



BRAZIL RAIN FOREST PILOT PROGRAM UPDATE

Newsletter of the Pilot Program to Conserve the Brazilian Rain Forest

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The Sustainable Production Project Bringing Business Know-How to Small Producers

An exciting new project is waiting in the wings to support sustainable development by providing production technology skills, business "know-how" and assistance with marketing and financial support to promising initiatives in rain forest resource management.

The Sustainable Production Project is currently being designed by a team of Brazilian government officials to help innovative rural producers in the Amazon and Atlantic forest regions (mainly community associations and cooperatives) get the inputs they need to create and maintain viable businesses in sustainable rain forest products.

The Pilot Program is well known for its support of sustainable rain forest resource management and conservation initiatives through Demonstration Projects, the Extractive Reserves Project, and the Forest and Floodplain Resources Management Projects. There are also several community and private activities outside of the Pilot Program which aim to make productive and sustainable use of forest resources.

One of the premises underlying these initiatives is that rain forest conservation and sustainable development can be pursued at the same time, but only through a balanced combination of ecological, economic and social factors. While these initiatives are being undertaken with great enthusiasm by mostly rural communities with

local NGO support, they suffer from a lack of essential knowledge and skills in production technology, marketing and business management. They are further hampered by the inaccessibility of affordable lines of financing or viable markets for their products.

Without the necessary technical, financial and management inputs, these initiatives are probably doomed to failure in the long-term, even with ample start-up grant assistance from the Pilot Program. There is currently no mechanism to provide comprehensive services to fill in these critical gaps.

In an effort to address these deficiencies, a team of World Bank and Brazilian government officials formed a working group in July 1999 to develop the Sustainable Production Project, which would create a long-term mechanism to provide necessary technical and financial support to the rural producers.

A preliminary project proposal is currently being developed, and a workshop will take place in June 2000 to review the proposal and stimulate partnerships for project implementation. Participants in the workshop will include representatives of some 30 institutions from the private sector, the Brazilian government, NGOs, donors and the World Bank. While the project design is far from finalized, it will most likely include the following elements:

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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, is about US\$350 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.

Forest Resources (Cont. from page 2)

al education proposal will be reviewed during a workshop planned for May 2000. In addition, the Management Group is reviewing four proposed community forestry projects, and a surveillance plan for Flona Tapajós is being prepared.

The Project Coordinating Unit (PCU) is fully staffed and functioning. PCU staff has worked closely with staff from Demonstration Projects in the development of operational procedures for ProManejo, and the administrative and financial team has received training in project management procedures. The German Agency for Technical Cooperation (GTZ) is providing technical assistance to the PCU for overall project management and implementation of the Flona Tapajós component. Consultants will be hired in the next few months to work for the PCU in Santarém to assist with the implementation of the Tapajós component. ❖

INDIGENOUS LANDS

The 2000 Annual Operating Plan for the Indigenous Lands Project (PPTAL) was approved by the World Bank and the German Bank for Reconstruction (KfW) in March 2000. Some of the targets for the year include the identification of 20 indigenous lands (TIs), the demarcation of 32 TIs, and the implementation of participatory surveillance and protection plans in six indigenous areas. To date, PPTAL has supported the regularization of over 20 million hectares of indigenous lands in the Brazilian Amazon.

The 2000 POA aims to intensify land regularization efforts throughout the year to bring PPTAL back on track in terms of meeting project goals. The most recent supervision visit by the World Bank, KfW and the German Agency for Technical Cooperation (GTZ) expressed concern that project performance had slowed considerably during 1999. They noted that only seven of an expected fifteen work groups were formed to conduct identifications. Demarcation performance was poor, with none of the expected demarcation activities completed in 1999 due to delays in the procurement of firms to carry out the work.

While the pace of project implementation picked up during the second half of 1999, the team noted the importance of additional, sustained effort on the part of the Technical Secretariat and the National Indian Foundation (FUNAI) to overcome administrative bottlenecks. The recent resignation of FUNAI President, Carlos Marés has heightened concerns about the impact of continued administrative instability on project performance. (The new president, Mr. Glênio da Costa Alvarez, was appointed in May 2000).

Nevertheless, PPTAL continues to make important inroads in the enhancement of technical and participatory aspects of indigenous land regularization in the Brazilian Amazon. Based on the results of studies financed under the project to date, FUNAI is introducing improvements in identification procedures and environmental diagnostics. It has also revised socioeconomic assessment methods related to tenure, compensation and resettlement procedures for non-Indians living in indigenous areas.

PPTAL is supporting activities to enhance indigenous participation in demarcations, most notably in the TIs Vale do Javari, Munduruku e Poyanawa. Furthermore, innovative ethno-ecological studies are currently underway in eleven indigenous lands. These participatory studies will provide a comprehensive view of the biophysical, land use and socioeconomic characteristics of each area and its inhabitants, in order to assist in management planning and sustainable use of natural resources by the indigenous people.

Although substantial progress has been made on the preparation of a revised list of output indicators, the monitoring and evaluation system is not yet fully operational, pending the final development of a list of key impact indicators. The priority list of indigenous lands, revised annually in conjunction with the Annual Operating Plan, continues to function as a powerful monitoring tool. ❖

INDIGENOUS PEOPLE'S COMPONENT

After some delays in the definition of its scope and funding sources, the preparation of a new Indigenous People's Component (PDPI) for addition to the Demonstration Projects (PD/A) has been moving forward. Formal appraisal of the proposed component took place in February 2000 under the leadership of the German Bank for Reconstruction (KfW) and the German Society for Technical Cooperation (GTZ).

Project preparation is now being completed with a US\$494,800 grant from Japan, which will fund a number of participatory activities with indigenous organizations in August 2000, including workshops to discuss the draft operational manual for the component, and visits to PD/A subproject sites.

The general objective of PDPI is to contribute to the protection of Brazilian rain forests by improving the economic, social and cultural sustainability of indigenous people. PDPI also aims to promote natural resource conservation on indigenous lands, through support for the planning and implementation of local participatory initiatives that could serve as demonstration projects for other communities.

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PDPI (Cont. from page 3)

PDPI will include four subcomponents: (1) small grants for subprojects on surveillance and protection of indigenous lands, economically sustainable activities and cultural revitalization; (2) subproject management and administration; (3) capacity-building and dissemination of subproject results; and (4) institutional strengthening of indigenous organizations.

One of the expected results of PDPI is the improved capacity of indigenous communities and organizations to plan, implement and manage resources in support of local projects. Also, successful initiatives will be identified and results disseminated to indigenous communities and organizations, NGOs, specialists at governmental and non-governmental institutions and policy-makers. Finally, indigenous organizations will be strengthened and thereby empowered to negotiate with local, state and federal governments, the private sector and non-profit organizations, according to their needs and priorities.

Implementation of the component will take place over a five-year period. Project funding is expected to include DM 20 million from the German government through KfW, an estimated DM 2.5 million in technical assistance from GTZ, and an estimated US\$2.5 million in counterpart funding from the Brazilian government. The United Kingdom's Department for International Development has also expressed interest in providing support for institutional strengthening and subproject grants. This will be the first instance of a Pilot Program project (component) without the participation of the Rain Forest Trust Fund.

In response to a request by the indigenous organization COIAB (Coordenação das Organizações Indígenas da Amazônia Brasileira), the PDPI Coordinating Unit will be located in Manaus and managed by Mr. Gersen José dos Santos, an indigenous leader from the Upper Rio Negro region and former Secretary of Education for the Municipal Government of São Gabriel da Cachoeira in the state of Amazonas. ❖

NATURAL RESOURCES POLICY

The Mid-Term Review of the Natural Resources Policy Project (NRPP) started in November 1999 when a team of 14 consultants was hired by the Technical Secretariat to carry out an independent evaluation of the project. Their report, based on consultations in all nine states of the Legal Amazon, confirmed major concerns shared by all players and highlighted new issues. Other important themes, such as whether the project is achieving its objectives and whether the objectives are still valid, were not addressed at that time.

A seminar with all major project players took place in Pirenópolis in January 2000 and provided useful input to the independent evaluation. A revised consultant report and a separate evaluation by the Ministry of the Environment (MMA) were then released by the NRPP Technical Secretariat in April 2000. These documents were reviewed in May at a meeting of the MMA, donors and the World Bank to arrive at a final mid-term review document. An executive summary of the document in English will be available in June. A supervision mission, scheduled for the first half of July 2000 will then assess state-level commitment to and implementation of key recommendations.

In the meantime, an amendment to the project's two grant agreements for new activities was negotiated and signed by MMA and the World Bank in January 2000, ending a process started in June 1996 with the project's reformulation. The amendment essentially formalizes *de facto* project structure and procedures, and provides for support to two important activities: (1) a law enforcement campaign titled *Amazônia Fique Legal* (a play on words literally meaning "Get Legal, Amazon?") that is being carried out by IBAMA federal and regional offices in cooperation with state environmental agencies; and (2) studies on economic instruments for environmental management.

During the last quarter of 1999, the project's Technical Secretariat hired eight people to serve as state representatives of MMA's Secretary for the Legal Amazon. Their responsibilities include the improvement of coordination between the NRPP and other federal environmental programs and initiatives in the nine Amazonian states. MMA identified a qualified candidate in February 2000 for the remaining MMA state representative position in the state of Pará.

During November and December 1999, Annual Work Plans for the states of Acre, Amazonas and Pará were approved, in addition to those approved for Amapá (September 1999); Tocantins (June 1999), and Mato Grosso (July 1999). In July and September 1999, work plans for the use of committed funds for project activities in Rondônia were also approved. ❖

NEWS & NOTES***Latest Deforestation Data Announced***

The Brazilian Ministers of Science and Environment announced in April 2000 the latest data on deforestation in the Amazon. During 1997-98, about 17,383 km² (approximately half the size of Belgium) was deforested. This figure replaces the slightly lower estimate for the

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Deforestation (Cont. from page 4)

same period announced in February 1999. It represents an increase of 31% over 1996-97, when an area measuring 13,227 km² was deforested.

The data refers only to the conversion of primary forest areas for ranching and agricultural activities, and does not include areas of forest affected by selective logging activities or wildfires. To date, the Amazon has lost almost 15% of its original forest cover.

The forest monitoring conducted by INPE (National Institute of Space Research) is considered the most comprehensive in the world, based on remote sensing and Geographical Information System techniques. Every year, 229 satellite images at a scale of 1:250,000 are interpreted. INPE has been calculating annual deforestation rates since 1988. The highest annual rate thus far was in 1995 when about 29,000 km² of natural forest was cleared.

The Ministers also announced an estimate for the period 1998-99 of about 16,926 km², a decrease of some 3% compared to 1997-98. This estimate is based on the analysis of a sample of 47 Landsat images that cover the critical deforestation areas (in the so-called Amazon "deforestation belt"). ❖

Joint Steering Committee Streamlines Decision Making for the Pilot Program

The new Joint Steering Committee of the Pilot Program to Conserve the Brazilian Rain Forest (PPG7) is up and running.

Established by the Participants in October 1999 to help streamline the PPG7 decision-making process, the Joint Steering Committee (JSC) is meeting four times a year to deal with important matters concerning the Pilot Program as a whole, such as strategy formulation, the inclusion of new projects, allocation of Rain Forest Trust (RFT) resources, and support to civil society organizations. The JSC will also discuss Brazilian policy issues related to tropical forests.

The Participants Meetings still serve as the top decision-making forums for the Pilot Program, but they will now take place biannually, rather than once or twice a year, to address the more far-reaching strategic concerns of the Pilot Program.

The Joint Steering Committee is chaired by the Executive Secretary of the Ministry of the Environment (MMA) and has six Brazilian government representatives (including one from MMA), two state government representatives, two from civil society, seven donor representatives and one from the World Bank. Decisions are made by consensus or, if this is not possible, in consultation with the PPG7 official Participants (the

Brazilian government, donors and the World Bank). Meetings of the JSC are normally preceded by meetings of the Brazilian Coordination Commission and the Donor Coordination Committee based in Brasília, which formulate their own stance on matters to be discussed in the JSC. The World Bank is currently serving as the initial Secretariat of the JSC.

During the first two meetings in December 1999 and February 2000, the JSC reviewed and approved its own Bylaws and a new matrix of roles for the PPG7 Participants. The Committee also discussed criteria for the allocation of uncommitted resources of the RFT; approved support for an Atlantic Forest subprogram and civil society networks in the Amazon and Atlantic Forest regions; approved a joint budget for coordination of the PPG7 by MMA and the World Bank from RFT resources; and approved the terms of reference, short list and selection process for the PPG7 Mid-Term Review (see related story below). In addition, the JSC endorsed a format for future presentation of conceptual ideas for new projects.

The JSC Bylaws and the minutes of the meetings are available in English and Portuguese on the World Bank's PPG7 web site (www.worldbank.org/html/extdr/offrep/lac/ppg7) under the heading "Program Coordination". ❖

Pilot Program Undergoes Mid-Life Check-Up

A consortium of two firms -- Indufor Oy of Finland and STCP Engenharia de Projetos Ltda of Brazil -- has initiated the much anticipated mid-term review of the Pilot Program's first phase. The firms were chosen in February 2000 to conduct the review, following a detailed selection process involving donor countries, NGOs, the World Bank and the Government of Brazil.

Based on terms of reference which were agreed during the October 1999 Participants Meeting in Brasília, the mid-term review team will evaluate the progress of the Pilot Program as a whole, as well as the achievements of individual projects towards meeting their stated objectives. The review will also provide a forward-looking assessment to guide the remaining years of the program's pilot phase. The MTR team is working under the leadership of Dr. Eduardo Martins, a private Brazilian environmental consultant, and consists of 13 technical specialists from Brazil and Finland. The team will also utilize supplementary technical assistance from Germany with two consultants focusing on issues related to the Atlantic rain forest and sustainable development.

One of the first tasks undertaken by the mid-term review team was the preparation of a work plan and timetable, which have been submitted to the Pilot Program's Joint Steering Committee for review and com-

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Sustainable Production (Cont. from page 1)

◆ **Screening of promising sustainable initiatives in the Amazon.** This component would include an analysis of initiatives supported under the Demonstration Projects and other programs in order to initially select 40-60 candidate initiatives for assistance under the Sustainable Production Project.

◆ **Establishment of a data bank.** Information on the selected initiatives, potential investors (such as venture capital funds and credit banks), business consulting firms and potential business partners would be consolidated in a data bank to help facilitate necessary assistance to the selected initiatives.

◆ **Promotion of sustainable partnerships.** This component would catalyze partnerships between on-the-ground productive initiatives and commercial partners, such as retailers, wholesalers or international firms interested in buying products or investing in the initiatives.

◆ **Support to promising initiatives.** Resources would be allocated for (1) training in business administration, accounting and project design; (2) business planning; (3) market research; and (4) legal support, among other things. Some 60% of the support may go for assistance to the 40-60 selected initiatives. The remaining funds could be invested under a competitive demand system, in which additional initiatives would be invited to compete for available resources.

◆ **Adaptation of official credit and rural extension system.** This would include training of employees from official banks and rural extension agencies to provide funding and technical support for the initiatives supported by the project.

Appraisal of the proposed Sustainable Production Project is expected to take place during the second half of 2000. The total cost of the project is an estimated US\$5 million, of which about US\$3.8 million is expected to come from the Government of the Netherlands. Other contributing partners will be identified as project preparation advances. ❖

Mid-Term Review (Cont. from page 5)

-ment. While the MTR team began work in March 2000, their work plan will be adjusted to address any suggested changes to the proposed timetable or methodology. An initial preparatory phase, which included the design of the work plan and initial briefings with key Pilot Program stakeholders, has since given way to intensive consultations at the national, state and local levels. This intensive consultative phase aims to foster adequate ownership and participation in the mid-term review. At

this stage, key evaluation issues will be publicly disseminated and discussed through an interactive MTR web site (www.stcp.com.br), workshops, questionnaires, interviews and consultative meetings. The first state level workshops took place throughout the months of April and May 2000.

The evaluation phase of the MTR consists of an internal workshop to review and assess the main findings of the consultations; additional field visits and consultations to complete data collection; and the preparation of a comprehensive report on the evaluation of the Pilot Program and individual projects. The final "forward looking" phase of the MTR will focus on the preparation of a proposed logical framework for future activities and a set of key strategic recommendations providing guidance for continuation of the Pilot Program during the second half of its life.

The comprehensive evaluation should be completed in July 2000 and is expected to serve as an input to the G-8 summit in Tokyo as well as to the PPG7 International Advisory Group meeting in Brasilia scheduled for the same month. The assessment of options for the future and the final mid-term review report should be available in September 2000.

Strengthening Pilot Program Coordination

The UNDP has received a US\$500,000 grant from the RFT to support the Brazilian government in strengthening its Pilot Program coordination. The grant will also finance a special unit for the establishment of an Atlantic Rain Forest subprogram under PPG7. This unit will prepare a proposal for the subprogram by November 2000.

In addition, a new three-year PPG7 Coordination Project funded by the Netherlands and the RFT is planned to start later this year to further strengthen Brazilian leadership and coordination of the program. ❖

PPG7 Web Site Online

The World Bank launched the Pilot Program web site in October 1999. The web site features information on Pilot Program organization, coordination, funding and specific projects, as well as a copy of the latest *Brazil Rain Forest Pilot Program Update*. It also includes partner links with relevant web sites maintained by the Brazilian government, project donors, the World Bank and the Global Environment Facility.

You can visit the web site at www.worldbank.org/html/extdr/offrep/lac/ppg7/index.htm. The Pilot Program welcomes any comments or suggestions for the site. We look forward to hearing from you soon!