment of mines and ore processing facilities, food processing facilities, petroleum refining, petrochemical, and agrochemical industries. Adverse impacts in the Middle and Lower Middle Sao Francisco Basin, include major changes in river morphology and riparian ecology, changes in the fish biology, water quality degradation from wastewater discharges, and land degradation (i.e. erosion and salinization) from erratic development of non-irrigated agriculture, poor soil conservation practices and overgrazing on areas of marginal soils.

In the Lower Sao Francisco Basin sub-basin, environmental consequences include contamination from both agricultural and agro-industrial development, as well as wastewater discharges, which contribute to public health concerns in the coastal zone and cause major impacts on the ecology of the river delta and the adjacent coastal zone. Major modifications in the natural hydrology of the river basin caused by these interventions have caused significant impacts on the natural sediment transport, beach nutrition and ecology of the delta and the coastal zone. Throughout the Basin, the development along the Sao Francisco River has resulted in competition for water resources between the various industrial, agricultural and hydroelectric production sectors in the Basin as well as the use of the river for navigation. Further, due to the nature of the basin geology, soil erosion increases progressively from the headwaters to the debouchement, increasing from 8.4 million tons/year at Pirapora to 32 million tons/year and more at Posto de Morpara and Manga. A significant proportion of this load enters the South-West Atlantic LME and is deposited on the sea floor of the Sao Tome estuary, increasing marine alga production and sedimentation of organic matter in this region, in a manner similar to the North Sea and Black Sea¹. The adjacent beach and mangroves region to the north of the delta represents a critical nesting habitat for several threatened or endangered species, such as sea turtles species. The long-range impact of the river basin development and changes in sediment transport patterns to the delta, the beach zone, and mangroves ecological regime is largely unknown at this time.

¹ Jennerjahn, T.C., V. Ittekkot and C.E.V. Carvalho (1996) Preliminary Data on Particle flux of the Sao Francisco River, Eastern Brazil, IN: V. Ittekkot, P. Schafer, S. Honjo and P.J. Depetris, Particle Flux in the Ocean, Scope 51, Wiley, London

In 1993, there were 463 municipalities of government in the basin, of which about half were located within areas classified as semi-arid. The population of the Basin in 1991 was about 13.8 million inhabitants, of which 9.5 million inhabitants were in urban areas and 4.3 million inhabitants were in rural areas. It is estimated that this population may increase by about 30 percent by the year 2020, which will increase population and development impacts within the Basin and its coastal zone.

PREVIOUS SUPPORT

Numerous plans and projects have been implemented for the Sao Francisco River Basin. A number of World Bank-assisted projects have been implemented including dams constructions, flood control measures, hydropower plant, and reforestation projects. Complex changes in flow regimes have resulted.

The Master Plan for the Development of the Sao Francisco River Valley (PLANVASF), completed in 1989 and prepared with the assistance of the OAS, was designed to provide incentives to the public and private sector for the development of the Basin. This plan included the development of the natural resources of the Basin, increased food production, development of the water resources of the Basin, to support irrigated agricultural, hydropower development supplying the National Grid and water and sanitation services to Basin populations. In addition, the Plan provided for improved river navigation, and protection of the environment. In this regard, this Plan continued the sectoral approach to river basin management. The PLANVASF area of studies comprises 421 municipalities in the States of Alagoas, Bahia, Minas Gerais, Pernambuco and Sergipe, covering an area of 691,000 km², not including the State of Goias and the Federal District. The Plan was approved as part of the Regional Plan of Economic and Social Development for the Northeast Region by adoption of federal law no.8.851 of 31 January 1994.

In 1984, the Executive Committee of Integrated Studies of the Basin (CEEIVASF) was formed in the framework of the Special Commission for Integrated River Basin Studies to undertake specific planning studies within the Basin. This Committee was among the first to consider the Sao Francisco River Basin as a hydrologic unit. However, the focus of this Committee was only for studies purposes. Although this Committee attempted to decentralize decision-making from the federal level to the river basin level, it lacked institutional independence and a mechanism for sustainable financing.

Parallel to this initiative, the States Parliaments of the riparian states agreed upon the establishment of the Inter-State Parliamentary Commission for the Development of the Rio Sao Francisco (CIPE), which was comprised of the Presidents of the Legislative Assemblies of the five States comprising the largest portion of the land area of the Basin.

In addition, the local government authorities created UNIVALE, the "Uniao das Prefeituras do Vale do Sao Francisco", which includes representation from the municipalities in the Basin. This Union provides technical advice on issues such as energy production, irrigation development, sanitation and human settlements, tourism, transportation, education and environmental protection.

The principal Federal Agencies involved in the basin include: CODEVASF, with responsibilities to promote the use of water and soil for agricultural and agroindustry development; FRANAVE, with responsibilities in the navigation sector; CHESF, with responsibility in the hydroelectric sector; SUDENE, with general planning responsibilities within the Northeast; and DNOCS, with responsibility for mitigation of drought impacts in the Northeast.

The transbasin diversion of water from the to non-riparian states of the Northeast has long been under consideration. A plan was formalized through joint efforts of the Federal Government, state governments and local organizations, with support of the United States Bureau of Reclamation and international consultants. The highly political nature of this proposal and the potential for conflicts within the riparian states has continued to impede progress in the endeavor. However, as population and industry with the potential recipient states continues to expand, the pressure for this development will grow.

Most recently, the Special Commission for the Development of the Sao Francisco Valley, was created by Act No. 480 of 1995 of the Federal Senate, to promote discussion on strategies, policies, programs and priorities for the development of the Valley. Included in this mandate was the alleviation of poverty and balancing of socio-economic development and environment in the Basin, including the rehabilitation of degraded lands. This Commission was empowered to undertake discussions with both private and public sector agencies and organizations in order to promote sustainable development in the Basin.

According to the final report of the Senate Special Commission, the studies and projects undertaken in the basin never reflected a basin-wide approach and an integrated management perspective has never been applied. In the same report, it is mentioned that there are no legal or institutional framework in place to administer and implement this integrated management approach². This special commission developed a detailed set of recommendations with regard to the Basin, including all sectors of interest. With regard to the environmental sector, the commission concluded and recommended the following:

- improve and decentralize the process for assignment of water use rights by establishing agreements with and between the states of the Basin;
- prepare and execute a basin-wide program for rehabilitation and environmental preservation of the Sao Francisco River Basin, involving the federal, state, municipal governments, and the civil society, by:
- establishment of an environmental management system;
- establishment of a monitoring and information system;
 - development of classifications for water quality;
 - implementation of the environmental licensing system for potential polluter activities;

Relatório Final - Comissão Especial para o Desenvolvimento do Vale do São Francisco - Senado Federal - Brasília - 1995 - Similar concerns have been raised by World Bank Operation Evaluation reports on the World Bank assisted projects.

- refinement of the methodologies and criteria for environmental evaluation and control;
 - implementation of a program to rehabilitate the marginal river forests and riparian vegetation;
 - implementation of conservation units in the basin;
 - implementation of environmental zoning, with emphasis on the headwaters and the delta;
- establishment of a Regional Coordination Council to coordinate actions taken by all different key players in the basin.

To address activities in the Brazilian coastal zone, the Federal Government created by Law no. 7 661, on May 16, 1988 the National Environmental Program which includes the National Coastal Management Plan. This plan is the basis for implementation of the Program and the Secretary of Environment of the Ministry of Environment, Water Resources and Legal Amazon is the executing agency. The main objectives of the National Coastal Management Plan is to "plan and manage, the socio-economic activities of the coastal zone, and to ensure the use, control, protection, conservation and rehabilitation of the coastal zone natural resources and ecosystems" in an integrated, decentralized and participative manner.

These main objectives are detailed as follows:

- identify the dimension of the potentialities and vulnerabilities of the Coastal Zone;
- ensure the sustainable use of coastal zone natural resources;
- make human action compatible with the dynamics of the coastal zone ecosystems, so as to ensure the ecologically sustained social and economical development, with improvement of life quality;
- ensure the preservation, conservation and rehabilitation of the coastal zone ecosystems; and;
- control effectively the pollution sources and environmental degradation, in all their forms, that affect the Coastal Zone or may come to do so.

At present, the Federal Government is negotiating with the World Bank a program for supply, named "Development Program of Water Resources for the Brazilian Semi-Arid - PROAGUA", that includes the Sao Francisco Valley, except the State of Goiás and the Federal District.

The Secretary of Water Resources of Brazil invited the UNEP, the OAS and the World Bank to field a mission to the Sao Francisco River Basin. The mission was conducted during May 1996, at the conclusion of which, the Government of Brazil, through its GEF Focal Point, requested UNEP, and the OAS to prepare an application to the GEF FOR PDI/B funds for the preparation of a water resources management planning project inn Sao Francisco River Basin. This proposal is the result of that request.

WATERSHED MANAGEMENT PROGRAM:

It is contemplated that this program will be undertaken in two phases. The proposed Block B Grant will be used primarily to scope and prepare work plans for the Phase I project. The first phase of the project will conduct the investigations, feasibility studies and pilot programs necessary to well define the second phase project or projects which will be of much greater size and scope. It is contemplated that the first phase project might be financed through a pilot project loan from the World Bank and a grant from the GEF.

PROGRAM OBJECTIVES

Building upon the previous studies, the GEF project will help the Government of Brazil to promote sustainable development of the Sao Francisco River Basin, based upon the implementation of a Watershed Management Program (WMP) integrating the watershed and coastal zone. The Phase I Project will assist the Government of Brazil to incorporate land-based environmental concerns into development policies, plans and programs for the Basin and for the Basin and for the protection of its coastal zone; and to conduct pilot demonstration activities during WMP formulation to gain information needed for management purposes. The integrated and sustainable management program for the Sao Francisco River Basin (SFRB) and its coastal zone will be fostered by Phased Program anticipated. The specific objectives will include:

- Evaluate the existing Sao Francisco Basin Legal and Institutional Framework and suggest adjustments to the organizational structure which takes into consideration stakeholder participation for water resources management in the Basin, as well as fostering stronger cooperative efforts within the existing organizations with responsibility in the Basin. This would include clarification of the role of all existing stakeholders in the SFRB and, where appropriate, proposals of new methodologies and responsibilities to ensure proper integrated water resources management under an integrated networking system.
- Define and evaluate the nature of interactions, within the SFRB, including the riparian zones, the delta area, the coastal zone and the off-shore marine ecosystem impacted by the river. This would examine existing and potential development scenarios including the long-range impact of the basin development on the riparian and coastal zone ecology of the basin.
This evaluation would include assessment of different flow regimes, water quality assessments as well as assessment of river geomorphology impact on the ecosystem.
- Develop recommended strategies to ensure the integration of a comprehensive management program for the SFRB and its coastal zone, into other environmental management programs, particularly with the Coastal Zone Management Program of the Secretariat of Environment. This management program will consider mitigation measures to alleviate adverse impacts, restorative measure to recuperate to ecosystems and over-all development and management strategies to ensure environmentally sound and sustainable development of the Basin.

- **Rehabilitate selected degraded areas as pilot demonstration projects, during the preparation of WMP, to gain information for management purposes. These areas would be representative of the major classification of problems including mine waste mitigation and recuperation, industrial waste control, non-point agricultural waste control, range and forest rehabilitation, recuperation of riparian vegetation, modification of agricultural practices to minimize watershed erosion, mangrove protection measures and operational coordination and flow modification to minimize adverse impacts on the ecosystem and enhance beneficial uses of the river system and the coastal zone.**
- **Strengthen Basin institutions and build capacity to enhance the ability of federal, state and local agencies and organizations to manage the Basin and its coastal zone, including the exchange and use of information and data between agencies, organizations and the public, and the promotion of institutional networking.**
- **Identification and implementation of basin-wide land conservation and management practices and conservation-oriented agricultural technologies to limit erosion and toxic waste inputs to the Basin.**
- **Promotion of multisectoral and public participation in the process of basin management by developing a mechanism to ensure participation in Basin Management. Accomplishment of this task may involve changes to the institutional framework to ensure widespread public participation, including the creation of legal and institutional mechanism to promote the active involvement of citizens, private sector organizations, and public sector agencies at the federal, state and local levels.**
- **Formulation and implementation of the institutional management structure of the SFRB, with the assistance of the implementing/executing agencies, to strengthen its regional role, its sustainability, its responsibilities and its authority.**
- **Strengthening of the capacity of State and local agencies to participate in the water and environment permitting/licensing process through an enhanced capability to analyze water resources development projects in the Basin and to recommend design and operational actions including needs of appropriate dams structures to manage water resources and protect biodiversity and aquatic ecology in the basin and its coastal zone, and ensure information exchange and coordination of actions in the event of natural and other hazards and disasters.**
- **Identification and evaluation of the use of economic instruments (both water quantity and quality) in the management of the Basin. Important components of this activity will be: a) the determination of an economic price for water (i.e. consumptive use of water such as in irrigated agriculture and domestic and industrial uses), and the use of water resources (i.e., the non-consumptive use of water, such as in hydro-power generation and recreational uses), in the Basin based upon current and planned developments in the Basin; and b) feasibility of instruments such as effluent fees, pollution reduction trading markets, and other measures for improving quality.**

- Identification and quantification of the effects of upstream activities on the coastal zone environment (including aspects of water quality and biodiversity), and quantification of power generation, inter-basin transfers, irrigation, etc., as set forth in the national development plan. This would include the development of a comprehensive decision support model to evaluate alternative scenarios for management of the Basin.
- Development of programs of public participation, social assessment, and regional information with the objectives of facilitating local involvement in projects and programs within the Basin.

PROPOSED PHASE I PROJECT ACTIVITIES

Phase I Project activities will include, but are not limited to, the following which will complete the strategic work for addressing priority issues:

- Evaluation of all existing studies and information with regard to the institutional, political, physical and social situation in the Basin including planning and policy work accomplished to date as well as conduct necessary stakeholder identification activities and prepare social assessment activities.

Definition and prioritization of activities and actions necessary to implement a sound and sustainable watershed management and basin development plan within the basin.

- Preparation of economic and technical feasibility studies, plans and designs for the activities defined and prioritized.
- Design and initial implementation of legal and institutional frameworks necessary to support and implement the activities and actions as a part of the sustainable WMP.
- Study and definition of financial and cost recovery mechanisms necessary to maintain financial sustainability for the institutions, operations and development defined as a part of this Phase.
- Identification, design and implementation of relevant pilot projects to test concepts, methodologies and techniques for resolving sustainable management problems, watershed recuperation and operational integration within the Basin.
- Preparation planning and design in a quality manner of the project or projects which will be part of Phase II to implement the plans strategies and policies defined by Phase I.
- Determination of expected baseline action for GEF purposes.

The PDF proposal would support the preparation of the Phase I Project. This is a phased approach, with UNEP proposed as implementing agency because of the nature of this initial strategic programming work that will be accomplished as well as its partnership with

the OAS in the conduct of similar, previous work in Latin America. In addition, this project may provide a pilot demonstration how countries can address land-based activities that degrade marine ecosystems through integrated basin management. UNEP is responsible for developing a global program of action for addressing land-based activities. Because of past and present involvement of the World Bank in the basin, the Bank will also be an implementing agency for the Block B Grant activities. OAS is proposed as the executing agency because of this partnership and their experience in similar projects. UNEP, OAS and the World Bank are providing each US\$25,000 in kind for project preparation, and the Government of Brazil is providing US\$204,000 in kind. Other donors, and the public and private sector, may contribute to the support of the actual Phase I and Phase II Projects.

The Ministério do Meio Ambiente, dos Recursos Hidricos e da Amazonia Legal (MMA), through the Secretaria de Recursos Hidricos (SRH), is proposed as the local executing agency because of its national competence and mandate to coordinate such initiatives in the SFRB, and other federal river basins according to the National Water Policy Law, with the participation of the Secretario do Meio Ambiente (SMA). The SRH will coordinate the participation of additional federal, state and municipal agencies and organizations, having interests in the development of the SFRB, during preparation of the Phase I Project.

A Steering Committee, consisting of representatives of the MMA, Secretaria de Assuntos Internacionais do Ministério do Planejamento e Orçamento (SEAIN/MPO), the implementing agencies of the GEF and the OAS, is proposed for project preparation. This is a country-driven project and, therefore, the Steering Committee will be chaired by the SRH.

Participation of the national, state and municipal agencies with competence in the region, scientific and academic institutions, and concerned civil organizations (NGOs) will be by way of sub-committees of the Steering Committee. It is intended that consultants from the region will be used to the maximum extent and some support for equipment for the MMA has been included.

II DESCRIPTION OF PDF ACTIVITIES BY COMPONENT

OBJECTIVES OF THE PDF ACTIVITIES

The objective of the PDF will be to evaluate the present watershed management situation in the Rio Sao Francisco Basin and to define and prepare terms of reference for a Phase I Project to be jointly financed by the Government of Brazil, the World Bank and GEF. This Phase I Project will conduct the feasibility studies, pilot projects and preparation and design activities that would form the foundation for the implementation of a program for development of a long-range sustainable watershed management program for the Basin that incorporates environmental considerations.

The PDF grant will allow the Ministry of Environment, Water Resources and Legal Amazon (MMA) supported by UNEP, OAS and the World Bank to prepare a Phase I Project proposal for GEF Council approval and for the consideration of a Pilot Project by the World

Bank, consult extensively with stakeholders in both participating states, and initiate institutional arrangements for its implementation.

PROPOSED PDF ACTIVITIES

A. GEF-FUNDED ACTIVITIES

The following activities are proposed to be funded in part by funds provided by the GEF:

Activity 1. Establishment of the Steering Committee and preparation of Terms of Reference for its Director and support staff.

The MMA, with the support of UNEP/OAS, will establish a steering committee as mentioned above. The Steering Committee, chaired by a representative of the SRH, will prepare Terms of Reference for the Director of the committee and its support staff.

Activity 2. Compilation of an updated overview of major present and emerging water resources issues of the region.

Experts, appointed by the SRH, and advised by the Steering Committee, will definitely, locate and compile existing information on SFRB, define relevant hydrologic and socio-economic sub-units for management purposes, and prepare an overview of the major present and emerging water resources and environmental issues in the Basin and its coastal zone in order to identify important land-based concerns that will form the basis for the determination of subsequent activities to be conducted during the project.

Activity 3. Coordination and consultation with organizations in Basin States in the identification of priority actions, including locally-based initiatives for the protection and management of natural ecosystems and needed feasibility studies.

The Steering Committee will conduct consultations with agencies and units of government in Brazil, civil institutions and non-governmental organizations, scientific and academic institutions, and other groups within the Sao Francisco River Basin in order to identify initiatives, responses and priority actions for basin development, watershed management, economic activities and social development in manner that provides protection and management of natural ecosystems of the SFRB and its coastal Zone, and that ensures close coordination between project development activities, proposed project activities and other related GEF projects.

The Inter-American Water Resources Network will be used to facilitate the conduct of this activity to provide an exchange of experiences and information. (Public participation activities set forth under Activity 5).

The initiatives identified and consultative framework established during the conduct of this PDF activity will form the basis for subsequent activities proposed for the project.

Activity 4. Activities needed for strengthening institutional arrangements.

The Steering Committee will identify needed actions for evaluating the regional role and inter-relationships of the MMA, the SRH and the SMA, and the CEEIVASF, and other institutions within the SFRB. Actions will address the regional responsibilities; existing laws, regulations, and guidelines; institutional structures; monitoring, modelling and analytical capabilities; and, roles in promoting and managing development, etc. A framework for an action plan for the strengthening of relevant institutions within the basin will be developed. Some equipment required immediately may be included under this activity. Relevant activities will be recommended for inclusion in proposed project activities.

Activity 5. Support for public participation and consultation

The Steering Committee will convene a national workshop and three workshops in the riparian states to promote public input to, and citizen involvement in, the proposed project, especially with regard to the sustainable development of the SFRB. The concerns identified and approaches for citizen involvement identified as a result of this activity will be used to formulate public participation elements in the proposed project. A stakeholder identification analysis will be conducted and terms of reference for social assessment will be prepared. Both print and audio-visual media may be used in conjunction with the conduct of this activity.

Activity 6. Preparation of project concept documents for approval of the Government of Brazil, and submission to the GEF Council and to the World Bank.

The Steering Committee will be responsible for the preparation of the Phase I project documents for the formulation of technical and institutional components of the Phase I Project, including the identification and prioritization of activities and participating institutions, identification and prioritization of pilot and demonstration alternatives, evaluation of potential economic instruments for water resources management and preparation of terms of reference for studies and pilots to refine and evaluate the use of such instruments. The Phase I Project shall include but not be limited to water quality protection, water resources management environmental rehabilitation, watershed rehabilitation, and basin development that will be compatible with the protection of biodiversity in the SFRB, the delta and its coastal zone.

B. CO-FUNDED ACTIVITIES

The following activity is proposed to be co-funded:

Activity 7. Analysis of regional problems and on-going projects in the region, and their relevance to the development of the basin.

The analysis of regional problems in matters of water pollution and ecosystem restoration in the SFRB and its area of influence, its relevance to MMA and the Government of Brazil, and proposals for activities that are best executed through regional coordination. Based upon existing information assembled by consultants under the direction of the Steering

Committee in Activity 2, the Steering Committee will guide the PDF activities and will develop the basis for the formulation of subsequent project activities.

In addition to the foregoing activities, the Government of Brazil will undertake specific basic studies relevant for the future development of the GEF project. Appropriate data gathered and information collected in terms of these studies will be incorporated into the overview of major present and emerging environmental issues within the region, set forth as Activity 2 above. These data will contribute to the analysis, to be funded by the Government, identified as Activity 7 of the PDF process. Likewise, the Government of Brazil will provide further, general support for the PDF process, including office facilities and support services for consultants and others participating in, and contributing to, the PDF process.

C. GENERAL CONSIDERATIONS

All the proposed activities will be driven by the Government of Brazil, and the São Francisco River Basin Committee.

Activities of all consultants, with the support of the international agencies, will be based upon preparatory work and Terms of Reference agreed with and approved by the Steering Committee. To the extent possible, all tasks will be executed by national agencies of Brazil and/or by national consultants.

All three GEF Implementing Agencies will be invited to participate in the Steering Committee for preparation. It is anticipated that UNEP will assist in preparing project elements relating to the identification and mitigation of land-based priority issues that influence the coastal zone; and the World Bank would provide guidance for the preparation of project elements relating to economic, institutional and technical areas and associated sectoral policy issues. OAS will act as manager of the funds provided to the project by UNEP on behalf of GEF.

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III. ELIGIBILITY

The Ministry of Environment, Water Resources and Legal Amazon (MMA) of the Government of Brazil is responsible for the implementation of the National Water Resources Policy and the National Environmental Policy. Within the MMA, the SRH is the institution responsible for the general implementation of the National Water Resources Policy established by Law No.9433, from January 8, 1997, and, therefore, for programming in the basin, and the organization responsible for regional cooperation and coordination of

development activities related to water resources management. With this background, the SRH is the most appropriate agency to receive support from the GEF. It is presently receiving technical support from OAS, UNEP, and the World Bank. In addition, the Basin is presently receiving financial support from the World Bank in a variety of sectors including irrigation development, broad-based social development, rural electrification, transportation and water resources management including institutional strengthening.

This request fulfills and accords with the approach laid out in the GEF "Operational Strategy" for the International Waters approved by the GEF Council.

- It focuses on land-based activities in the São Francisco River Basin which may influence the delta and the Atlantic Ocean. Activities in the SFRB will condition the development of other activities being carried out or to be executed in other parts of the South-West Atlantic Large Marine Ecosystem.
- It proposes an approach based upon (1) strengthening and developing capacity needed to enable existing or new institutions to function more effectively, and (2) sharing costs for interventions required for setting up priority elements within comprehensive plans that have been already agreed upon.
- It proposes to help catalyze the necessary regional actions, and the resulting national and local actions, required to address international waters problems in this region.
- It aims to help decision-makers in the São Francisco River Basin and its coastal zone to identify necessary changes in decisions in order to help make existing programs of development in the region consistent with the principles of sustainable development and compatible with the capability of the environment in the region to support them.
- It accords with GEF's key role in promoting collective actions to address the issues codified or otherwise articulated in this large body of international agreements and policy instruments, and helps ensure, to the extent possible. These efforts are coordinated and not duplicated.

IV. NATIONAL LEVEL SUPPORT

The Government of Brazil has pledged an in kind contribution amounting to US\$204,000 as detailed in the general finance table presented in point VI.

As mentioned above, the Government of Brazil invited the OAS, the UNEP and the World Bank, to field a mission to the São Francisco River Basin in May 1996. At the conclusion of which, the Government of Brazil requested UNEP, in association with the OAS and the World Bank, to prepare this application to the GEF for PDF/B funds for the preparation of a water resources management and coastal zone conservation planning project in the Sao Francisco River Basin.

V. JUSTIFICATION

The present PDF proposal has been prepared by SRH, with the assistance of UNEP, OAS and the World Bank, at the request and on behalf of the GEF-eligible Republic of Brazil. UNDP is invited to participate on the Steering Committee for this project. It responds to the policy guidance of the GEF Operational Strategy approved by the GEF Executive Council.

The present proposal is designed to support an integrated and holistic approach to the management of the São Francisco River Basin, the interaction of this with management actions in its coastal zone, and actions for the mitigation of land-based activities leading to environmental benefits in the area of International Waters.

VI. ITEMS TO BE FINANCED

It is proposed that the PDF finance consultant services (in technical and institutional fields), travel for nations consultants, and workshops costs (participants travel, workshop coordinator, supporting services) amounting to US\$341,000. The OAS, UNEP and The World Bank would contribute their own staff time travel budget and materials in support of the project amounting to US\$75,000. The Government of Brazil will contribute in kind with participant staff time and logistical support for the national and regional workshops, estimated to amount to US\$204,000.

The following table shows the support provided by, and allocation of resources between, each of the implementing agencies, governments and other co-funders. The SRH will be the local executing agency. OAS will manage funds provided through UNDP. Funds requested will be used by UNEP to finance expenses related to the support of the Steering committee in carrying out the activities proposed. Following GEF PDF rules, funds will be used for Implementing Agency consultancy and staff travel only upon specific request to the GEF Secretariat by the Government of Brazil.

ITEMS	GEF	GOVERNMENT		OTHER IN KIND CONTRIBUTIONS	
		(in Kind)			
Activity 1: Establishment of Steering Committee	UNEP/OAS \$6,000	Brazil \$4,000	OAS \$25,000	UNEP \$25,000	WB \$25,000
Activity 2: Compilation of updated overview of major present and emerging environmental issues of the region	UNEP/OAS \$36,375	Brazil \$34,000			
Activity 3: Coordination and consultation with organizations in Brazil in the identification of initiatives for the protection and management of natural ecosystems	UNEP/OAS \$40,125	Brazil \$16,000			
Activity 4: Support for strengthening institutional arrangements	UNEP/OAS \$38,375	Brazil \$28,000			
Activity 5: Support for public participation and consultation	UNEP/OAS \$75,000	Brazil \$22,000			
Activity 6: Preparation of project concept and documents for approval of Government of Brazil and submission to GEF Council	UNEP/OAS \$47,250	Brazil \$42,000			
Activity 7: Analysis of regional problems and on-going projects in the region, and their relevance to the development of the basin	UNEP/OAS \$31,875	Brazil \$12,000			
Basic Studies	UNEP/OAS \$20,000	Brazil \$16,000			
General Support	UNEP/OAS \$45,000	Brazil \$30,000			
TOTAL COSTS AND AGENCY INVOLVEMENT	UNEP/OAS \$341,000	Brazil \$204,000	OAS \$25,000	UNEP \$25,000	WB \$25,000
	Total \$341,000	Total \$204,000	Total \$75,000		

IMPLEMENTING AGENCY REPRESENTATIVES:

UNEP: Dr. Walter Rast, Deputy Director, Water Branch
Mr. Ahmed Djoghiaf, Chief, GEF Coordination Unit

World Bank: Dr. Larry D. Simpson, Water Resource Management Consultant, Natural Resources and Rural Poverty Division, Latin America and the Caribbean Region
Mr. Richard Paton, GEF Coordination Unit

UNDP: Mr. Nicholas Remple, Regional Environmental Officer, GEF/REBALC



United Nations Environment Programme
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GLOBAL ENVIRONMENT FACILITY

United Nations Environment Programme

Project Amendment Proposal

GEF PDF B: "Enabling CEITs to Phase Out the Ozone Depleting Substances of the Montreal Protocol"

Project Title:	GEF PDF B: Enabling CEITs to Phase Out the Ozone Depleting Substances of the Montreal Protocol: Regional Meetings for High-Ranking Officials of CEITs
UNEP Project #:	GF/CP/2110-96-19
GEF Focal Area:	Ozone Layer Protection
Country Eligibility:	67% Countries included in project are Parties to the Montreal Protocol, and 33% are Non-Parties. Therefore, eligible GEF funding should be 67% of Total Funding.
Total Project Costs:	US\$ 179,500
GEF Costs Approved:	US\$89,875 (June 1996)
Eligible GEF Costs:	US\$120,433 (67% of the Total Funding)
Additional GEF Funding:	US\$ 30,558
GEF Implementing Agency:	UNEP
Local Counterpart Agencies:	National Ozone Units in the Ministry of Environment and /or Industry
Estimated Starting Date:	February 1997
Project Duration:	12 months
GEF Project Type:	PDF B Amendment

- D R A F T -

TELEFAX TRANSMISSION

To:	GEF Secretariat Washington, DC	Date:	06-03-97
Fax No:	1-202-522-3240	Drafter:	ABM
From:	Executive Coordinator UNEP/GEF Coordination Office Nairobi	Ref.:	GEF/
cc:		Page:	1 of
Subject:	<u>Amendment to PDF B Project on Enabling CEITs to Phase Out the Ozone Depleting Substances of the Montreal Protocol (GF/CP/2110-96-19)</u>		

Dear Frank:

Please find attached a project amendment and revised budget to the above mentioned project for consideration at the UNEP Bilateral meeting with the GEF Secretariat on 25 March 1997.

The budget amendment is required as the original GEF funding proposal was based on 50% of the countries being non-Parties to the Montreal Protocol and thus ineligible for GEF funding (8 Parties: Latvia, Slovenia, Hungary, Georgia, Turkmenistan, Czech Republic, Belarus, Slovakia; 8 Non-Parties: Albania, Estonia, Moldova, Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan).

In the actual project, there were 15 countries, 67% of which are Parties and thus eligible for GEF funding (10 Parties: Estonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Poland, Azerbaijan, Turkmenistan, Uzbekistan; 5 Non-Parties: Albania, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan).

Total costs of the project are US\$179,750. The eligible GEF portion is 67% of total funding, or US\$120,433. The current GEF Share is US\$89,875, and therefore, the additional funding sought is US\$30,558.

Yours Sincerely,

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TOTAL AMENDED BUDGET (IN US\$)
**GEF PDF B: Enabling CEITs to Phase Out the Ozone Depleting
 Substances of the Montreal Protocol**

Budget (in US\$)		Cost to GEF Trust Fund	Cost to Bilateral Funds	Total Project Cost	
10	PROJECT PERSONNEL COMPONENT				
	1200	Consultants, fees and travel			
	1201	Project management services for first meeting including identification of the local partners, liaison with local partners for organization	15,000	0	15,000
	1202	Project management services for second meeting including identification of the local partners, liaison with local partners for organization	15,000	0	15,000
	1203	Animators for First Meeting follow-up	0	0	0
	1204	Animators for Second Meeting follow-up	0	0	0
	1299	Total	30,000	0	30,000
	1600	Travel on Official Business			
	1601	Staff Travel to First Meeting	3,000	0	3,000
	1601	Staff Travel to Second Meeting	3,000	0	3,000
	1699	Total	6,000	0	6,000
1999	Component Total		36,000	0	36,000
20	SUB-CONTRACT COMPONENT				
	2200	Sub-contracts: Host Agreements/Sub-Project Documents			
	2201	Sub-contract to local organizations for workshop arrangements for First Meeting (including costs for facilities, visas and translations)	10,000	0	10,000
	2202	Sub-contract to local organizations for workshop arrangements for Second Meeting (including costs for facilities, visas and translations)	10,000	0	10,000
	2299	Total	20,000	0	20,000
2999	Component Total		20,000	0	20,000

Budget (in US\$)		Cost to GEF Trust Fund	Cost to Bilateral Funds	Total Project Cost	
30	TRAINING COMPONENT				
	3300	Regional Meetings			
	3301	Travel and per diem for regional participants to the First Meeting	30,875	10,000	40,875
	3302	Travel and per diem for regional participants to the Second Meeting	0	49,317	49,317
	3303	Travel and per diem for resource persons to the First Meeting	7,000	0	7,000
	3304	Travel and per diem for resource persons to the Second Meeting	5,000	0	5,000
	3399	Total	51,875	59,317	111,192
3999	Component Total		51,875	59,317	111,192
50	MISCELLANEOUS COMPONENT				
	5200	Reporting & Miscellaneous			
	5201	Printing and Reporting for First Meeting	1,500	0	1,500
	5202	Printing and Reporting for Second Meeting	1,500	0	1,500
	5299	Total	3,000	0	3,000
	5300	Sundry			
	5301	Communications for First Meeting	5,000	0	5,000
		Communications for Second Meeting	4,558	0	4,558
	5309	Total	9,558	0	9,558
5999	Component Total		12,558	0	12,558
99	GRAND TOTAL		\$120,433	\$59,317	\$179,750

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