Two Pilot Program projects appraised

During the last quarter of 1993, the first two Pilot Program projects were appraised by the World Bank and the donors. Appraisal is the point in the project cycle when the Bank and the donors assess the readiness of a project to be funded (for more information on the project cycle, see page 4). The projects that were appraised are the Science Centers and Directed Research project and the Demonstration Projects.

The appraisal of the Science Centers and Directed Research project was carried out between September 20 and October 8 by a World Bank delegation and donor representatives from the United Kingdom, United States, and Japan. The delegation discussed its findings with Brazilian representatives from the Ministry of Science and Technology, the two Science Centers, INPA and the Goeldi Museum, the Ministry of the Environment and Legal Amazon, and the Secretariat of International Affairs (SEAIN).

Because the funds currently available for the Science Centers component are considerably less than the estimated project budget, criteria were defined to prioritize the activities to be financed: (i) current and future science and technology needs in the Amazon; (ii) definition of concrete outputs; (iii) demonstrated past performance of departments; (iv) increasing access to information; and (v) urgent basic infrastructure needs. Project costs for the first phase of the Science Centers component at appraisal were estimated at US$9.3 million.

The Directed Research component experienced a similar shortfall in available funding in comparison to the amount originally estimated. In order to guarantee sufficient concentration of funds for research to have an impact, it was recommended that the number of thematic areas be reduced from four to two: Amazonian ecosystems’ structure and functioning, and sustainable utilization and management of Amazonian rain forests. The Brazilian Regional Commission for Research in the Amazon (CORPAM) will meet in the next few months to consider the proposed reduction in thematic areas.

During the visit, the teams also agreed on final selection criteria to be used in making grants. Proposals would be judged according to scientific merit, as demonstrated in the following criteria: (i) innovative character of research; (ii) sound methodology; (iii) qualifications of applicants; (iv) relevance of the research

(continued on page 3)
Project Updates

Indigenous Reserves

A World Bank delegation visited Brazil from October 18-22, 1993 to pre-appraise the Indigenous Reserves Project. The delegation was joined by donor representatives from the government of Germany. The delegation met with representatives from the Ministry of Environment and the Legal Amazon, the National Indian Foundation (FUNAI), and other government agencies.

During the visit, the teams spent considerable time discussing a boundary enforcement component for the project. Inclusion of this component is based upon the recognition that the regularization of indigenous reserves, while of vital importance, does not by itself guarantee the protection and integrity of these areas. In order to protect reserves once they are demarcated, the boundary enforcement component would include the formulation and implementation of an indigenous area protection plan for each reserve, with the active participation of the indigenous population. The boundary enforcement component is currently under preparation.

The teams also reviewed the prioritized list of indigenous reserves to be identified and demarcated under the project. The criteria for prioritizing the indigenous areas included both factors of vulnerability, such as proximity to urban areas or regional development projects, and the degree of threat to the physical and cultural integrity of the group, such as epidemics or interethnic conflicts. The teams discussed the importance of adhering to the prioritization list and agreed upon the necessity for an annual review of the list, with additional procedures for making emergency adjustments as necessary.

National Forests and Extractive Reserves

A World Bank delegation visited Brazil from November 30 to December 9, 1993, to continue preparation of the National Forests and Extractive Reserves project. The Bank delegation was joined by representatives of Germany (KfW and GTZ) and the Commission of the European Communities (CEC). The Brazilian team included representatives of non-governmental organizations (NGOs) working directly with extractive reserve and national forest local communities. Discussions included detailed reviews of completed pre-investment studies and current drafts of the proposals for each sub-project.

The discussion of the Extractive Reserve sub-project, which is the responsibility of IBAMA’s Center for the Sustainable Development of Traditional Populations (CNPT), focused on incorporating pre-investment studies into the sub-project design, rethinking the sequence and timing of activities, clarifying the administrative and implementation arrangements, and designing appropriate training and technical assistance to ensure the long-term sustainability of the reserves. The sub-project consists of six components: (i) extractive reserve set-up, (ii) institutional strengthening and project management, (iii) improving production and commercialization, (iv) natural resource management, (v) improving socio-economic infrastructure, and (vi) promoting appropriate public policies. The component on natural resource management was revised during the visit to include considerable research on the uses and sustainable management of natural resources, the development of zoning and extractive reserve development plans, and the design and implementation of a social and environmental monitoring system.

The discussion of the National Forests sub-project, which is the responsibility of IBAMA’s Directorate for Renewable Resources (DIREN), included detailed reviews of completed pre-investment studies and of the current draft of the proposal. IBAMA requested, and the German technical assistance agency GTZ agreed, that GTZ provide technical assistance to IBAMA in revising the sub-project proposal. Revised proposals for both sub-projects are expected to be ready in early 1994.

Natural Resource Policy projects

These projects continue in the preparation stage. Three of the projects—Zoning, Environmental Monitoring, and Environmental Enforcement—are being prepared in an integrated fashion and will be tested in three demonstration units in the Amazon, representing a range of levels of development (see July 1993 Pilot Program Update). Work in the demonstration units will be organized on the basis of river basin sections. River basins are an environmentally logical unit for tracing the impacts of different land use practices on water use, pollution, run-off, and soil erosion. By combining this data with information on economic activities, it is possible to evaluate environmental degradation in economic terms, as well as the economic benefits and costs of better practice, information which is essential for policy design.
Pre-investment studies needed for project preparation for the three projects were agreed to in October by the Bank and the Brazilian government agencies responsible for preparing the projects, the Secretariat for Strategic Affairs (SAE) and IBAMA. The objective of the three projects is to create and put into place a natural resources policy design and management system. This integrated system would allow the estimation of the potential impact of environmental policy alternatives, which would serve as a guide to decision-makers. The nine pre-investment studies will focus on four tasks: (i) inventory the data available for the three demonstration units on zoning, soils, climate, ecology, and economy; (ii) inventory existing systems for collecting such data; (iii) identify gaps in existing data and data collection systems; and (iv) assess institutional capacities to fill those gaps. Data gaps and institutional needs identified in the studies would be responded to in the design of the project. An additional pre-investment activity for the three projects will be a series of public hearings scheduled for April and May of 1994. At these hearings, members of the public and representatives from non-governmental organizations will be asked to comment on the draft project proposals. Public comments will be reflected in the final project proposals.

Preparation of the fourth Natural Resource Policy project, the State Environmental Entities project, continued with the visit of a Bank delegation to Brazil from December 6-17, 1993. The delegation met with representatives of the Ministry of the Environment and the Legal Amazon, the environmental agencies (OEMAs) of the nine Amazon states, the Secretariat of Strategic Affairs (SAE) and IBAMA. Representatives from the Commission of the European Communities (CEC), France, Germany, and the United Kingdom also attended the meetings. The Bank delegation and the IBAMA and SAE teams visited the states of Amazonas, Maranhão, Pará and Amapá, where they met with representatives of the OEMAs and of non-governmental organizations.

The objective of the State Environmental Entities project is to improve the capacity of the OEMAs to design and manage environmental policy. Discussions focused on a draft project proposal prepared by the nine Amazon states, which has two components. The first component comprises institutional strengthening activities which are common to all nine OEMAs, such as the development of environmental management models, improvement of environmental legislation, and identification of the needs for applied research and extension. The second component comprises state-specific activities designed to solve problems of importance to each state or within defined geographic areas. The teams agreed to continue project preparation using the results of pre-investment studies on the existing institutional capacities of the nine OEMAs.

Projects Appraised (continued from page 1)

Negotiations of the grant agreement for the Science Centers and Directed Research project will be scheduled when the Brazilian government has resolved several issues regarding the transfer of funds from the World Bank and the donors to the implementing agencies.

The Demonstration Projects was appraised by a World Bank delegation from November 8-16. The Bank delegation was joined by donor representatives from the Commission of the European Communities (CEC) and Germany (KfW). The Brazilian team was comprised of officials from the Ministry of Environment and the Legal Amazon and representatives of non-governmental organizations (NGOs) in the Amazon and Atlantic Forest, as well as representatives of the Bank of Brazil.

Discussions during the visit defined the role of the Bank of Brazil in the project and clarified details of the financial and legal arrangements which would govern the Bank of Brazil's involvement. The Bank of Brazil would function as the recipient of the funds for the project, passing funds along as grants to sub-projects approved for funding by the project's Executive Committee, comprised of representatives of the federal government, the Bank of Brazil, and Amazon and Atlantic Forest NGOs. The project would also provide support to two NGO networks, the Amazon Working Group (GTA) and the Atlantic Forest Commission (CMA). The project's Technical Secretariat would be located in the Department of International Programs and Projects of the Ministry of Environment and the Legal Amazon. Project funding, which is pledged in donor country currency, is currently equivalent to US$22.2 million.

In addition to agreeing on financial and legal arrangements for the project, the Bank delegation, the donors, and the Brazilian team reached final agreement on several outstanding technical issues. Standard procedures for assessing environmental sustainability, one of the selection criteria, were introduced, as were procedures for reassessment of the environmental impact of completed sub-projects chosen for dissemination. The participants also agreed on an overall budget and major types of activities to be funded for the GTA national office, with final definition of the activities pending review by GTA regional representatives at the follow-up meeting to the GTA strategic planning. In addition, regional GTA offices will be encouraged to produce proposals for their own funding needs, which will be approved by the World Bank.

Negotiations of the grant agreement for the Demonstration Projects will be scheduled when several outstanding issues are resolved.
Pilot Program projects are developed and processed by the World Bank in essentially the same manner as regular lending projects. Use of the Bank's regular procedures helps to ensure project quality and the efficient use of donor funds. The project cycle consists of six phases, which are described below.

**Identification:** This phase consists of identifying projects that have high priority and that the Bank, the government, and the donors are interested in considering for funding. A technical visit by the World Bank and the Commission of the European Communities (CEC) in October 1991 resulted in the identification of twelve priority projects for the first phase of the Pilot Program.

**Preparation:** In this phase, which normally takes one to two years, the Bank and donors work with the government agencies, non-governmental organizations (NGOs), or other groups which will be involved in project implementation to examine the technical and institutional alternatives for achieving the project objectives. The prospective executing agency develops a project proposal which will be submitted to the Bank and the donors for appraisal. Six of the Pilot Program projects are at the preparation stage.

**Appraisal:** This phase consists of a comprehensive review of technical, environmental, institutional, and financial aspects of the project. A team comprised of representatives of the Bank and the donors examines the project proposal to determine whether it is ready to be funded. Among other things, the team verifies that the design of the project is sound, the cost estimates are reasonable, procurement arrangements are acceptable, management is adequate, funds are sufficient, and that important environmental goals will be achieved. Two of the Pilot Program projects were appraised in the last quarter of 1993, and one is tentatively scheduled for appraisal in the first quarter of 1994.

**Negotiations:** The goals of this phase are to agree on measures necessary to assure project success and on the legal documents that will govern the project. Unlike regular Bank projects, Pilot Program projects do not go to the Bank's Executive Directors, or Board, for approval. Instead, they are approved by the Bank's Vice-President for Latin America and the Caribbean. Donors follow their own procedures for project approval.

**Implementation and supervision:** Implementation is the responsibility of the Brazilian government or other executing agency. The Bank and the donors are responsible for supervision, the goal of which is to ensure that the project achieves its objectives.

**Evaluation:** In the Pilot Program, evaluation will be on-going, carried out at the project level by project management units and at the program level by the International Advisory Group, the Bank and donors, and the Brazilian Coordinating Commission. Final evaluations of the projects and the program as a whole will also be carried out after program completion.

### Status of Pilot Program projects

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>PHASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Centers/Directed Research</td>
<td>Negotiations</td>
</tr>
<tr>
<td>Demonstration Projects</td>
<td>Negotiations</td>
</tr>
<tr>
<td>National Forests/Extractive Reserves</td>
<td>Preparation</td>
</tr>
<tr>
<td>Indigenous Reserves</td>
<td>Preparation</td>
</tr>
<tr>
<td>Environmental Monitoring</td>
<td>Preparation</td>
</tr>
<tr>
<td>Environmental Enforcement</td>
<td>Preparation</td>
</tr>
<tr>
<td>Zoning</td>
<td>Preparation</td>
</tr>
<tr>
<td>State Environmental Entities</td>
<td>Preparation</td>
</tr>
<tr>
<td>Environmental Education</td>
<td>Identification</td>
</tr>
<tr>
<td>Management of Natural Resources</td>
<td>Identification</td>
</tr>
<tr>
<td>Rehabilitation of Degraded Lands</td>
<td>Identification</td>
</tr>
<tr>
<td>Parks and Reserves</td>
<td>Identification</td>
</tr>
</tbody>
</table>

## News Briefs

### Pilot Program Participants meet

The first meeting of the Pilot Program Participants has been scheduled for March 23, 1994 in Brussels. The Commission of the European Communities (CEC) will host the meeting. The Participants' Meeting will provide an opportunity for the donors, the World Bank, and Brazil to discuss progress to date in implementing the Pilot Program, including agreement on specific measures to improve project processing and program coordination. In late February, the International Advisory Group (IAG) will meet for a second time to update its report on the Pilot Program for presentation to the Participants' Meeting.

### Environment Ministry expanded

On December 9, 1993, the Brazilian Congress approved legislation merging the Ministry of Environment with the Ministry of the Legal Amazon, establishing the Ministry of Environment and the Legal Amazon. In addition to its previous responsibilities for environmental issues throughout Brazil, the new ministry will coordinate government policies in the Amazon.