

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA7195

<b>Project Name</b>	BR DGM for Indigenous People (P143492)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Brazil
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (50%), Forestry (50%)
<b>Theme(s)</b>	Social Inclusion (40%), Other environment and natural resources management (30%), Climate change (30%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P143492
<b>Borrower(s)</b>	To be selected
<b>Implementing Agency</b>	To be selected
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	26-Sep-2014
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<b>Estimated Date of Appraisal Completion</b>	28-Nov-2014
<b>Estimated Date of First Grant Approval</b>	12-Feb-2015
<b>Decision</b>	

## I. Project Context

### Country Context

The Country. Brazil is identified as a megadiverse country with extremely rich flora and fauna. Brazil's territory contains six continental biomes. The original cover of the three forest biomes represents 80 percent of Brazil's territory (8.5 million km<sup>2</sup>) and constitutes 12 percent of the world's forest area. It is estimated that 82 percent of the original Amazon Biome cover remains, while around 50 percent remains in the Cerrado and 14 percent in the Atlantic Forest. These forests are responsible for a significant portion of global land-based biodiversity and most of them are found in indigenous lands and traditional territories which occupy nearly 25 percent of the country's total land area and are the home of approximately five million people.

Agricultural Powerhouse. In 2010, Brazil was the world's seventh largest economy in terms of gross domestic product (GDP) (US\$2.1 trillion). The Brazilian economy remains partly anchored in the export of primary products, including agricultural commodities. The country ranks third among the world's major agricultural exporters, but is the largest exporter of sugar cane, beef, poultry, coffee, tobacco and ethanol and the second largest exporter of soybeans and maize. Agriculture accounts for 19.3 percent of the Brazilian labor force (nearly 19 million people). Between 2003 and

2009, the value of agribusiness exports increased by 111 percent, from US\$30.6 billion to US\$64.7 billion. Brazil now has the largest cattle herd after India. Much of this recent agricultural boom has occurred in Central Brazil's Cerrado, which is a strategic biome for economic, food security and environmental reasons. Agriculture occupies around 22 million hectares in the Cerrado (11 percent of the country's land area), and there are around 50 million head of cattle, nearly 33 percent of the national herd, on 54 million hectares of pasture.

**Environmental Impacts.** The Cerrado covers nearly 24 percent of the country (2.04 million km<sup>2</sup>). With a mosaic of 23 types of vegetation (tropical savannas, woodlands, grasslands and forests), it is considered one of the 34 global biodiversity hotspots. The rapid expansion of agriculture through cattle ranching and mechanized commercial production of grains has had high environmental costs. It has caused natural vegetation to be converted to cropland and pasture. Planted pasture is now by far the most important form of land use and the conversion to agriculture and livestock is the main reason for the Cerrado's increasing relative contribution to the country's net annual anthropogenic greenhouse gas (GHG) emissions. The biome lost about 48 percent of its forest cover by 2010. On average, 1.4 million hectares are deforested each year.

**Social Impacts.** Indigenous peoples and traditional communities have contributed to the conservation of their living habitats (an area that encompasses about 15 percent of the biome). Their traditional forest/land use management systems, livelihoods and cultural survival are now under increasing threat due to externally and internally driven pressures, which are eroding their adaptive capacity and social resilience. Externally, the economic development model in the Cerrado Biome has led to land use changes (conversion of forests in agricultural-pastoral lands), caused environmental degradation (deforestation, soil erosion, siltation and pollution in rivers and water streams, biodiversity losses, etc.) and increased Indigenous Peoples and Traditional Communities' (IPTCs) social vulnerability (poverty, food insecurity, social conflicts over scarce resources, migration of young people, weakened social ties, etc.). These phenomena are outcomes of the reduction of the stock of open lands traditionally used by IPTCs as well as of the resulting habitat change and fragmentation. The extraction of resources by encroachers (activities such as logging, hunting, and prospecting for mineral wealth) has also increasingly affected IPTC territories and ways of life. IPTCs are also confronting internal threats arising from the overexploitation of some resources by indigenous peoples and local inhabitants themselves.

These internal threats are due to: (i) the demographic growth of IPTCs that, when coupled with restricted access to land and forest resources, increases their dependence on monetary income sources and leads to the loss of cultural values and attachments, the depreciation of traditional knowledge, intergenerational conflicts and migration to the cities, and (ii) the social exclusion processes they usually face – such as: (i) the constraints they face to translate their traditional sustainable forest and land use practices into economic returns and to obtain a fair price for their products, thus adversely affecting their traditional livelihoods, which may have been discontinued in favor of others that generate short-term income but jeopardize the natural resource base; (ii) the limited opportunities they have to develop sustainable production practices, diversify their livelihoods, and meet their economic needs without undermining the forest and natural resource base; (iii) the lack of training and social assistance to improve their operational management capacities to optimize the role they can play in forest and natural resources conservation; and (iv) the limited access to decision-making processes related to forest management, REDD+ mechanisms, and climate-change adaptation. The impact of these threats varies depending on the size of the territory occupied by these peoples, their demographics and their capacity to adapt their

livelihood and coping strategies to these new circumstances. Overall, these threats generate a vicious cycle that makes the forest and land use management systems traditionally pursued by IPTCs increasingly ineffective to ensure their physical and cultural survival and forces them to increasingly rely on coping strategies that may intensify the environmental footprint of their livelihoods, become maladaptive to climate change in the medium and long run, and lead to the loss of the carbon sinks their territories still represent.

One major challenge currently faced by IPTCs in the Cerrado is that agricultural activity is set to continue and may increase manmade and climate-related pressures on the lands, forests and biodiversity on which their livelihoods, ethno-development, cultural survival and social resilience rely, thus eroding the effectiveness and adaptive capacity of their traditional ways of life as well as the global benefits for forest conservation and for climate-change adaptation and mitigation that their territories continue to provide (including as carbon sinks).

### **Sectoral and institutional Context**

The Forest Investment Program (FIP) provides financing for REDD+ efforts in developing countries in order to address key drivers of deforestation and forest degradation with a focus on transformational change. The FIP is one of the three programs under the Strategic Climate Fund (SCF), a multidonor Trust Fund established in 2009 under the Climate Investment Funds (CIF) partnership to provide fast-track climate financing to reduce deforestation and forest degradation in tropical countries (for more information, please refer to the FIP Design Document.

#### **Brazil Investment Plan**

Project: Brazil Forest Investment Plan Management

Grant:US\$1 million MDB:IBRD

Theme 1: Management and Use of Already Anthropized Areas - Improvement of producers' access to resources available for Low Carbon Emission Agriculture

Implementation of the Rural Environmental Cadastre in the entire biome

Project 1.1. Environmental regularization of rural lands (based on Rural Environmental Cadastre, CAR) - MDB: IBRD

Project 1.2. Sustainable production in areas previously converted to agricultural use (based on ABC Plan) - MDB:IDB

Theme 2: Generation and Management of Forest Information - Generation and availability of spatially and temporally consistent environmental information = forest inventory, remote sensing monitoring and early warning system for forest fires

Project 2.1. Forest information to support public and private sectors in managing initiatives focused on conservation and valorization of forest resources - MDB: IBRD

Project 2.2. Implementation of an early-warning system for preventing forest fires and a system for monitoring the vegetation cover - MDB: IBRD

Special Window: Dedicated Grant Mechanism for Indigenous People and Local Communities

Set aside: Private concessional funds

The FIP Investment Plan for Brazil (BIP) was endorsed by the FIP Subcommittee on May 18, 2012. The BIP seeks to promote sustainable land use and forest management improvement in the Cerrado

in order to reduce pressure on remaining forests and greenhouse gas (GHG) emissions and to increase CO<sub>2</sub> sequestration. The BIP has two thematic areas and comprises four projects and two special windows, to be implemented as a coordinated set.

The Dedicated Grant Mechanism (DGM) is a special initiative under the FIP. It was established at the request of Indigenous Peoples and Local Communities to support their participation in the FIP and other REDD+ strategies and programs. The DGM's design was defined by Indigenous Peoples and Local Communities representatives from all eight FIP pilot countries (Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao PDR, Mexico and Peru) during a two-year participatory design and consultation process. The DGM's basic design was approved by the FIP Subcommittee on October 31, 2011(link). The final version of its basic design and foundational documents, such as the Framework Operational Guidelines (FOG), were endorsed by Indigenous Peoples and Local Communities representatives in October 2011 and September 2013, respectively. The DGM's overall objective is to enhance the capacity and support the effective initiatives of Indigenous Peoples and Local Communities in the FIP pilot countries to strengthen their participation in FIP and other REDD+ processes at the local, national and global levels. The program has two components: (i) a country component in each of the eight FIP pilot countries; and (ii) a global component for knowledge sharing, capacity building, and strengthening of networks and partnerships among Indigenous Peoples and Local Communities.

The overall program criteria state that the country projects must be: (i) aligned with the objectives of the DGM and the FIP; (ii) aligned with one or more thematic areas of the DGM (capacity development, promotion of rural livelihoods, or investments in sustainable management of forest landscapes); (iii) complementary to the country's FIP investment plan and projects supported under it; (iv) designed and implemented under the initiative of Indigenous Peoples and Local Communities and directly benefit them; (v) based on inclusive and accountable processes; and (vi) compliant with the relevant operational and safeguard policies of the corresponding MDB.

In compliance with these guidelines, Brazil's Country Component (BR-DGM) has been prepared as a joint design and implementation partnership in a highly participatory manner that emphasizes the decision-making role played by IPTCs in the Project. Therefore, in response to their concerns, needs and objectives, the BR-DGM's principal aim is to address the internal threats they currently face to sustain livelihoods with low environmental footprint, pursue sustainable forest and land use management systems as well as adaptive coping strategies, and continue to deliver environmental services. The BR-DGM Project will make two major contributions to the BIP's objectives: (i) through the use of bottom-up and highly participatory approaches, it will engage and empower the most vulnerable social groups in the Cerrado in its efforts to address key drivers of deforestation and forest degradation and (ii) it will contribute to sustainable forest and land use management within ILTCs, which represent at least 4.6 percent of the Cerrado area and are still characterized by high rates of their original vegetation cover (80 percent within indigenous lands).

## **II. Proposed Development Objectives**

To strengthen the engagement of Brazilian Cerrado biome s indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, as well as to contribute towards improving livelihoods, land use and sustainable forest management in their territories.

## **III. Project Description**

**Component Name**

Component 1: Sustainable and Adaptive Community Initiatives

**Comments (optional)**

The aim of this component is to support indigenous peoples and local communities and organizations in developing on-the-ground, no-regrets community activities of the IPTCs' choice in order to promote sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and adaptation to climate-related changes. The component will provide subgrants for community initiatives, training and technical assistance activities. A minimum share of 60 percent of the funds allocated for this component will be targeted to Indigenous Peoples and a maximum share of 40 percent to Traditional Communities.

**Component Name**

Component 2: Capacity Building and Institutional Strengthening

**Comments (optional)**

The aim of this component is to finance capacity-building and institutional-strengthening activities that target IPTC organizations. These activities may contribute toward increasing managerial and technical capacities, access to financing sources for forest/land use and sustainable natural resources management, and participation in FIP, REDD+ and climate-change-related decision-making processes.

**Component Name**

Component 3: Project Management, Monitoring and Evaluation

**Comments (optional)**

The aim of this component is to support the Project's effective governance and efficient management, dissemination, monitoring and evaluation. This component will finance the incremental operational costs incurred by the National Executing Agency (NEA) to effectively and efficiently carry out its responsibilities: (i) by serving as secretariat to the National Steering Committee (NSC); (ii) through the Project's technical coordination, monitoring and evaluation; and reporting to the World Bank and the Global Steering Committee; (iii) through the Project's adequate financial management, procurement, and auditing; (iv) through the operation of the Project's Grievance Redress Mechanism; and (v) by supervising the implementation of community initiatives and results assessments.

**IV. Financing (in USD Million)**

Total Project Cost:	6.50	Total Bank Financing:	0.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
Borrower			0.00
Strategic Climate Fund Grant			6.50
Total			6.50

**V. Implementation****A. Institutional and Implementation Arrangements**

In accordance with the Global DGM Guidelines, the Brazil DGM has developed a governance and management arrangement with the capacity for coordination, partnership and synergies. A National

Steering Committee (NSC) will accompany project implementation and a National Executing Agency will be selected by the time of project appraisal.

The NSC will work as a deliberative and social control arena. Its principal roles and responsibilities are to: (i) decide on the annual work plans and the eligibility criteria for funding in accordance with the criteria established by the Global DGM Framework Guidelines for Operations; (ii) review and make funding decisions on eligible community proposals; (iii) provide oversight of the Project's implementation and keep the functioning of the NEA under review; (iv) review the progress of activities with regard to PDOs against indicators, and promote learning from the results among stakeholders; (v) report to the Global Steering Committee (GSC) on national activities on a semiannual basis; and (vi) mediate any conflicts related to DGM funding proposals that may arise during the course of project implementation.

The NSC will include representatives from IPTCs, the Brazilian Government and the World Bank. Up to two of the IPTCs' representatives – selected by their peers – will participate as members in the Global Steering Committee (GSC). Accommodating a request by the Government of Brazil, GOB representatives will take part in all decisions made by the NSC. This participation of Governmental representatives in the NSC had also received wide support at the time of the project consultation process. The World Bank will provide guidance on the technical soundness and feasibility of the proposals as well as their compliance with fiduciary, procurement and safeguard policies. However, the Bank will not participate in NSC's decision-making processes. Appropriate principles of transparency and accountability will be built into the NSC's decision-making processes. Its functions and membership will be further detailed in the project's operations manual.

The NEA will be selected prior to project appraisal through a competitive process supported by the World Bank and carried out by the NSC with the assistance of the Government of Brazil. The NEA will be a nonprofit and nongovernmental organization (NGO) that meets the World Bank's program-related, fiduciary and safeguard requirements. The NEA will facilitate the work of the NSC and provide to the World Bank operational and financial reports as outlined in Annex 3: Implementation Arrangements, and progress reports on results to date toward achieving the PDO. The NEA's main responsibilities include: serving as secretariat to the NSC; ensuring that DGM funds are used appropriately and that procurement is carried out in accordance with Bank rules and procedures; ensuring timely implementation of all project activities; monitoring project activities and related indicators; maintaining documentation on DGM projects and preparing progress and financial reports; ensuring that the Bank's safeguard policies triggered under the Project are observed and complied with; maintaining communications and technical dialogue with stakeholders; managing redress processes for grievances and complaints; and coordinating and providing information for the Global Executing Agency (GEA). The NEA will begin operations following project effectiveness. A grant agreement will be signed by the NEA and the World Bank to administer the grant scheme. Subsequent grant agreements will be signed by the NEA and the subgrantees.

Grievance Redress Mechanism and Complaints Procedures (GRM). In accordance with the DGMDGM Framework Operational Guidelines, a GRM will be established and further detailed in the Project Operational Manual. These mechanisms and procedures will ensure that all complaints received from IPTCs and other interested stakeholders related to a grant award decision, representation in the NSC or GSC, or the governance of the program will: (i) have a properly written record; (ii) receive timely resolution of issues; and (iii) be publicly reported. Regardless of the

nature of the grievance, the DGM will ensure that a transparent, timely and fair process is adopted to address each complaint. The initial point of contact for all grievances will be with a dedicated staff member within the NEA, whose name and contact information will be identified on the Project's and NEA's websites and in all printed project brochures. Complaints will be acknowledged within ten business days with a written response to the complainant, detailing the next steps to be taken, including transfer to a higher authority when appropriate. The NEA will record all complaints received in a publicly accessible online system that will allow complaints to be tracked and monitored. All feedback and complaints received will be displayed on the DGM website. This information will be available in a more culturally appropriate manner, depending on local circumstances. The abovementioned GRM is without prejudice to any additional mechanism established by the World Bank to address related issues of damages, and/or jurisdiction of any other national authorities as the case may be. More details will be provided in the POM.

**Implementation Period and Supervision Budget.** The proposed Project will be implemented over a period of five years (2014–2019). The World Bank's administrative costs for project preparation and supervision will be financed from the reserve fund under the FIP and in accordance with CIF benchmarks for project preparation and supervision. The administrative costs for the NEA (and any costs that may be incurred for the process of deliberation by the NSC) will come from the Project.

#### B. Results Monitoring and Evaluation

Results monitoring and evaluation (M&E) will be the key part of the DGM's activity to drive diverse stakeholders toward common development objectives while addressing major risks during program implementation. It is expected that beneficiaries (especially more vulnerable subgroups such as youths and women) will be involved in M&E through the promotion of: (i) capacity building and continued technical assistance; and (ii) ownership of the intervention, leading to higher accountability and willingness to contribute to information gathering and result dissemination.

Two evaluations will be undertaken by NEA. A midterm evaluation will measure the progress being made and identify strengths and weaknesses, with the aim of reinforcing positive aspects and making adjustments as needed. The final evaluation will assess, among other issues, the achievement of outcomes and the sustainability of results, and will identify lessons learned.

Results assessments (monitoring and evaluation) of interventions under Component 1 will rely on "before-and-after" comparisons and will include beneficiary assessment methodologies and gender-sensitive analysis.

Results from M&E will be disseminated among beneficiaries. During this time, it is expected that grievance mechanisms will be triggered in order to include the concerns and opinions of beneficiaries throughout project implementation.

#### Sustainability

Overall, the Project is fully aligned with Brazil's key policies for indigenous peoples and traditional local communities, and is expected to contribute to the achievement of objectives of the National Policy for Environmental and Territorial Management of Indigenous Lands (PNGATI: Presidential Decree 7747/2012), the National Policy for Sustainable Development of Traditional Populations and Communities (PNPCT: Presidential Decree 6040/2007), the National Policy on Climate Change, and the Plan to Prevent and Control Deforestation and Fires in the Cerrado. In this sense, MMA and

FUNAI have been closely involved in the Project's preparation and will be represented in the NSC during its implementation.

To ensure that activities are continued and benefits are sustained beyond the time frame of this Project, one of its innovations is the full participation of key stakeholders and main beneficiaries in its highly participatory preparation process and in its governance arrangements. Some project activities are aimed at: (i) strengthening IPTC organizations; (ii) overcoming gaps in IPTCs' knowledge about forest and land use management, climate-change adaptation and REDD+, which are critical for their livelihood and cultural survival in an evolving environmental context; (iii) promoting IPTCs' participation in knowledge-sharing networks at regional, national and global levels; and (iv) enabling their informed participation in relevant decision-making processes at different levels.

The sustainability of community initiatives is expected from a rigorous assessment of their potential contribution to sustainable forest/land use management as well as to beneficial coping and adaptation strategies, and consequently their ability to improve IPTCs' livelihoods, while ensuring the sustainability of forest landscapes. Lessons learned from the Project's implementation will be broadly shared to promote the replication of successful project interventions through regional and national NGO networks and through IPTCs' participation in the global component on knowledge sharing and networking in REDD+.

## VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04	x	
Forests OP/BP 4.36	x	
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

**Comments (optional)**

## VII. Contact point

### World Bank

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