Four Project Grant Agreements Signed

Outgoing President Itamar Franco presides at NRPP signing

Four more grant agreements for Pilot Program projects were signed in the last quarter of 1994, bringing to five the number of projects poised to begin implementation. One of them, the Natural Resources Policy Project (NRPP), was both negotiated and signed within a month, an unusually rapid turnaround. The signing ceremony for this RFT grant, which took place in the Presidential Palace on December 5, was presided over by Brazilian President Itamar Franco, who then signed the corresponding subsidiary grant agreements (Convênios de Adesão) with the governors of five of the Amazon states.

The other grant agreements signed in this quarter were for Demonstration Projects, Extractive Reserves, and Science Centers Emergency Assistance. The grant agreement for the Science Centers and Directed Research Project had been signed previously, on September 21 (see the Pilot Program Update of October 1994).

In order for grant disbursement to begin, the grant agreement must become effective. Each grant agreement specifies conditions of effectiveness—these are generally legal, institutional, or management arrangements which are essential for project implementation. Typical effectiveness conditions for the Pilot Program projects are the preparation of an annual work plan and the signature of legal agreements between different institutions involved in project implementation.

Demonstration Projects

The Demonstration Projects was signed in Washington on October 31 by Mr. Paulo de Tarso Medeiros, the Bank of Brazil's Washington representative, and Mr. Gobind T. Nankani, the World Bank's Country Director for Brazil. The US$22.2 million, five-year project provides grants to local groups and communities for small demonstration projects in nature conservation, environmentally sound management of deforested land, and low-impact use of native forest resources in Brazil's Amazon and Atlantic rain forests. Results of the small projects will be analyzed and disseminated. Another component of the project supports networks of non-governmental organizations (NGOs) in the project areas.

The grant agreement governs funds contributed bilaterally by the European Union and multilaterally by the

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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$290 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 reserves; and increase the knowledge base on conservation of the rain forest and sustainable utilization of its resources.
Project Updates

Just as the first generation of Pilot Program projects is entering the implementation phase, a second generation is beginning development. The last quarter of 1994 saw the initiation of work on several new projects. Each of these was among the original set of projects identified by the Brazilian government, the Bank, and donors at the beginning of the Pilot Program.

Environmental Education

The Brazilian government presented a preliminary proposal for the Environmental Education Project to the World Bank and Pilot Program donors in October 1994. The objective of the project is to contribute to the conservation and sustainable development in the rain forest through increasing public understanding of environmental issues. From December 5-7, representatives of the Bank and the European Union visited Brazil to conduct initial discussions on the project concept with officials from IBAMA and the Ministry of Environment and the Legal Amazon. The discussions focused on clarifying the project concept and on planning a participatory project planning workshop, scheduled for early March. The workshop will include representatives of federal and state government agencies, as well as NGOs and other institutions and individuals interested in the project.

Natural Resources Management

In November 1994, the Brazilian government presented a preliminary proposal for the Natural Resources Management Project to the World Bank and Pilot Program donors. The objective of this project would be to foster the development of environmentally sustainable products and technologies that would provide an acceptable standard of living for the Amazonian population, especially in rural areas. The government has requested that the first visit by representatives of the Bank and the donors to discuss the preliminary proposal be scheduled for March. Project preparation will include a participatory planning workshop with representatives of different sectors, public and private, which might have an interest in the project.

Rehabilitation of Degraded Areas

Together with the Ministry of Environment and the Legal Amazon and IBAMA, the Bank invited some 50 people with experience and interest in the rehabilitation of degraded areas to a workshop in Brasilia on Dec. 15 and 16. Invitees included experts from research institutes, NGOs, and government agencies. The purpose of the workshop was to discuss the definition of degradation, the major issues to be addressed by the project, target groups, strategies and alternative methods for project implementation, and potential institutional participants. Discussions during the workshop highlighted the following issues:

- Causes of degradation. The term degradation as applied to the environment has several meanings. It may mean the loss of primary fertility of soils, the loss of individual species, or the loss of entire ecosystems. Consequently, there were disagreements about the objective of rehabilitation: should it be an attempt to restore the biodiversity of the original ecosystem in a degraded area, in as far as this is still possible, through "assisted natural re-growth," or should it attempt to restore soil fertility for subsequent sustainable economic use?

Participants focused primarily on the degradation caused by deforestation for agriculture and cattle grazing, specifically that caused by small agricultural and livestock producers, whom many analysts believe will become the most important actors in cutting and burning of the forest. (Large cattle ranches, in contrast, are expected to decline in importance as a cause of degradation.) Vast areas of forest have already been destroyed by the itinerant nature of slash and burn agriculture. Deforested areas are often planted to crops for only two or three years, after which fields are converted to pasture or abandoned. Pasture generally loses its productivity within another 7-10 years, due to declining soil fertility, pests, and weed infestation, leading to complete abandonment and subsequent new clearing of forested land.

Participants also discussed the rehabilitation of resources other than land. Because water resources are an important part of ecosystems and have both local and regional impacts, participants generally agreed that they should be considered in any rehabilitation strategy. For example, a rehabilitation program should address
Table 1. Pilot Program projects: Source of funds in US$ million equivalent

<table>
<thead>
<tr>
<th>Project</th>
<th>RFT</th>
<th>Germany</th>
<th>European Union</th>
<th>United Kingdom</th>
<th>United States</th>
<th>Local Counterpart</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Centers and Directed</td>
<td>8.5</td>
<td>5.4</td>
<td>0.7</td>
<td>0.5 (1)</td>
<td>2.5 (1)</td>
<td>15.1</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Assistance</td>
<td>0.5</td>
<td></td>
<td></td>
<td>2.0</td>
<td>2.5 (1)</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Demonstration Projects</td>
<td>3.0</td>
<td>11.7</td>
<td>4.5</td>
<td>3.0 (2)</td>
<td>3</td>
<td>22.2</td>
<td></td>
</tr>
<tr>
<td>Extractive Reserves</td>
<td>3.0</td>
<td></td>
<td>5.8</td>
<td></td>
<td>0.9 (1)</td>
<td>9.7</td>
<td></td>
</tr>
<tr>
<td>National Resources Policy</td>
<td>20.0</td>
<td>30.6</td>
<td>12.0</td>
<td>5.0</td>
<td>11.4 (3)</td>
<td>79.0</td>
<td></td>
</tr>
</tbody>
</table>

(1) Federal government counterpart  (2) Grantee counterpart (estimated)  (3) Includes both federal and state government counterpart

The process of evaluating the workshop proceedings, after which the government will formulate a first project proposal.

New Environment Minister Named

With the change of administration in Brazil, the ministry coordinating the Pilot Program has been expanded to include water resources. Mr. Gustavo Krause Gonçalves Sobrinho was appointed the Minister of Environment, Water Resources, and the Legal Amazon in early January.

Grant Agreements Signed (cont. from page 1)

Pilot Program Participants through the Rain Forest Trust Fund (see Table 1 for contribution amounts). The German government has made a bilateral commitment to the project, which is being negotiated separately. Effectiveness of the grant agreement for the Demonstration Projects is expected in the first quarter of 1995.

Extractive Reserves

On November 30 the grant agreement for the Extractive Reserves Project was signed in Brazil by Ms. Joaílce Maria Monte de Azevedo, from the Attorney General’s Office of the Ministry of Finance, and officially witnessed by Mr. Henrique Brandão Cavalcanti, then Minister of the Environment and the Legal Amazon. The agreement had previously been signed in Washington for the World Bank by Mr. Nankani.

The four-year, US$9.7 million project will improve the sustainable management and conservation of Amazonian extractive reserves. It will target the first four extractive reserves established in the Legal Amazon: Alto Jurujá and Chico Mendes in Acre, Rio Ouro Preto in Rondônia and Cajari in Amapá. The project consists of five components: (i) regularization and strengthening of the extractive reserves; (ii) community organization; (iii) improvement of (continued on page 4)
productive activities; (iv) environmental management; and (v) project management and evaluation (see the *Pilot Program Update* of October 1994 for a more detailed project description). Project implementation is expected to begin by March.

**Science Centers Emergency Assistance**

The Science Centers Emergency Assistance grant agreement was also signed on November 30 in Brasilia by Ms. Azevedo of the Attorney General’s Office of the Ministry of Finance. It had previously been signed in Washington by Mr. Nankani. This agreement was witnessed by Mr. Cavalcanti and by Mr. José Israel Vargas, Minister of Science and Technology.

The project’s goal is to rehabilitate and upgrade critical infrastructure and equipment at the National Institute for Amazon Research (INPA) in Manaus and the Emilio Goeldi Museum of Park (MPEG) in Belém. This assistance is a separate US$5 million co-financing operation, but it is integrally connected to the Science Centers and Directed Research Project - Phase I. The grant agreement is expected to become effective in February.

**Natural Resources Policy**

Negotiations for this US$79 million project took place in Washington during the week of November 7 and were attended by representatives of the Ministry of Environment and the Legal Amazon, the Secretariat of International Affairs (SEAIN), the Attorney General’s Office of the Ministry of Finance, and the National Treasury (see box for a detailed project description and Table 1 for detailed funding information). The signing ceremony on December 5 was attended by a number of dignitaries. In addition to President Franco and the Legal Amazon governors, the signing was attended by Foreign Relations Minister Celso Luis Nunes Amorim, Environment Minister Cavalcanti and by the Secretaries of Strategic Affairs and of International Affairs. Secretaries of Environment for all but one of the Legal Amazon states also attended, as did representatives of the Group of Seven countries and the Commission of the European Communities (CEC), which fund the Pilot Program. The grant agreement was signed by Ms. Azevedo for the Brazilian government and Mr. Stephen Ettinger, Manager of the Pilot Program, for the World Bank.

During the signing ceremony, President Franco and the Governors of the states of Tocantins, Mato Grosso, Rondônia, Pará, and Roraima signed separate legal agreements formalizing each state’s inclusion in the project. Signature of these agreements by at least five of the nine participating states was a condition of effectiveness for the grant agreement. Fulfillment of the other conditions of effectiveness is expected by March. •

**Natural Resources Policy Project**

The Natural Resources Policy Project has three objectives: to strengthen the policy analysis, regulatory, and implementation capabilities of the entities dealing with environmental management at the state level, so they can develop and implement their key functions in an integrated manner; to implement zoning, monitoring, and control and enforcement activities in key locations in the states, in order to mitigate the major environmental threats in these critical areas; and to support the decentralization of environmental management from the federal to the state and municipal levels. The project consists of two components:

1) Institutional strengthening of state environmental entities (OEMAs) in the nine Legal Amazon states. This component will improve the environmental policy framework by strengthening policy analysis and implementation capacity for existing environmental instruments, such as Environmental Impact Analyses, and by building greater transparency of environmental decisions through promotion of public access to information. It will also establish a process of needs assessment, priority setting, and strategic planning in each OEMA, strengthen other institutions in the state environmental system, such as the State Environmental Councils and the forestry police, and enhance interstate collaboration in environmental problem-solving.

2) Zoning, monitoring, control, and enforcement activities. This component will strengthen specialized staff of different entities involved in ecological-environmental zoning. It will also consolidate results of an important study carried out by the Brazilian Institute of Geography and Statistics (IBGE), in order to establish the system of territorial information for the Amazon region. Finally, this component will support emergency enforcement activities in priority areas of each state and the implementation of integrated sub-projects in "hot spots" identified by each state as areas with critical environmental concerns. The state-level sub-projects will include zoning, monitoring, control, and enforcement activities for these hot spots. The sub-projects will be identified and developed by the states during project implementation and subjected to technical analysis according to agreed criteria by the project unit established within the Ministry of Environment, which will select sub-projects for funding. The project is expected to finance an average of three sub-projects per state, with an average cost of US$1.2 million each.