



BRAZIL RAIN FOREST PILOT PROGRAM UPDATE

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Institutional Reform and the Rain Forest Pilot Program

The Pilot Program represents a new and so far unique model of international partnership. Collaboration on environmental issues of global concern requires building and fine-tuning novel institutional arrangements on an international scale. Together, the Brazilian government, the World Bank and the donors are seeking to make this innovative partnership work. The Pilot Program is currently undertaking a process of institutional reform that may result in substantive changes to the program's governance and the roles and responsibilities of the various partners involved.

The framework for this institutional reform is the Pilot Program's mid-term evaluation, an ongoing review initiated in 1998. As a first step in this process, and in response to concerns raised during the 1997 Participants' Meeting, a team of independent consultants have prepared an institutional review of the Pilot Program. The mid-term evaluation, once completed, will also include an assessment of the outcomes of Pilot Program projects in comparison with stated project objectives and performance indicators; and a review of social, institutional and political impacts generated by the program. Terms of reference for the entire mid-term review process will be discussed at the 1999 Participants' Meeting taking place in Brasilia on October 27-29, 1999.

Results of the Institutional Review. The conclusions of the institutional review emphasize certain procedural issues hampering Pilot Program performance. These include the lack of an agreed program strategy; problems with program management; difficulties on the part of the Participants in addressing and resolving fundamental programmatic issues; and the complexity of project design and financing arrangements leading to costly and time-consuming project processing. On

the basis of these conclusions, the review team has recommended that alternative institutional arrangements be considered, and proposed three options for institutional restructuring to address basic problems:

- ◆ A *managed partnership* with a Joint Program Steering Committee as its central structure, to establish a framework for Brazilian government leadership of the Pilot Program;
- ◆ An *aid group* that would use aid coordination arrangements to improve government performance in the management of bilateral and multilateral financial and technical assistance; and
- ◆ An *independent foundation* chartered by the Brazilian government and financed by donors to manage the Pilot Program through a Board of Trustees with membership drawn from Brazilian civil society.

The Ministry of Environment (MMA) has assessed these options within the context of a broader rain forest strategy. MMA's analysis demonstrates that the dynamics of rain forest degradation have changed since the Pilot Program first began, with a consequent need to reformulate objectives and reprogram resources. Their view is that this can be achieved through a version of the *managed partnership*. The Brazilian government's proposal will form the basis for the discussion of institutional reform during the upcoming Participants' Meeting.

The Pilot Program's institutional reform process also includes a review of the role and function of its principal source of external advice and review: the International Advisory Group (IAG). The IAG is currently responsible for providing an independent technical evaluation of the design and implementa-

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About the Pilot Program

The Pilot Program to Conserve the Brazilian Rain Forest supports an integrated set of projects that will contribute to a reduction in the rate of deforestation of Brazil's rain forests in a manner consistent with the sustainable development of the area's natural and human resources, and that will provide lessons for designing future activities. The Pilot Program was launched at the request of the Group of Seven (G-7) industrialized countries and also enjoys financial support from the Commission of the European Communities and the Netherlands. The total volume of financial and technical assistance pledged to the Pilot Program to date, including associated bilateral projects, is about US\$250 million. The Pilot Program is coordinated by the World Bank, in accordance with agreements reached by the Pilot Program Participants (the donors and Brazil).

The Pilot Program is designed to address the underlying causes of deforestation in Brazil's rain forests through a three-pronged approach. Projects will help strengthen the capacity of the public sector to set and enforce sound environmental policy; improve management of special protected areas, including parks, extractive reserves, national forests and indigenous lands; and increase the knowledge base on conservation of the rain forest and sustainable utilization of its resources.

Project Updates • • • • •

Floodplains (*Várzea*) Management

The Floodplains (*Várzea*) Management Project is poised to begin. The US\$15.5 million project, which is co-financed by the German Bank for Reconstruction (KfW) and the United Kingdom's Department for International Development (DfID), aims to promote the conservation and rational use of *várzea* ecosystems, with an emphasis on fisheries and other aquatic wildlife. The Rain Forest Trust Grant Agreement is under review by the Brazilian government and will be signed shortly. Agreements with KfW and DfID have already been signed.

A brief mission to discuss conditions for project effectiveness took place on July 22-23, 1999. Participating in the mission were representatives of the World Bank, KfW, DfID and the German Agency for Technical Cooperation (GTZ). In an effort to facilitate project effectiveness, the mission team recommended that the Project Management Unit (PMU) be created as soon as the Rain Forest Trust Grant Agreement is signed. The Brazilian government agreed to prepare an implementation plan for the establishment of the PMU, which is currently under Bank review. ❖

Forest Resources Management

Implementation of the US\$20 million Forest Resources Management Project (PROMANEJO) is now underway. The five-year project is designed to support the development and adoption of sustainable forest management systems in the Amazon through strategic actions and pilot experiments in priority areas.

The Project Coordination Unit (PCU) in Manaus is fully staffed and functioning. Technical advisors from the German Agency for Technical Cooperation (GTZ) are also working with the PCU and the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA) on project implementation. A project launch workshop took place on October 6-9, 1999 in Manaus to train PCU staff in project administration procedures; review project objectives and indicators; and discuss the first annual work plan.

The "promising initiatives" component is well underway. This component will support promising approaches to sustainable forest management initiated by community groups, NGOs and private firms. Eight proposals are currently under review by the PCU and the PROMANEJO reviewing committee. A second call for proposals will go out in early 2000. In addition, at least seven proposals for community forest management subprojects in the Tapajós National Forest are in the final stages of preparation.

The project is supporting the development by IBAMA of plans for ecotourism, fire prevention and environmental education in the national forest. These plans are currently under preparation and are being discussed with local communities and the Tapajós Management Committee, which is composed of representatives from more than 30 entities, including IBAMA, NGOs, community associations and the local government.

PROMANEJO has also co-funded two important forest management meetings recently held in Marabá and Manaus: the Second Community Forest Management in the Amazon Workshop (September 27-October 6, 1999), and a workshop on Business Opportunities in the Sustainable Production of Timber in the Amazon (October 4-6, 1999). (See related article on page 3). ❖

Indigenous Lands

A supervision visit by the World Bank, the German Bank for Reconstruction (KfW) and the German Agency for Technical Cooperation (GTZ) took place on July 7-14, 1999 in Brasília.

The supervision team observed that since 1996, the Indigenous Lands Project has made major contributions to the regularization of indigenous lands in Brazil, with over 20 million ha. demarcated with project funds. An innovative and highly participatory demarcation of the 8.5 million ha. Indigenous Land *Vale do Javari* is currently underway. The project has also contributed to improving the technical procedures of the National Indian Foundation (FUNAI) and facilitating indigenous participation in land regularization activities.

Nevertheless, the team expressed concern that project implementation has slowed considerably during 1999. They noted that while the Technical Secretariat of the project continues to function effectively, it has been hampered by administrative delays in participating FUNAI departments. FUNAI was urged by the team to adopt measures to facilitate the contracting of anthropologists and other specialists involved in identification and demarcation activities. They also recommended that the Technical Secretariat attempt to integrate the project more fully within FUNAI through regular meetings to discuss activities with participating departments, and an information campaign throughout FUNAI.

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Your questions and comments are welcome.

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The team was positive about the Technical Secretariat's proposal for revising the capacity building component to include indigenous organizations, and a plan to add dissemination activities to the project. The team was also impressed with the development of an improved financial management system for the project. The monitoring and evaluation (M&E) system has also been significantly improved, although it still needs to include appropriate indicators for measuring the overall impact of the project on the regularization of indigenous lands. The Technical Secretariat agreed to provide a plan for further development of the M&E system, in conjunction with the Monitoring and Analysis Project. ❖

Science Centers and Directed Research

The Science Centers and Directed Research Project-Phase I will close on December 31, 1999. Discussions on the design of a possible follow on operation are currently underway. A project preparation visit by the World Bank, the U.S. Agency for International Development (USAID) and the European Commission (EC) took place on June 7-12, 1999. The team concluded that a final rigorous evaluation of the Phase I and Emergency Assistance Projects should be completed prior to making decisions about the design of the next project. The Emergency Assistance Project closed on June 30, 1998.

It was agreed that one implementation completion report (ICR) would be done by the Bank for both projects. The government's own evaluation report, which will serve as an input to the ICR, will include: (1) a self-evaluation by each science center and directed research beneficiary, already completed; (2) an updating of the 1992 needs assessment for science centers and rain forest research in the Amazon, scheduled to take place in mid-November 1999; and (3) a final independent evaluation by the projects' International Group for Scientific Monitoring (GIAC), which is taking place on October 18-26, 1999.

The mission also included a two-day workshop to discuss lessons learned from the two initial science projects, and the design of the next project. The participants, including representatives of the scientific community, NGOs and technical secretariats of the Pilot Program, made many positive observations about the projects. They emphasized the need for: (1) better integration of the science subprogram into the overall objectives of the Pilot Program; (2) more consideration of regional and local research needs; (3) greater emphasis on collaborative, inter-institutional and interdisciplinary research; (4) consideration of research fellowships, stipends and other support, and (5) better dissemination of research results to a broad spectrum of users.

The follow on project has preliminary financing of approximately US\$12 million. Evaluation activities of the initial two projects, programmed from June 15 to December 15, 1999, are expected to provide important inputs to the design of the next project. ❖

Sustainable Forestry Workshops Held

The *Second Community Forest Management in the Amazon Workshop* was held in Marabá on September 27 - October 6, 1999. Funded by the PROMANEJO and Demonstration (PD/A) Projects, USAID and GTZ, the workshop brought together representatives from every community with forest management initiatives in the Amazon to share information and experiences. The event was organized by the State University of New York/Worldwide Fund for Nature (SUNY/WWF) in cooperation with the Friends of the Earth Amazon Program and the Institute for Forest and Agricultural Management and Certification (IMAFLOA).

Over 30 organizations involved in community forestry participated in the meeting, along with representatives of the Brazilian government, the World Bank, donor agencies, universities and the Brazilian Biodiversity Fund, which was created, in part, with seed money from the Global Environment Facility (GEF) through the World Bank. An important outcome of the workshop was the decision to hire a technical coordinator to provide technical support and linkages to all community forestry initiatives in the Amazon. This position will be funded by PROMANEJO.

The partnership of PROMANEJO, PD/A, USAID and GTZ will continue to fund annual community forestry workshops for information sharing and exchange. The next workshop is expected to take place during the first half of 2000.

The *First Workshop on Business Opportunities in the Sustainable Production of Timber in the Amazon* took place in Manaus on October 4-6, 1999. The workshop was organized with funding from PROMANEJO, the Rain Forest Trust, GTZ and Axial Bank to discuss the timber certification process and the profitability of sustainable forest management.

Over 100 public and private entities participated in the meeting, including some of the largest loggers in the Amazon; national and international NGOs; timber buyers from Brazil, Europe and the USA; the Brazilian National Development Bank (BNDES); and the Bank of Amazonia (BASA).

Important outcomes of the workshop include the adoption of a resolution proposed by the Friends of the Earth Amazon Program, the Brazilian Institute for Man and the Environment in the Amazon (IMAZON) and IMAFLORA to set a target for the production of two million cubic meters of certified wood from the Amazon by the year 2005.

In addition, several timber buyers made a commitment to buy only certified wood, and a Brazilian buyers group for certified timber was formed. Furthermore, a task force composed of representatives from BNDES, BASA, Axial Bank and the UN Development Programme (UNDP) was created to propose changes in the credit system for the forest sector, in order to address new demands from managed and sustainable forestry initiatives. ❖

Focus On: Private Sector Involvement in the Pilot Program

Sustainable development of the Amazon and Atlantic rain forest regions can succeed in the long-term only with the participation of the private sector. Private sector involvement is, especially important in the development of marketing strategies for sustainable rain forest products; the creation of collaborative business partnerships with local communities; and the establishment of linkages to commercial financing sources.

Since late 1997, the Pilot Program has focused more intensively on cultivating private sector participation in program activities. The emphasis so far has been on the development of initiatives linked to specific projects. Under the Demonstration Projects (PD/A), for example, a subproject is being developed with the support of two international firms, Cargill and Mars, to revitalize the sustainable production of cocoa in southern Bahia. Another proposed PD/A subproject would support the production of curauá in Santarém, Pará to supply the auto firm Mercedes-Benz of Brazil. The firm has been studying the potential of this natural fiber to replace fiber glass in many car and truck parts. Curauá cultivation would also help in the recovery of degraded land in the region.

The Extractive Reserves Project (RESEX) is also benefiting from private sector involvement. RESEX officials recently signed a contract with Axial Bank to develop a business plan with the Chico Mendes Extractive Reserve in Acre. Financing will come from a venture capital fund set up by Axial Bank with contributions from the Global Environment Facility (GEF) and the International Finance Corporation (IFC) to support environmentally sustainable businesses in Latin America. With the development of a business plan, the reserve will be better equipped to attract partners for marketing and investment purposes.

Other activities with private sector involvement include the organization of a timber certification workshop, which took place in Manaus on October 4-6, 1999. The workshop was designed to show loggers, timber buyers, bankers and investors that there is a profitable market for certified timber, where consumers are willing to pay a premium for sustainably harvested products. The event also inaugurated a new forum in which programs such as the Pilot Program can play a key role in catalyzing commercial partnerships among private companies, NGOs and financial institutions for sustainable development. (See related article on page 3)

Despite the innovative nature of project-specific initiatives involving the private sector, there are limitations to this approach. The PD/A project, for example, was not developed to support business start-ups. Rather, it was designed to test different models of sustainable production and conservation. Testing models and profit-making are not always compatible strategies. In an effort to promote the development of more far-reaching business partnerships between rain forest communities and private firms, the creation of a *Project to Promote Sustainable Businesses (PPSB)* has been proposed by the Pilot Program to complement the current role of PD/A

and other projects in this area. One of the possible mechanisms for implementing this project would be through a revolving fund. The project would have the following objectives:

- ◆ Promote joint ventures between community production initiatives and private companies.
- ◆ Assure market penetration for community sustainable production.
- ◆ Assist with the preparation of projects to create businesses (market research, business plans, etc).
- ◆ Help with access to other sources of funding, such as credit lines and venture capital.

Operational guidelines for the project would be similar to those of PD/A (a formal call for proposals; evaluations by an executive commission; technical and financial support for one to two years). Successful joint ventures formed with support from the project would be required to repay the amount originally invested.

Discussions are also underway with the staff of the Brazilian Biodiversity Fund (FUNBIO) to link the proposed PPSB with two FUNBIO initiatives to support the formation of private sector partnerships with local communities and a grant fund to support the development of community business plans. FUNBIO was created, in part, with seed money from the GEF.

The Government of the Netherlands has reviewed a preliminary proposal for this project and has expressed interest in providing up to US\$5 million towards the initial cost. ❖

Institutional Reform

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of individual projects, and the effectiveness of the Pilot Program as a whole. Composed of 14 Brazilian and international experts on the Amazon, the IAG meets twice a year to review program progress, conduct field visits to project sites, and report on its findings and recommendations for improving the implementation of program activities. Revised terms of reference for a smaller IAG with a more strategic orientation will be discussed at the Participants' Meeting.

The Pilot Program is also receiving advice on institutional reform from a variety of other sources, including the two principal NGO networks that participate in the program (the Amazon Working Group-GTA, and the Atlantic Forest Network-RMA). In addition, individual NGOs, such as Greenpeace, have produced reports with suggestions for the program's institutional future.

The 1999 Participants' Meeting in Brasília will provide an important forum to discuss the various options and forge a consensus on which organizational structure will best allow the Pilot Program to realize its primary objective: namely, to demonstrate sustainable approaches for conserving Brazil's rain forests. ❖