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PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST

**MEMORANDUM AND RECOMMENDATION
OF THE DIRECTOR
OF THE LATIN AMERICA AND THE CARIBBEAN DEPARTMENT I
TO THE REGIONAL VICE PRESIDENT
ON A PROPOSED GRANT
FROM THE
RAIN FOREST TRUST FUND
IN AN AMOUNT EQUIVALENT TO US\$3 MILLION
TO THE
BANK OF BRAZIL
FOR
DEMONSTRATION PROJECTS**

OCTOBER 20, 1994

**Pilot Program to Conserve the Brazilian Rain Forest
Country Department I
Latin America and the Caribbean Region**

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CURRENCY EQUIVALENTS

(As of November 30, 1993)

Currency Unit	:	European Currency Unit (ECU)
US\$1.00	:	ECU 0.889719

WEIGHTS AND MEASURES

The metric system is used throughout the report.

ABBREVIATIONS AND ACRONYMS

BB	Bank of Brazil
CEC	Commission of European Communities
CMA	Comissão da Mata Atlântica (Atlantic Forest Commission)
FNMA	Fundo Nacional do Meio Ambiente (National Environment Fund--Brazil)
FONAMA	Fondo Nacional para el Medio Ambiente (National Environment Fund--Bolivia)
G-7	Group of Seven
GAP	Grupo de Análise de Projetos (Project Analysis Group)
GAPEP	Grupo de Apoio à Preparação e Execução de Projetos (Proposal Preparation and Technical Support Group)
GTA	Grupo de Trabalho Amazônico (Amazon Working Group)
IAG	International Advisory Group
IBAMA	Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute for the Environment and Renewable Natural Resources)
MMA	Ministério do Meio Ambiente e da Amazônia Legal (Ministry of Environment and the Legal Amazon)
NGO	Non-governmental organization
RFT	Rain Forest Trust Fund
TS	Technical Secretariat
UNDP	United Nations Development Programme

GOVERNMENT OF BRAZIL FISCAL YEAR
January 1 to December 31

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IBRD Map No. 25521

This report is based on the findings of an appraisal mission which visited Brazil in November 1993. Mission members were Robert N. Kaplan (Mission Leader), Karen Luz (Community Development Specialist), Alberto Ninio (Environmental Lawyer), Mary Sheehan (Financial Analyst), and Carlos Bertao (Operations Specialist). The mission was joined by Kenny Bell (CEC), representing one of the co-financing agencies. Garo Batmanian (consultant) contributed substantially to project preparation. The Rain Forest Pilot Program Manager is Stephen J. Ettinger, the Project Advisor is Orville Grimes, and the Country Director is Gobind T. Nankani.

BRAZIL

PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST DEMONSTRATION PROJECTS

GRANT AND PROJECT SUMMARY

Recipient: Bank of Brazil

Executing Agency: Ministry of Environment and the Legal Amazon

Beneficiaries: NGOs, community groups, and local governments in the Amazon and Atlantic Forest regions

Amount: US\$3 million

Terms: Grant from the Rain Forest Trust Fund

Financing Plan:

<u>Source</u>	<u>TOTAL (US\$ million)</u>	<u>PERCENT</u>
Rain Forest Trust Fund (grant)	3.0	13.5%
Germany (grant) (DM 20 million)	11.7	53.0%
CEC (grant) (4 million ECU)	4.5	20.0%
Beneficiary counterpart ¹	<u>3.0</u>	<u>13.5%</u>
Total	22.2	100.0%

Economic Rate of Return: N/A

Map: IBRD No. 25521

¹ Counterpart funds are provided by recipients of the small grants, not by the Brazilian government. This amount is estimated.

**MEMORANDUM AND RECOMMENDATION OF THE DIRECTOR
OF THE LATIN AMERICA AND THE CARIBBEAN DEPARTMENT I
TO THE REGIONAL VICE PRESIDENT
ON A GRANT FROM THE RAIN FOREST TRUST FUND
TO THE BANK OF BRAZIL
FOR DEMONSTRATION PROJECTS**

1. I submit for your approval the following memorandum and recommendation on a proposed grant from the Rain Forest Trust Fund (RFT) to the Bank of Brazil for US\$3 million. The grant would finance Demonstration Projects in conservation and sustainable development proposed and implemented by local communities, non-governmental organizations (NGOs), and municipal or state governments. This project is part of the Pilot Program to Conserve the Brazilian Rain Forest, which is funded by the Group of Seven countries, the European Union, and the Netherlands, and administered by the World Bank.

Background

2. Brazilian rain forests contain the largest repository of biodiversity in the world. They are a major carbon store, and their destruction would occasion the release of greenhouse gases that could affect the global climate. Conserving these forests would provide significant benefits to the global community, as well as regional and local populations. Nevertheless, by 1990 an estimated eight percent of the Amazon rain forest had been destroyed. Over the last several years, the Brazilian government has come to recognize that the policies of the past have led to short-term benefits but greater long-term costs. There is growing public sentiment inside Brazil in favor of protecting the resources contained in the country's rain forests. At the same time, there is an increasingly vocal population in the Amazon region that is demanding that local and national politicians address their legitimate desire for an improved standard of living. Reconciling these interests by building the capacity of local communities to develop, adapt, and implement environmentally sustainable approaches to development is an important element in any long-term strategy for conserving the Brazilian rain forest.

3. Several institutions, both public and private, have worked to control deforestation in Brazil. Within the public sector, the Ministry of Environment and the Legal Amazon (MMA) takes the lead at the national level, with policy implementation carried out by the Brazilian Institute for the Environment and Renewable Natural Resources (IBAMA), and by state-level environmental agencies or forestry institutes. NGOs have played an increasingly important role in conservation efforts. In an effort to catalyze NGO efforts, in 1988 the government created the National Environment Fund (FNMA), designed to fund local communities or governments in carrying out conservation or sustainable development projects. The FNMA has since its inception been plagued by an overly rigid governance and administrative structure, which hinders its ability to disburse funds expeditiously. While reform to make the FNMA a more flexible instrument is possible, it would require, *inter alia*, changes to the legislation creating the fund or passage of complementary legislation. Work was

carried out during project preparation to determine how the FNMA could be provided with greater flexibility and administrative autonomy. Because it is not possible to implement the necessary changes in the short run, the FNMA would not be a suitable recipient for the proposed project.

4. The Pilot Program to Conserve the Brazilian Rain Forest was initiated at the request of the Group of Seven (G-7) at the Houston Summit in 1990. Individual projects are financed by the Rain Forest Trust Fund (RFT), which was established by Resolution 92-2 of the Bank's Executive Directors in March 1992, and by associated bilateral co-financing (all on grant terms). To date, donors have provided about US\$55 million in pledges to the RFT. The Pilot Program is intended to support an integrated set of projects that will contribute to a reduction of the rate of deforestation in Brazil's rain forests. Preparation is currently underway for projects designed to: (i) strengthen the capacity of the public sector to set and enforce sound environmental policy; (ii) improve the management of special protected areas, including parks, extractive reserves, national forests, and indigenous reserves; and (iii) increase the knowledge base on conservation of the Amazon rain forests and sustainable utilization of its resources. The proposed project would contribute to the overall objective of the Pilot Program by making available financial and technical assistance to communities and other local-level associations to adapt and implement promising environmentally sustainable development approaches. Assistance under the proposed project would complement actions undertaken as part of other Pilot Program projects (e.g. research, extractive reserves, environmental education). For example, a sub-project funded by the Demonstration Projects might test an experimental agro-forestry system developed by a researcher funded under the Directed Research program. Conversely, results obtained from sub-projects under Demonstration Projects would be analyzed and disseminated broadly to local communities, other NGOs, researchers, and government policy-makers.

5. Local-level development, testing, and adaptation of systems of sustainable natural resource use are widely agreed to be an important element in overcoming historically destructive patterns of natural resource use. In recognition of this fact, international conservation groups have increasingly chosen to support such activities as complementary to work at the policy level in their efforts to reduce environmental degradation. Some governments have also recognized the importance of local-level activities and have established mechanisms for channelling funds to support them, such as the National Environment Fund in Bolivia (FONAMA) and in Brazil itself (FNMA). Since environmental, economic, and social systems in environmentally sensitive areas are highly varied, universally applicable solutions to problems of sustainable natural resource use are unlikely. A technology that has worked under one set of environmental, economic, and social conditions may not work under a slightly different set, and thus potential solutions must be adapted to each setting. In addition, many technologies have been developed by scientists under idealized conditions in research tests, but are as yet unproven in the field with the intended users.

6. Given the importance of community-based initiatives, limitations on the financial and human resources available to local populations to develop, test, or adapt

sustainable approaches to natural resource use can become a bottleneck to progress towards new paradigms. The Pilot Program will reinforce both public and private resources and capacity at the local level for conservation and sustainable development in the rain forest. Estimates vary as to how many private groups, including NGOs, cooperatives, and producers' associations, are actively engaged in these issues at the local level in Brazil. While many smaller groups do not have access to external funds because they are not linked to international groups, or because the funds available are limited, those that do have funding receive on the order of US\$10 million annually to carry out projects in such areas as sustainable agriculture, agro-forestry, and the processing and marketing of forest products. Estimates of unfulfilled demand for funds indicate that existing groups could absorb about three times as much money as is currently available for conservation and sustainable development projects.

7. Amazon NGOs. Amazon NGOs are eager to have access to additional funds to support their projects, and in order to facilitate their participation in the Pilot Program NGOs in the region formed the Amazon Working Group (GTA) in 1991. The GTA has grown rapidly and currently counts about 300 member groups. The specific objectives of the GTA include the following: to facilitate the participation of local populations in conservation and sustainable development activities in the Amazon; to identify and promote the adoption of environmentally, socially, and economically sustainable alternatives to current destructive patterns of natural resource use; to exchange information about and experiences with activities aimed at conserving the Amazon rain forest and promoting the well-being of its human inhabitants; and to bring together Amazon inhabitants to discuss, analyze, and influence government policy in the Amazon. In order to facilitate communication among members spread throughout the vast area of the Amazon, the GTA has organized itself internally into fifteen regions, of which nine currently maintain an office within the headquarters of one of the GTA's member groups. The national coordination of the GTA is located in Brasilia. The highest governing body is the General Assembly of all member groups; an elected Directorate supervises day-to-day work, which is coordinated by the Executive Secretary. A strategic planning exercise for the GTA was carried out in August 1993 and followed up in April 1994 as an input into an action plan for strengthening the GTA under the proposed project. For more information on the history of the Brazilian NGO movement and the GTA, see Annex 5.

8. Atlantic Forest NGOs. Atlantic Forest NGOs created the Atlantic Forest Commission (CMA) to represent them vis-a-vis the Pilot Program in early 1993. The CMA is currently composed of eight NGOs and serves as liaison between the Pilot Program and NGOs integrated into the Atlantic Forest Network. The Network, which has experienced rapid growth, has almost 80 member groups, and in addition to NGOs admits local governments, research institutes, and businesses, allowing them to participate as non-voting members. The Network predates this region's involvement in the Pilot Program and was created in 1992 as a loose association of groups working on environmental issues in the Atlantic Forest, to facilitate their exchanging information and coordinating action on issues of common concern. The Network maintains its headquarters in the offices of one of its member groups, SOS Mata Atlântica, in Sao Paulo, and is governed by a General Assembly, with coordination between assemblies given over to a Coordinating Commission comprised of the same

eight member groups which form the CMA. For more information about the Atlantic Forest NGOs, see Annex 5.

Project Objectives

9. The proposed project has three objectives: (i) to stimulate the development, adaptation or dissemination of environmentally, economically, and socially sustainable systems of natural resource management and conservation by local communities; (ii) to inform other communities, groups that represent them, researchers, and government policy-makers of the lessons learned from the local-level projects; and (iii) to strengthen the capacity of local populations to plan and implement activities leading to conservation and sustainable development, through support to the NGO networks, the GTA and CMA.

Description

10. The project would consist of three components: (i) a small grants program; (ii) dissemination of sub-project results; and (iii) NGO network strengthening.

11. Small Grants Program (90 percent of project cost). This component would fund sub-projects evaluated and selected on a competitive basis, based on established priorities. Individual grants would be limited to a maximum of US\$150,000 a year, and no group could receive more than US\$300,000 total over the entire project. Sub-projects receiving more than US\$15,000 in funding would be required to contribute counterpart funds. To receive over US\$15,000 and up to US\$50,000, the recipient would have to provide at least 10 percent of total sub-project cost; to receive over US\$50,000 and up to US\$100,000, to provide counterpart of at least 20 percent; and to receive over US\$100,000, to provide counterpart of at least 30 percent. Sub-project grants would be used to procure small civil works, equipment, supplies, and consultant services. This component would also cover administrative costs for the project management unit.

12. Eligible sub-projects would be expected to reduce pressure to clear native forests by supporting: (a) nature conservation; (b) environmentally sound management of already deforested land; or (c) low impact use of native forest resources. Sub-projects funded under the small grants program would have to meet strict eligibility and selection criteria. Eligibility criteria would serve to screen applicants in order to assure that they are legitimate groups with experience in environmental or community work in the region, that they are in compliance with existing legislation and are not indebted to public or private parties, and that they have fulfilled their responsibilities in any earlier commitments with the Demonstration Projects. Selection criteria would ensure that the sub-project responds to the objectives of the Demonstration Projects, that it will not have a negative environmental impact, that it is sustainable and replicable, that the local population participates in its planning and implementation, and that the proposing organization has developed an adequate work plan which it has the capacity to implement. For further information about eligibility and selection criteria, see Annex 2.

13. Sub-projects would represent a range of activities, from first-time trials of new ideas to practical application of documented natural resource management techniques. Qualified sub-projects in the area of nature conservation would support activities such as: environmental education for local populations in sensitive areas such as buffer zones; environmental enforcement procedures that make innovative use of local communities; and management of local protected areas, such as private reserves, by local groups. Qualified sub-projects in the area of environmentally sound management of already deforested land would include activities such as agro-forestry using native species, and dissemination of sustainable agricultural practices. Qualified sub-projects in the area of low impact use of native forest resources would include: community management of concessions in national forests; processing and marketing of non-timber forest products, such as Brazil nuts; and development of indigenous handicrafts based on sustainable use of natural products extracted from standing forests. For examples of possible sub-projects, see Annex 7. Qualified grantees would include community groups, NGOs, local governments, and small producer associations and cooperatives in the Amazon and the Atlantic Forest. Seventeen percent of the grant funds would be reserved for sub-projects in the Atlantic Forest.

14. Evaluation and Dissemination of Sub-Project Results, to other communities, NGOs, local and central governments, researchers, and other interested groups (7 percent of project cost). In order for funded sub-projects to have a demonstration effect, their results must be publicized to others. This component of the project would fund the collection, analysis, and communication of relevant sub-project experiences. Analyses would be based on monitoring and evaluation reports, or, in some cases, on primary data collection. The medium for communication of results would vary depending on the target audience and would include publications, radio programs, and workshops, among other media. The dissemination component would pay particular attention to presenting information in an appropriate fashion to the target population, employing experts in popular communication techniques for this purpose. Follow-up to dissemination of information would be carried out by the GTA or CMA, or could take the form of new sub-projects funded by the small grants program. For example, an organization could propose a sub-project to provide support to a number of communities to implement a natural resource management practice identified as successful by a previous sub-project.

15. Many innovative natural resource management practices are already in use in the Amazon and Atlantic Forest regions. However, because they are often small-scale and isolated, they have not been effectively evaluated or disseminated to other potential users. At the outset of the Demonstration Projects, a study would be carried out under the supervision of the Technical Secretariat (see para. 19) to identify and assess existing practices. Information gathered through this study would be the first input into the project's dissemination system, allowing the project to begin dissemination of useful natural resource management information before the first results of successful sub-projects are available.

16. NGO Network Strengthening (3 percent of project cost). This component would support GTA institutionally in order to facilitate GTA's collaboration in publicizing the small grants program and providing technical assistance to potential or actual

grantees. It would also consolidate and strengthen the ability of Amazon NGOs to act effectively and in a coordinated fashion on environmental matters through institutional strengthening of the GTA. The positive contribution of NGOs in the environmental sector, both in directly conserving natural resources and in monitoring and assisting government's attempts to protect the environment, is widely recognized. Most Amazon NGOs, however, are relatively new to work on the environment; many were created to deal with social questions (see Annex 5), and only recently have come to embrace environmental issues as closely tied to the well-being of the populations they represent. This component would fund follow-up work to the strategic planning exercise for the GTA, which was supported as a pre-investment activity of the project. Regional offices of the GTA would receive assistance from the GTA national office to develop their own action plans, which could be funded under this component, subject to Bank approval. The grant would cover expenses of the national and regional offices of the GTA at a declining rate over the project period, according to the following schedule: 100 percent of expenses would be funded during calendar years 1994 and 1995; 80 percent of expenses would be funded during calendar year 1996; and 50 percent of expenses would be funded during calendar year 1997. After 1997, the GTA would be expected to cover 100 percent of its expenses from other sources. Funded activities, including a study of long-term funding alternatives, would be oriented toward creating a strong, independent association adept at articulating and pursuing the interests of its members at the end of the funding period. A small amount of funding would also be provided to the CMA under this component to carry out activities in support of the Demonstration Projects, including publicizing the small grants program, providing technical assistance in proposal preparation to members, and disseminating sub-project results.

Project Costs and Financing

17. Total project costs are estimated at US\$22.2 million equivalent. A breakdown of costs and the financing plan are shown in Schedule A. Amounts and methods of procurement and disbursement of the proposed RFT grant and a disbursement schedule for the RFT grant and for external funds are shown in Schedule B. A timetable of key processing events is given in Schedule C.

18. The project would be financed by the RFT (US\$3 million), Germany, through KfW (DM 20 million, equivalent to US\$11.7 million), and the European Union through the Commission of the European Communities (CEC) (4 million ECU, equivalent to US\$4.5 million). Because German funds will not be available until an intergovernmental agreement between the German and Brazilian governments is negotiated and signed, funds from the RFT and CEC will be used to initiate the project. The RFT grant would cover expenses associated with the Technical Secretariat, the processing of sub-project proposals, monitoring and evaluation of sub-projects, and dissemination activities. Co-financing from the European Union would be provided on a parallel basis, to cover the NGO network strengthening component and a portion of the sub-project grants. Co-financing from Germany would be provided on a parallel basis for expenses incurred by the Technical Secretariat in proposal processing, technical assistance, supervision, evaluation, training, or dissemination. Germany would also fund sub-project grants on a parallel basis. The

CEC funds would be deposited in a co-financing trust fund established in and administered by the Bank and disbursed to the Bank of Brazil in accordance with the Grant Agreement negotiated between the Bank and the Bank of Brazil. German funds would be disbursed to the Bank of Brazil in accordance with a legal agreement to be negotiated between KfW and the Bank of Brazil. Counterpart in cash or kind would be provided by the sub-project grantees. The figure of US\$3 million in counterpart funds is an estimate and may vary depending on the size composition of the final portfolio of sub-projects, due to the variable counterpart requirement (see para. 11). The Brazilian federal government would provide office space for the project management unit, referred to as the Technical Secretariat (see **Project Implementation**). Several donors have indicated interest in providing additional co-financing during implementation of the project, which was originally estimated to cost US\$30 million.

Project Implementation

19. **Project Administration.** The project management unit (called the Technical Secretariat) would coordinate and supervise the implementation of all three components of the project and carry out directly the dissemination component, under the supervision of the Ministry of Environment and the Legal Amazon. The Technical Secretariat would report directly to the MMA's Executive Secretary. The Technical Secretariat would begin operations with four professional and three support staff, and would add other staff as necessary. It would be headed by a Technical Secretary, with adequate qualifications and experience. The project would award grants over a three-year period, but would maintain the Technical Secretariat and the dissemination component for an additional two years in order to provide support to sub-projects which begin in the third year and to continue evaluating and disseminating the lessons learned from the sub-projects. The GTA and CMA would implement the NGO network strengthening component, under the supervision of the Technical Secretariat.

20. The Bank of Brazil would receive funds directly from the RFT and the donors and hold them in Special Accounts in a commercial bank acceptable to the World Bank, until notified by the Technical Secretariat to make disbursements to sub-project grantees, or for items related to the GTA or the CMA. To provide these services, the Bank of Brazil would charge 1.65 percent of the amount disbursed. The Bank of Brazil would also contract the United Nations Development Programme (UNDP) to provide technical assistance to the Technical Secretariat, including training, evaluation, and dissemination activities, and the services of two rosters of technical specialists: the Project Analysis Group (GAP), which would provide technical reviews of proposals, and the Proposal Preparation and Technical Support Group (GAPEP), which would help groups reformulate promising proposals and provide technical assistance to sub-projects under implementation. Technical Secretariat staff would monitor and evaluate all three components of the project according to indicators agreed with the Bank, including evaluation of a limited number of sub-projects each year. For further information on project administration, see Annex 1.

21. Small Grants Program. An operational manual describing procedures for processing and approving proposals and for implementing, supervising, and monitoring and evaluating sub-projects would govern the functioning of the small grants program. The operational manual would be a flexible document subject to periodic modification by agreement between the Technical Secretariat and the Bank.

22. The Technical Secretariat would publicize calls for proposals on a continuous basis. Technical Secretariat staff would screen proposals as they were submitted for compliance with eligibility criteria and would send eligible proposals to two members of the GAP for preparation of technical reviews. Technical reviewers would rate each proposed sub-project on each of the selection criteria and would recommend proposals for funding. They would also identify promising ideas among non-recommended proposals for which technical assistance in proposal formulation should be provided by the project. Many Amazon and some Atlantic Forest NGOs are relatively new and inexperienced in developing projects and making applications for funding. A manual for preparing proposals which would be distributed with application forms would assist less experienced groups in formulating a coherent project, and training and other technical assistance would be made available with the assistance of the GTA and CMA. Groups which submit proposals that are conceptually strong but technically weak could be assisted in reformulating their proposals by technical specialists from the GAPEP provided by the Technical Secretariat. Technical assistance for sub-projects during implementation would also be available at the discretion of the Technical Secretariat from the GAPEP.

23. A Board, called the Executive Commission, would make the final decision on funding proposals. The Executive Commission, which has already been established, is comprised of four representatives of the Brazilian government from agencies involved in other Pilot Program projects, five representatives of NGOs active in the Amazon and Atlantic Forest regions, and one representative of the Bank of Brazil. The Technical Secretary would chair the Executive Commission, but would vote only in the case of a tie. Groups of proposals would be evaluated by the Executive Commission as soon as a specified (i) number of proposals had accumulated, (ii) total volume of resources was requested, or (iii) period of time had passed since the last evaluation. These figures would be established by the Technical Secretariat and approved by the Executive Commission, and modified as necessary, in order to ensure competition among proposals and efficiency and promptness in processing applications. The Executive Commission would evaluate the proposals on the basis of the technical reviews, taking into account priorities for funding set in consultation with representatives of local populations. A restricted number of priorities could be emphasized in some funding periods in order to counteract thematic imbalances in the types of proposals received. To increase transparency, the Technical Secretariat would make information on funding decisions publicly available after each meeting of the Executive Commission.

24. The Bank of Brazil would receive funds directly from the donors and hold them in Special Accounts, until instructed to make disbursements to sub-projects by the Technical Secretariat. The Bank of Brazil would examine the financial reports and accompanying documentation to verify that expenditures are consistent with the sub-

project's approved budget. The Bank of Brazil would withdraw funds from the Special Accounts against signed contracts between the Bank of Brazil and the sub-project grantee. Bank supervision missions would review actual expenditures for a randomly drawn sample of sub-projects. For more information on the operation of the small grants program, see Annex 1.

25. Dissemination. The Technical Secretariat would be responsible for the dissemination component of the project. It would maintain one staff person with a background in communications who would be primarily responsible for this component. This component would comprise three activities: analysis of significant sub-project results, preparation of materials for disseminating those results to different audiences, and dissemination through workshops, publications, radio, and other media. The Technical Secretariat could contract consultants to assist in these activities. Target audiences and appropriate media of communication would be identified according to the type of information to be disseminated.

26. NGO Network Strengthening. This component would be implemented by the GTA and CMA, under the supervision of the Technical Secretariat. Disbursements would be contingent upon proof of completion of an agreed work plan, as demonstrated by presentation of receipts or other documentation to the Bank of Brazil and progress reports to the Technical Secretariat. Expenses for the national office of the GTA in Brasilia would be covered at a declining rate throughout the funding period (see para. 16). Action plans prepared by regional offices of the GTA would be approved by the World Bank and implemented by the regional organization, with expenses covered at the same declining rate as the national office.

27. Procurement. Bank procurement procedures would apply to the RFT grant of US\$3 million. Under the terms of Resolution 92-2 of the Bank's Executive Directors, other funding sources would also follow Bank procurement procedures. Because of the small-scale, dispersed nature of expenditures under this project, it is estimated that there would be no international competitive bidding. Most purchases would be made in accordance with local shopping procedures. In case of expenditures exceeding US\$150,000 for works or services and US\$100,000 for goods, Local Competitive Bidding (LCB) procedures acceptable to the Bank would apply. Because many sub-projects would be located in remote areas where multiple contractors or suppliers would not be available, direct contracting would be allowed in those cases for works and services less than US\$35,000 and direct purchasing for goods less than US\$15,000. Direct contracting would be limited to an aggregate total of US\$500,000 for works and services and US\$500,000 for goods. Consultant services would be obtained in accordance with the World Bank guidelines on the use of consultants. Other than those consulting services to be provided under sub-project contracts, most consultants would be individuals hired under long-term contract to work in the Technical Secretariat or short-term consultants working on the GAP or GAPEP.

28. Except for the technical assistance to the Technical Secretariat provided by the UNDP, implementation of procurement procedures would be the responsibility of the Bank of Brazil, which would contract a consultant as necessary to assist with implementation. In view of the fact that the majority of purchases would be relatively

small, no prior review by the Bank would be required. Ex-post review would be carried out by the Bank of Brazil on a sample basis, as well as by World Bank supervision missions. The UNDP would be responsible for implementation of procurement procedures for technical assistance to the Technical Secretariat. UNDP staff are experienced in Bank procurement procedures and would not be expected to require outside expertise.

29. Monitoring and Evaluation. The Technical Secretariat would be responsible for monitoring and evaluating each component of the proposed project, according to indicators agreed at negotiations and modified as necessary during project implementation by agreement of the Bank and the Technical Secretariat (see Annex 4). The Executive Commission would oversee the Technical Secretariat in this task. Recipients of funds would submit progress reports tracking physical and financial indicators to the Bank of Brazil for transmission to and review by the Technical Secretariat. Each grantee would also submit a final report at the conclusion of the sub-project to the Technical Secretariat. Technical Secretariat staff and consultants hired by the Technical Secretariat would visit sub-project sites regularly to verify progress reported by the grantee, including, where appropriate, physical inspection of goods and works. The Technical Secretariat would evaluate a limited sample of completed sub-projects each year. The Technical Secretariat would also be responsible for monitoring and evaluating the other two components of the project, according to agreed indicators. The Technical Secretariat would submit semi-annual progress reports on the project to the World Bank, which would include relevant information on sub-projects from site visits and from sub-project progress and evaluation reports. Each August, beginning in 1995, the Bank and the Technical Secretariat would jointly carry out an annual review of the project, at which time adjustments could be made to project design as necessary, in order to allow the project to fulfill its objectives. For more information on monitoring and evaluation, including indicators, see Annex 4.

Sustainability

30. The project would be sustainable on a number of levels. The innovative nature of some of the activities to be funded would mean that in many cases their sustainability is still untested. However, one of the selection criteria for sub-projects would be their potential to be environmentally, economically, and socially sustainable. Another selection criterion would be replicability, which in conjunction with the dissemination component would have an ongoing multiplier effect in the innovation and adaptation of sustainable management of natural resources at the local level. The dissemination component would also provide valuable information on local-level contributions to the public debate by means of dissemination to government decision-makers, and would create better linkages and dialogue between them and local populations. In the private sector, the proposed project would: (i) by increasing their experience in preparing proposals and implementing projects, build the capacity of local communities in the Amazon to seek and obtain their own funding directly from national and international sources; and (ii) through its support for the NGO networks, provide local communities in the Amazon and the Atlantic Forest greater access to information and provide them the means to act in a coordinated manner to influence

policy-making. The NGO network strengthening component would explicitly address the issue of sustainability by funding a study and follow-up work on developing funding sources for the GTA, including membership fees.

Lessons from Previous Bank Experience

31. Two types of projects with which the Bank has substantial experience are relevant to the proposed project: (i) social investment funds, and (ii) science research grant programs. Among the lessons learned from Bank experience with social investment funds, the following are most relevant to the Demonstration Projects: (i) protect the funding mechanism from political interference; (ii) create a flexible funding mechanism that can be modified as experience proves necessary; (iii) develop an effective management information system and accountability mechanisms in order to ensure the transparency of the fund's operation; (iv) promote the program vigorously in order to assure sufficient demand; (v) ensure high-quality projects by adequate monitoring and evaluation; (vi) overcome NGO distrust of working with the government through transparency and efficiency of the funding mechanism, and also through integrating NGOs into the process of grant-making; (vii) minimize weaknesses in NGO capacity to design and execute projects effectively through institutional support and proposal preparation support; and (viii) require counterpart funding in order to assure commitment on the part of the proposing agency.

32. Bank experience with science research through grant programs has yielded the following lessons relevant to the Demonstration Projects: (i) competition for funds leads to higher efficiency and quality in proposed projects, and effective peer review of project proposals guarantees technical quality; (ii) access to peers, both in the form of personal interaction in workshops and seminars and via publication of results, fosters the creation of an active and productive scientific community; (iii) establishment of funding priorities leads to the most efficient use of scarce resources; and (iv) findings should be utilized in the design of national development strategies and policies.

33. The design of the Demonstration Projects reflects most of the lessons mentioned above. Promotion of the grants program and assistance to interested groups in proposal preparation are included in project design. The funding mechanism would be transparent and fair, with review by outside experts of the technical adequacy of proposals and NGO representation on the Executive Commission which makes final decisions on funding. Commitment to the sub-project by the implementing organization would be strengthened by the requirement that all but the smallest sub-projects contribute counterpart funds. A review would be carried out after the first round of grants is awarded to make any adjustments that might be deemed necessary. This would help ensure flexibility in the funding mechanism, as would the annual reviews. Monitoring, evaluation, and dissemination of results would be a major component of the project. Because of the project's association with the Pilot Program, sub-project results would be communicated to the broader Pilot Program audience, including Brazilian policy-makers.

Rationale for RFT Funding

34. One of the objectives of the Bank's Country Assistance Strategy for Brazil, discussed by the Bank Executive Directors on June 29, 1993, is to identify ways to encourage vigorous agricultural and industrial growth, while at the same time strengthening institutions and initiatives that will preserve the environment and reduce rural poverty. The proposed project is fully consistent both with the objectives of this strategy as it applies to rural and rain forest areas and with the objectives of the Rain Forest Pilot Program. The proposed project would allow community groups and local institutions to apply and adapt strategies for sustainable development at the local level. The project would reinforce other Pilot Program projects by funding sub-projects which support their efforts in such areas as extractive reserves, national forests, natural resource management, and indigenous reserves. At the same time, the proposed project would help strengthen local NGOs, governments, and other project executors in their institutional capacity to identify and manage sustainable development and conservation projects. Both the sub-projects themselves and the increased institutional capacity are expected to increase the effectiveness and long-term sustainability of the other Pilot Program projects.

Agreed Actions

35. At negotiations, agreements were reached on: (i) the content of the technical assistance to be provided to the Technical Secretariat; (ii) the contents and use of the operational manual, which would be modified only in consultation with the Bank, including specific funding priorities for the small grants program; (iii) criteria for the selection of technical reviewers, an initial roster of reviewers, and procedures for adding to the roster; (iv) a process for annual review of the project; (v) standard contracts between the Bank of Brazil and sub-project grantees; (vi) carrying out of an annual audit; and (vii) submission to the Bank of an annual operating plan satisfactory to the Bank by December 31 of each year; an agreed monitoring and evaluation system for the small grants program and the dissemination component of the project will be an integral part of the plan, including indicators for each component. Prior to RVP approval of the RFT Grant, the Financing Agreement for the CEC co-financing of the project was signed by the CEC and the Bank. Prior to effectiveness: (i) MMA will establish the Technical Secretariat with key staff in adequate number and with adequate qualifications; (ii) the Bank of Brazil will enter into contractual arrangements satisfactory to the Bank with MMA and UNDP; and (iii) MMA will submit to the Bank an annual operating plan satisfactory to the Bank for the remainder of calendar year 1994. Prior to disbursement: (i) for the first set of approved sub-projects, the Bank will review and approve the funding decisions of the Executive Commission; (ii) for all sub-projects, grantees will enter into contractual arrangements satisfactory to the Bank with the Bank of Brazil; (iii) for expenditures by the Technical Secretariat or the Executive Commission, such expenditures will have been included in the annual operating plan found satisfactory by the Bank for that year; (iv) for the GTA institutional strengthening component, the Bank will approve a detailed institutional strengthening plan submitted by the GTA national office, which presents a strategic vision for the organization and concrete steps toward it to be funded during the project period, including a monitoring and evaluation plan and indicators for

measuring progress; and (v) for the GTA and CMA strengthening components, respectively, GTA and CMA will enter into contractual arrangements satisfactory to the Bank with the Bank of Brazil. All disbursements for consultant services under the GTA strengthening component would be made against contracts falling within a single disbursement percentage period (100%, 80%, or 50%—see para. 16).

Environmental Aspects

36. By their nature, sub-projects funded in the project may have some impact on the environment, and therefore the project has been given a "B" rating. However, the main objective of the project is to support only sub-projects with a neutral or a net positive environmental impact. In the areas in which funding would occur, grave threats to the environment already exist. Funding for approved sub-projects is intended to demonstrate the viability of less damaging alternatives to existing practices.

37. The sub-project review process would include specific attention to the environmental sustainability of the activities financed. For sub-projects with potentially negative environmental impacts, a simplified environmental impact analysis would be carried out. These sub-projects would be monitored during implementation for environmental impact, and ex-post evaluations of environmental impact would be carried out for sub-projects chosen for dissemination. The World Bank would verify during supervision missions that these procedures are adequate to exclude sub-projects with a net negative environmental impact from receiving funding under the project. For more information on environmental analysis procedures, see Annex 2.

Benefits

38. The major benefit of the proposed project would be the lessons in small-scale conservation and sustainable development that would be learned and disseminated through the project in support of the other Pilot Program projects. The end result should be a menu of different technologies adapted to different external environments which have been proven to work with the end-users. Government policy-makers would benefit from information on innovative experiences in conservation and sustainable development, which could inform their efforts to create a policy framework conducive to conservation of Brazil's valuable natural resources. Local communities would benefit in a number of ways. They would benefit directly from successful sub-projects which contribute to a higher standard of living based on environmentally sustainable activities, as well as from their increased understanding of the concept of environmental sustainability and its importance for their future livelihood. Local communities would also benefit as the NGOs, local governments, and other groups which represent them gain experience in successfully preparing and implementing conservation and sustainable development projects, and from the consolidation of the GTA, which would facilitate information exchange and policy dialogue with the federal government. Both national government and local communities would benefit from an experience of closer collaboration between the federal Environment Ministry and grassroots efforts in conservation and sustainable development.

Risks

39. There are three major risks related to the sub-project funding component: (i) there will be insufficient demand; (ii) poor quality sub-projects will be selected for funding; and (iii) favoritism or political pressure will influence funding decisions. An analysis of demand indicates that there is sufficient demand for funds, and the project will publicize the small grants program widely in order to ensure that groups are aware that funding is available. The proposed project would minimize the other risks by: (i) using independent technical reviewers to judge which proposals are of sufficient quality to be funded, and providing technical assistance to improve conceptually strong but technically inadequate proposals; and (ii) using fully transparent procedures and clear, rigorous eligibility and selection criteria to select sub-projects for funding.

Recommendation

40. I am satisfied that the proposed RFT grant would comply with Resolution 92-2 of the Bank's Executive Directors and recommend approval of the grant.

Gobind T. Nankani
Director, Country Department I
Latin America and the Caribbean Region

Attachments
Washington, D.C.
October 20, 1994

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****ESTIMATED PROJECT COSTS
(US\$ '000)**

COMPONENT	Local	Foreign	Total
A. Small Grants Program	19,929	0	19,929
B. Dissemination	1,565	0	1,565
C. NGO Strengthening	706	0	706
TOTAL PROJECT COSTS	22,200	0	22,200

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****PROCUREMENT ARRANGEMENTS
(US\$ '000)****Procurement method**

Expenditure category	ICB	LCB	Other	NBF	Total
Sub-project contracts*			3,728 (0)	13,856	17,584
Consultants			601 (531)	632	1,233
Travel			736 (522)		736
Training			455 (455)		455
Equipment			111 (70)		111
Materials/supplies			77 (48)		77
Miscellaneous services**			1,539 (1,319)		1,539
Administrative fees and auditing			253 (55)	212	465
TOTAL	0	0	7,500 (3,000)	14,700	22,200

ICB = International competitive bidding

LCB = Local competitive bidding

NBF = Not Bank financed (Germany and beneficiary counterpart)

Other = Includes shopping procedures and consulting services to be procured according to Bank guidelines. Direct contracting would be allowed for works and services less than \$35,000, and goods less than \$15,000, up to aggregate amounts of \$500,000 for works and services and \$500,000 for goods.

(RFT Grant amount in parentheses)

* Maximum grant for each sub-project is \$150,000 per year and \$300,000 total

** Includes services such as printing, editing, radio programs, and video productions

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****DISBURSEMENT ARRANGEMENTS****Disbursement by category**

Category	RFT Amount (US\$)	CEC Amount (ECU)	Disbursement rate
Small Grants Program		3,000,000	100%
Technical Assistance for the Technical Secretariat	2,650,000		
(i) Consultant and Other Services	2,000,000		100%
(ii) Travel Expenses	550,000		
(iii) Goods	100,000		
NGO Network Strengthening for GTA		470,000	100% of total expenditures made during 1994 and 1995; 80% of expenditures made during 1996; and 50% of expenditures made during 1997 and thereafter.
(i) Consultant and Other Services		190,000	
(ii) Travel Expenses		210,000	
(iii) Goods		70,000	
NGO Network Strengthening for CMA		70,000	
(i) Consultant and Other Services		15,000	100%
(ii) Travel Expenses		50,000	
(iii) Goods		5,000	
Administration Fee	50,000	65,000	100% of fee for RFT expenditures by the RFT grant and 100% of fee for CEC expenditures by the CEC grant
Auditing		50,000	100%
Unallocated	300,000	345,000	
TOTAL	3,000,000	4,000,000	

BRAZIL

**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS**

DISBURSEMENT ARRANGEMENTS

RFT Disbursement Schedule

(US\$ '000)

World Bank Fiscal Year	1995	1996	1997	1998	1999
Annual	600	892	797	460	251
Cumulative	600	1492	2289	2749	3000

External Funds Disbursement Schedule*

(US\$ '000)

World Bank Fiscal Year	1995	1996	1997	1998	1999
Annual	3465	3319	5432	5391	1593
Cumulative	3465	6784	12216	17607	19200

* Includes funds from the RFT, the CEC, and Germany

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****TIMETABLE OF KEY PROCESSING EVENTS**

Time taken to prepare:	15 months (August 1992 to October 1993)
Prepared by:	Ministry of Environment and the Legal Amazon Non-governmental organizations
	World Bank: Karen Luz, Robert Kaplan, Garo Batmanian (consultant)
Peer reviewers:	John Clark (OPRIE) Margaret Grosh (PRDPH)
First Bank mission:	August 1992
Appraisal mission departure:	November 1993
Date of negotiations:	May 1994
Planned date of effectiveness:	November 1994
Summary supervision plan:	Missions are planned for 4-6 month intervals to supervise progress. Technical expertise: Ecologist, community development specialist, financial analyst, natural resource economist.
	One mission each year will be designed as an annual review, during which project implementation and monitoring and evaluation procedures will be assessed and changes introduced as necessary.

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****TECHNICAL ANNEXES**

- Annex 1. Project Administration
- Annex 2. Eligibility and Selection Criteria
- Annex 3. Financial and Legal Arrangements
- Annex 4. Monitoring and Evaluation Plan
- Annex 5. Non-Governmental Organizations in the Amazon and Atlantic Forest Regions
- Annex 6. Logical Framework
- Annex 7. Summary of Four Sample Sub-Projects
- Annex 8. Reports and Documents in Project Files
- Annex 9. Detailed Project Cost Tables

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****PROJECT ADMINISTRATION**

1. Organizational Structure. The project as a whole would be coordinated by the Technical Secretariat, headed by the Technical Secretary. A Board, called the Executive Commission, would meet periodically to set overall guidelines for the project and to make decisions on which proposed sub-projects to fund. The Executive Commission would be comprised of representatives of the federal government, the NGOs from each region, and the Bank of Brazil. Two ad hoc groups of consultants, the Project Analysis Group (GAP) and the Proposal Preparation and Technical Support Group (GAPEP), would provide assistance to the Technical Secretariat in analyzing and reformulating proposals and for backstopping projects under implementation. Membership networks representing the NGOs of the Amazon and the Atlantic Forest would assist in publicizing the grants program among their members and providing training to less experienced NGOs in proposal preparation, as well as in disseminating lessons learned from sub-projects. Detailed descriptions of the composition and responsibilities of each of these bodies are found below.

a) Technical Secretariat. The Technical Secretariat would be housed within and supervised by the Ministry of Environment and the Legal Amazon and would be headed by a Technical Secretary appointed by the Minister of Environment in consultation with the NGOs. It would begin operations with four professional and three support staff and add staff as necessary in response to the volume of work. The Technical Secretariat would be responsible for coordinating all three components of the project: the small grants program, the dissemination component, and the NGO network strengthening component, including monitoring and evaluation for all three. The Technical Secretariat would receive sub-project proposals, screen them for compliance with eligibility criteria, assign them to members of the GAP for analysis, and reassign them to members of the GAPEP for reformulation as necessary. It would send proposals on to the Executive Commission for final decisions, notify grant recipients and groups whose proposals have not been funded, and instruct the Bank of Brazil to release funds to grantees. Technical Secretariat staff or consultants would work with grantees to develop an adequate monitoring and evaluation plan before sub-project implementation would begin. During project implementation, Technical Secretariat staff would approve alterations requested by grantees in the approved workplan or budget, for changes over 10 percent of budget or a ceiling of US\$3,000. They would maintain project files and databases and make relevant information available to the interested public. Technical Secretariat staff or consultants would visit sub-projects during implementation and carry out final evaluations of a random sample of sub-projects after their conclusion. They would coordinate the analysis of sub-project experiences which would serve as a base for the dissemination component

of the project, and they would design and implement dissemination activities, assisted by consultants as necessary. They would periodically evaluate the performance of the GAP and GAPEP and recommend additions or replacements for these rosters. They also would supervise and assist the implementation of the institutional strengthening component of the project by the Amazon Working Group (GTA) and those activities carried out by the Atlantic Forest Commission (CMA) in support of the Demonstration Projects which would be funded by the project.

b) Executive Commission. The Executive Commission would be composed of 10 members and chaired by the Technical Secretary, who would vote only in the case of a tie. Four members would represent the government and would be appointed by government agencies involved in other Pilot Program projects. Five members would represent NGOs, with three appointed by the NGOs in the Amazon and two appointed by Atlantic Forest NGOs. One member of the Executive Commission would represent the Bank of Brazil. The Executive Commission would meet periodically to consider sub-project proposals and decide which would be funded. It would approve an annual work plan for the project as a whole, set priorities for different funding cycles, approve the appointment of consultants to the GAP and GAPEP, and take action on Technical Secretariat recommendations for removal of consultants from these rosters. It would also review and evaluate the progress reports submitted periodically by each sub-project.

c) GAP and GAPEP. The GAP and GAPEP would be rosters of local or foreign consultants who are experts in areas relevant to the Demonstration Projects. The rosters would be assembled and the members periodically evaluated by the Technical Secretariat, and they would be approved by the Executive Commission. Members of the GAP would provide technical reviews of sub-project proposals submitted for funding. They would receive an orientation to the project before reviewing the first round of proposals and would be guided in their reviews by a manual. They would fill out a detailed evaluation form for each proposal, rating the proposed sub-project separately on each of the selection criteria, as well as giving an overall rating. Members of the GAPEP would provide technical assistance to reformulate proposals judged promising but poorly formulated, as well as providing technical backstopping to sub-projects under implementation as requested by the Technical Secretariat. They would receive training in project preparation to assure a common methodology among all the consultants on the roster, which would include an orientation to the project.

d) NGO networks. The NGO networks, the Amazon Working Group (GTA) and the Atlantic Forest Commission (CMA), representing the Atlantic Forest Network, are described in Annex 5. They would support the small grants program by publicizing it among their member groups, providing assistance and training in preparing proposals, and collaborating in the analysis and dissemination of sub-project results. In addition, institutional strengthening of the GTA would be funded through the project to allow the network to become a permanent and effective organization for representing the interests of its member groups in the future.

e) **Bank of Brazil.** The Bank of Brazil would receive funds directly from the donors and hold them in Special Accounts in a commercial bank acceptable to the World Bank, until instructed to make disbursements to sub-projects by the Technical Secretariat, or for items related to the GTA or the CMA. The Bank of Brazil would contract the UNDP to provide technical assistance to the Technical Secretariat including all activities associated with the Technical Secretariat, the Executive Commission, the GAP, the GAPEP, and training, evaluation, and dissemination. The Bank of Brazil would sign contracts with grantees for sub-projects which have been approved by the Executive Commission and would be responsible for examining documentation from sub-projects to verify that funds have been used as indicated in the workplan. It would maintain records on the use of project funds and report periodically to the Technical Secretariat, the World Bank, and the donors. Project records held by the Bank of Brazil would be audited annually and individual sub-projects would be subject to an annual audit, including physical and procurement audit, on a sample basis. A random sample of records would also be reviewed by the World Bank and donors during the annual review. An operational manual would regulate the basis upon which the Bank of Brazil would provide grants to sub-project proposals. The operational manual would contain the eligibility and selection criteria, a definition of the characteristics and responsibilities of the various entities involved in proposal processing and sub-project implementation, a description of the process of submission, technical review, and consideration of sub-project proposals, information about provision of technical assistance for proposal reformulation, an explanation of environmental analysis procedures, and disbursement and reporting procedures during sub-project implementation. The operational manual could be revised as necessary by agreement between the Technical Secretariat and the Bank.

2. **Proposal processing.** The processing of sub-project proposals would be comprised of the following steps:

- a) Calls for proposals would be issued continuously by the Technical Secretariat. Each call for proposals would define funding priorities for the period.
- b) The GTA and CMA would assist the Technical Secretariat to publicize the calls for proposals among their member groups. The GTA and CMA would also assist the Technical Secretariat to provide technical assistance and training to groups interested in applying for grants.
- c) Eligible groups would submit proposals to the Technical Secretariat, using the standard application form and manual. Proposals would be accepted on a continuous basis.
- d) The Technical Secretariat would screen proposals for compliance with the eligibility criteria and would assign each eligible proposal to two technical reviewers from the GAP. Proposals for sub-projects requesting US\$5,000 or less in financing would be sent to just one reviewer.

- e) GAP members would review proposals and rate them on each of the selection criteria. They would also give an overall rating of one of the following categories: not recommended, recommended with conditions, recommended. These ratings would be returned to the Technical Secretariat.
- f) In the case of a discrepancy in overall rating (recommended/not recommended) between the two technical reviews, the Technical Secretariat would submit the proposal to a third reviewer. The Technical Secretariat would return those proposals recommended with conditions to the proposing organization for revision when the conditions were minor. If the Technical Secretariat were to judge that the inadequacies of the proposal would be difficult to resolve by the proposing organization, the Technical Secretariat could offer the proponent assistance from the GAPEP.
- g) The Executive Commission would meet periodically to evaluate proposals. Meetings of the Executive Commission would be called by the Technical Secretary when any one of the following conditions were met: (i) 90 days had passed since the previous meeting; (ii) 60 proposals were ready for consideration; or (iii) the proposals ready for consideration represented 30 percent of the resources available for that year.
- h) The Technical Secretariat would send all proposals of US\$5,000 or more to the Executive Commission for final decisions. Proposals under US\$5,000 would be decided upon by the Technical Secretary in consultation with one member of the Executive Commission and reviewed by the entire Executive Commission at the next meeting.
- i) The Executive Commission would decide which sub-projects to fund based on the technical reviews and the priorities set for that funding cycle. Sub-projects which were not approved because they did not fit the priorities of that funding cycle could be retained for consideration in a future cycle.
- j) The Technical Secretariat would notify groups of the action taken on their proposals and make publicly available information on which sub-projects received funding. It would notify the Bank of Brazil to begin disbursing funds to sub-projects according to their budgets and workplans. Technical Secretariat staff would also work with sub-project personnel to agree on monitoring and evaluation indicators.
- k) The Bank of Brazil would sign contracts with grantees for approved sub-projects, and make an initial disbursement as instructed by the Technical Secretariat.
- l) Subsequent disbursements to sub-projects would be made in accordance with Bank procedures. At the time of each disbursement, a progress report tracking physical and financial indicators would be presented to the Bank of Brazil and transmitted by the Bank to the Technical Secretariat for review. Review of the report would not be a condition of disbursement, but the

Technical Secretariat could suspend subsequent disbursements if the report were not satisfactory. Receipts for expenditures under the sub-projects would be presented to the Bank of Brazil by grantees and verified by the Bank of Brazil as eligible expenditures in accordance with the sub-project workplan.

- m) The Technical Secretariat staff and consultants hired by them would visit sub-projects periodically to verify progress as reported in the progress reports and to assist in addressing problems which might arise during implementation.
- n) The Bank of Brazil would contract an annual audit of project records, including a sample of sub-projects. World Bank supervision missions would also review actual expenditures for a randomly drawn sample of sub-projects.

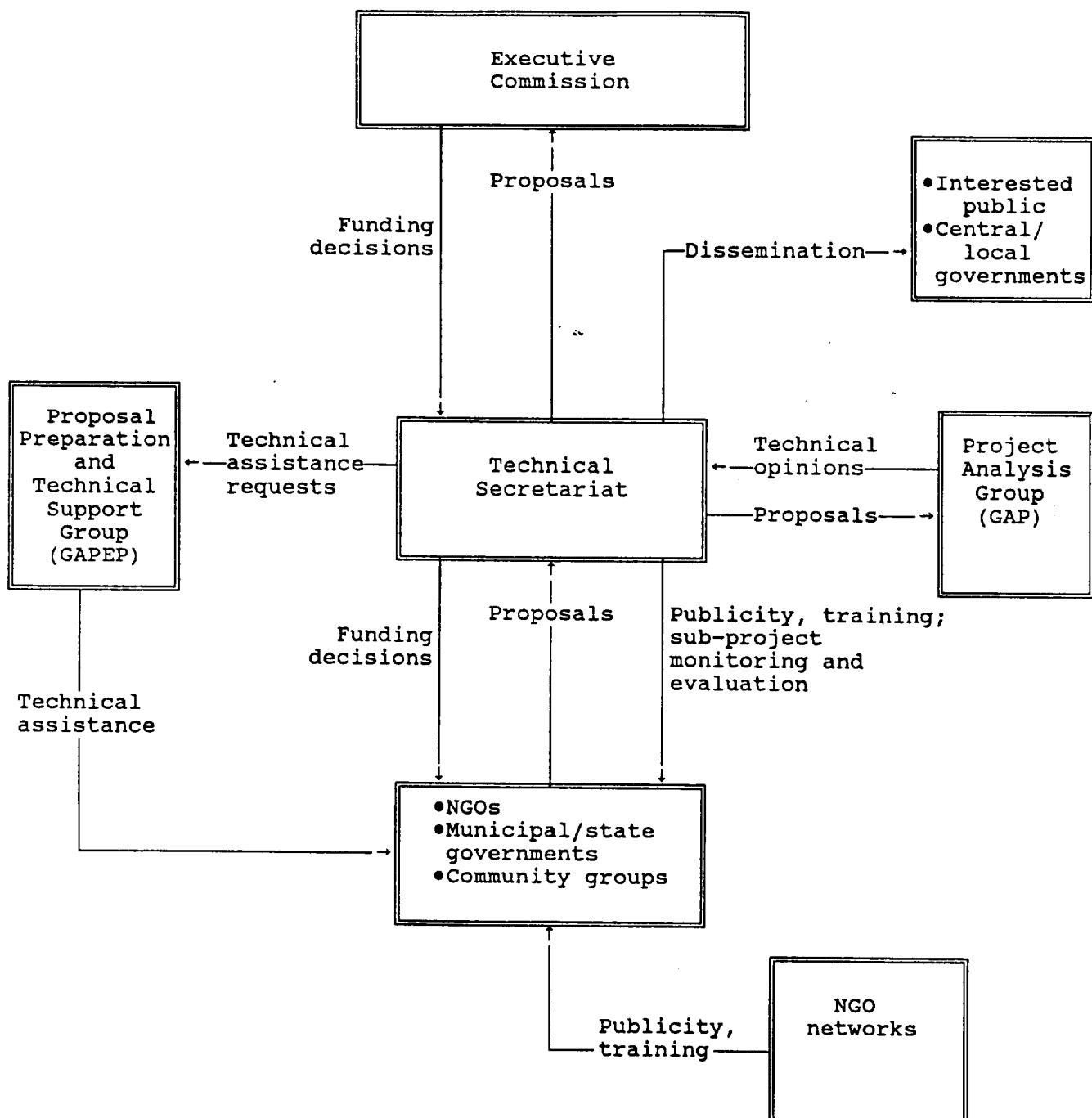
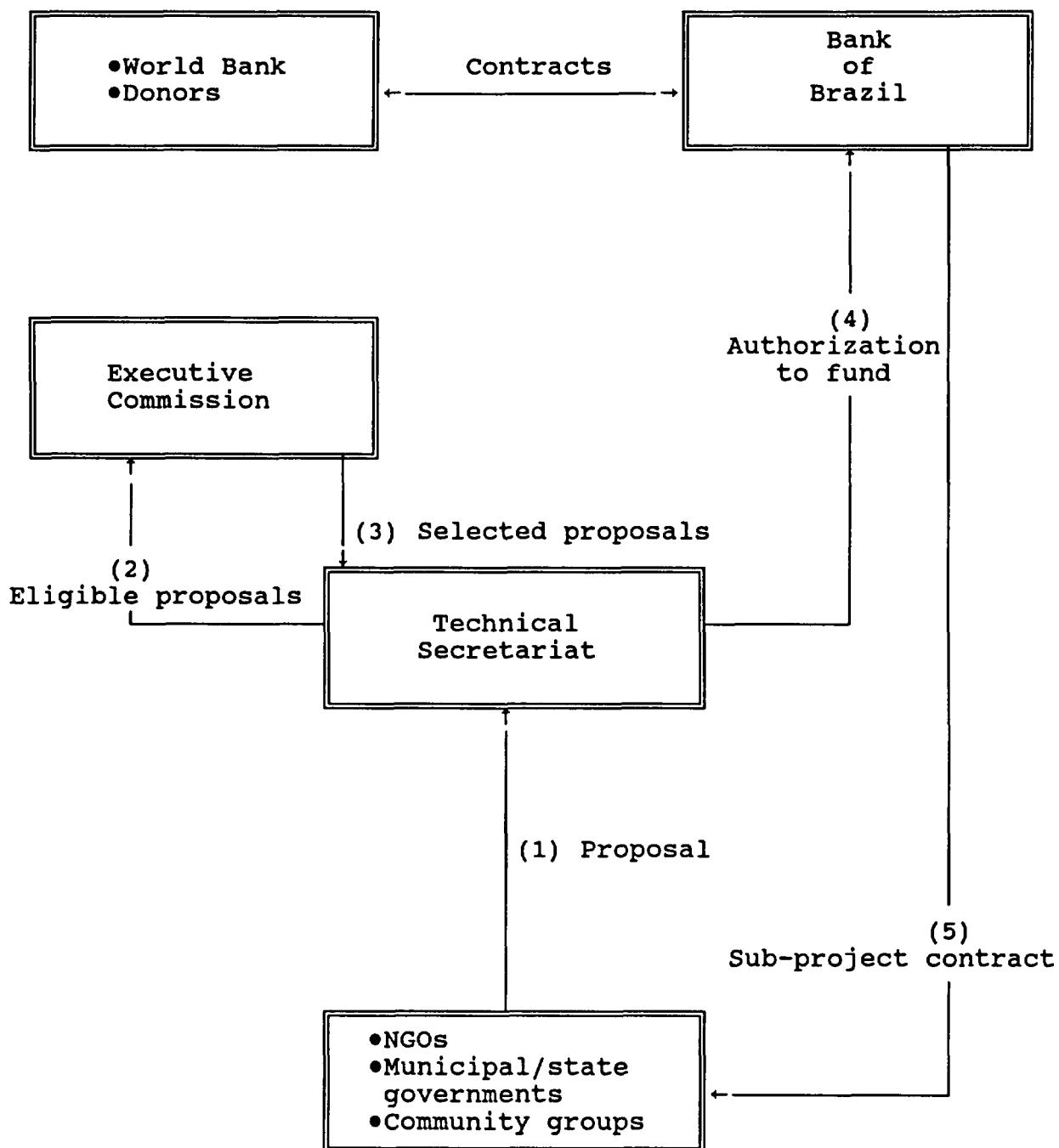
Figure 1. Project Administration and Responsibilities

Figure 2. Proposal Processing

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****ELIGIBILITY AND SELECTION CRITERIA****Eligibility Criteria**

Proposed sub-projects are eligible under the following conditions:

- a) The proposal must be presented by Brazilian entities which:
 - (i) have been legally constituted for at least one year by 90 days prior to the date on which the Executive Commission will consider the proposal;
 - (ii) are not for profit, except in the case of cooperatives, associations, agricultural credit unions, and small producer associations;
 - (iii) have experience in projects in natural resource conservation or sustainable development, or in activities in conjunction with local populations in the Amazon or Atlantic Forest;
 - (iv) are not in a state of default; that is:
 - the entity is not indebted to government or other entities. The organization should supply standard Brazilian documentation (certificate of non-indebtedness);
 - the entity is up to date with accounting requirements in other projects under the Demonstration Projects;
 - the entity has not failed to fulfill the goals of previous projects funded under the Demonstration Projects, or such failure has been adequately justified.
 - (v) Organizations which have not been legally constituted, but which work with or represent local populations, may apply for funds through sponsoring organizations which fulfill the above requirements.
- b) Proposals must follow project guidelines. In particular, proposing institutions must:
 - (i) request financing of no more than US\$150,000, per institution, per

year, not to surpass a total of US\$300,000 for all sub-projects in a single institution over the course of the Demonstration Projects;

(ii) provide counterpart funds of at least 10 percent of project cost for projects over US\$15,000 and up to US\$50,000, at least 20 percent for projects over US\$50,000 and up to US\$100,000, and at least 30 percent for projects costing more than US\$100,000. Sub-projects costing US\$15,000 or less are not required to present counterpart funds.

- c) present a work plan for up to three years;
- d) submit the application form completely filled out;
- e) if the sub-project includes civil works, submit the following documentation:
 - (i) complete description of the civil works;
 - (ii) construction material used;
 - (iii) estimate of costs and timeline for construction;
 - (iv) proof of ownership of the property; and
 - (v) location where the construction will occur.
- f) submit proposals for sub-projects which are in compliance with all existing legislation, including environmental legislation;
- g) include sub-project administrative costs which do not exceed 15 percent of the funds received by the sub-project, for financing of up to US\$100,000, and 10 percent for projects of US\$100,000 or more.

Selection Criteria

Sub-projects will be selected for funding according to the following criteria:

- a) relevance of the sub-project to the objectives of the Pilot Program and to the general and specific objectives of the Demonstration Projects;
- b) clear definition of methodology and reasonable costs;
- c) adequacy of the proposed activities to accomplish the stated objective of the sub-project;
- d) possibility for guaranteeing the continuation of the activity after financing from the project ends, through other outside funding or financial self-

sufficiency;

- e) probability that the activities are environmentally sustainable;
- f) relevance of the sub-project to the priorities defined for the funding period;
- g) innovativeness and replicability of the activities, at the municipal, state, and regional levels;
- h) participation of the affected population in the planning, implementation, and evaluation of the results of the sub-project;
- i) social viability, that is, that the activities respond to needs identified by the affected population;
- j) if the sub-project supports productive activities, potential of the activities to be economically viable, and impossibility of funding the activity with commercial or other sources of credit;
- k) technical and administrative capacity of the sponsoring institution to execute the proposed sub-project.

Environmental Sustainability

Environmental sustainability (criteria (e) above) will be determined in the following fashion. Technical reviewers will screen proposed sub-projects to determine whether they include any of the following activities, which could have a negative environmental impact:

- road construction
- dam construction
- use of pesticides or fertilizers
- deforestation
- timber extraction
- civil works
- large animal husbandry
- wild animal husbandry
- commercial fishing
- fishing for ornamental species
- predatory extractivism
- ecotourism
- use of exotic species
- product processing
- use of large quantities of non-biodegradable materials
- dredging and/or filling

If the sub-project includes activities which may have a negative impact on the environment, the technical reviewer will analyze the probable environmental impact

and characterize it as significant or negligible. If the impact is considered significant, the technical reviewer will analyze whether mitigating measures could be taken which would decrease the environmental impact of the activity such that it is less negative than the corresponding traditional or alternative activity. In this case, the sub-project can be considered to be environmentally sustainable, as long as the mitigating measures are adopted.

For all sub-projects involving activities with a potentially negative environmental impact, the environmental impact will be monitored during implementation. If the sub-project should be chosen for dissemination after its completion, the Technical Secretariat will once again analyze the environmental impact of the activity, in order to ensure that widespread adoption would not result in unacceptable levels of negative environmental impact.

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****FINANCIAL AND LEGAL ARRANGEMENTS**

1. The Demonstration Projects would make some 400 grants averaging US\$30,000 to US\$50,000 to numerous small organizations scattered over a large area.

Disbursements would be made over a period of five years, and expenditures for individual items in sub-project budgets are likely to be small. In order to minimize bureaucratic delays in the transfer of funds to the final grantees and to maximize efficiency in monitoring sub-project expenditures, the Bank of Brazil, which has a large number of branch offices linked by a sophisticated on-line transfer network throughout Brazil, would assume responsibility for financial flows between the project's Special Accounts and individual sub-project implementers. The Ministry of Environment and the Legal Amazon, through the Technical Secretariat, would retain responsibility for all technical aspects of the project, through a set of legal instruments defining the role of each entity in project implementation.

2. Financial Structure. For administrative simplicity, the project would be divided into three funding components:

a) Small Grants Program. This component would include only the costs of grants made to sub-projects approved by the Executive Commission. The Bank of Brazil would transfer these funds to sub-projects or pay expenses directly to suppliers of goods or services to sub-projects. The Technical Secretariat would provide the Bank of Brazil with sub-project documentation, including an approved workplan, and instruct the Bank of Brazil to sign a contract with the grantee and begin disbursements. The Bank of Brazil would check receipts to verify that expenditures are those agreed, while the Technical Secretariat would be responsible for monitoring the technical progress of the sub-project, through site visits and reports from grantees.

b) Technical Assistance for the Technical Secretariat. This component would consist of assistance to the Technical Secretariat to carry out its functions, including publicizing the small grants program, processing proposals, coordinating proposal analysis and technical assistance for proposal reformulation, and monitoring sub-project implementation. It would also include all training activities, routine sub-project and overall project evaluation, analysis to produce inputs for the dissemination program, and all dissemination activities. The Bank of Brazil would contract the United Nations Development Programme (UNDP) to provide the technical assistance, with expenditures made according to an annual workplan approved by the Bank.

c) NGO Network Strengthening. This component would include all assistance to the GTA, both national and regional offices, and to the CMA. The Bank of Brazil would sign contracts with the GTA and CMA and transfer funds to them, in accordance with expenditures made and approved by the Bank.

3. Legal Structure. The following legal structure would govern the project:

a) The World Bank would sign a Grant Agreement with the Bank of Brazil, under which the Bank of Brazil would receive grant funds from the RFT and CEC. The Bank of Brazil would use these funds to finance the project components described in paragraph 2 above.

b) The Bank of Brazil would sign the following contracts:

- (i) with sub-project grantees, for the Small Grants Program component, and with the GTA and CMA, subsidiary grant agreements regulating sub-project execution;
- (ii) with the Ministry of Environment and the Legal Amazon (MMA), defining the role of the MMA and the Technical Secretariat in project implementation; and
- (iii) with the UNDP, defining responsibilities for the implementation of the technical assistance component.

4. Disbursement. The proceeds of the proposed grant would be disbursed according to the following percentages: the Rain Forest Trust Fund would provide 82 percent of the funds for the component for Technical Assistance for the Technical Secretariat. The CEC would provide 100 percent of the funds for the NGO Network Strengthening component, and 25 percent of the funds for the sub-project grants. Germany would provide 18 percent of the funds for the Technical Assistance for the Technical Secretariat and 58 percent of the funds for the sub-project grants. Each donor would pay 100 percent of the administration fees assessed on its own funds (UNDP and Bank of Brazil), and the CEC would pay 100 percent of auditing costs. Beneficiary counterpart would provide 17 percent of funding for sub-project grants. Disbursements are expected to be completed over a five-year period (as reflected in Schedule B). The project's completion date would be October 31, 1999, and the closing date would be April 30, 2000. Retroactive financing of up to US\$100,000 would be granted for eligible expenditures incurred after August 1, 1994 for the GTA portion of the NGO Network Strengthening component. In order to ensure efficient and timely implementation of the project, two Special Accounts, with initial deposits of US\$200,000 and US\$270,000, would be established in a commercial bank acceptable to the Bank. The Special Accounts would earn interest which would be credited in its entirety to the project. Because the project would involve a substantial number of small contracts all estimated to be less than US\$150,000 equivalent, disbursements would be made under the Statement of Expenditures (SOE) procedure, prepared and certified by the Bank of Brazil. The Bank of Brazil has adequate

accounting controls for this purpose, and has demonstrated capability to make the required funds transfers in an efficient and timely fashion. The grant would cover expenses of the GTA at a declining rate over the project period, according to the following schedule: 100 percent of expenses would be funded during calendar years 1994 and 1995; 80 percent of expenses would be funded during calendar year 1996; and 50 percent of expenses would be funded during calendar year 1997. For more information on disbursement procedures for individual sub-projects, see Annex 1.

5. Accounting and Auditing. The accounts of the Bank of Brazil are examined annually by private external auditors, as well as government auditing bodies. During negotiations it was agreed that the Bank of Brazil would maintain records and accounts for the project. The project account would be audited annually, along with the Bank of Brazil corporate accounts, by private external auditors acceptable to the Bank. The annual audit would be based on audit of a sample of sub-project accounts to include, *inter alia*, all sub-projects expected to cost more than US\$100,000. The audit would include physical inspection of goods and works in the field and supporting documentation for procurement decisions for a sample of sub-projects. Audit requirements would also include provision of a Management Letter, a separate opinion on the use of the Special Accounts and SOEs. These audit opinions would be furnished to the Bank as soon as available each fiscal year, and in any cases not later than six months after the end of each year. The Technical Secretariat, the Bank of Brazil or the World Bank could request at any time that an additional or parallel audit be carried out in the case of questions regarding the handling of funds under any particular sub-project.

6. Donors. Funding from the European Union would be in the form of parallel co-financing of NGO network strengthening and sub-project grants. Funding from Germany would be in the form of parallel financing of Technical Secretariat expenses and of sub-project grants. Funds made available by donors other than the World Bank would follow a similar system as that described above. The CEC funds would be deposited in a co-financing trust fund established in and administered by the Bank and disbursed to the Bank of Brazil in accordance with the Grant Agreement to be negotiated between the Bank and the Bank of Brazil.

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****MONITORING AND EVALUATION PLAN**

1. **Objective.** The objective of monitoring and evaluation under the Demonstration Projects is to provide updated, timely information to assist project and sub-project implementing agencies in reviewing progress achieved in their work and difficulties encountered and to measure overall project performance and impact.

2. **Results.** The results of the Demonstration Projects' monitoring and evaluation system include:

- a) management of information from reports, studies and results of workshops at both project and sub-project levels;
- b) written and audiovisual results of the dissemination component;
- c) reports to the Pilot Program's Executive Secretariat and to the World Bank.

3. **Responsibilities**

In general, the **Technical Secretariat** will be responsible for project monitoring and evaluation. Its responsibilities in this area include the following activities:

- a) assist implementing agencies in designing their own monitoring and evaluation system and its indicators;
- b) establish, distribute and monitor standard forms to be used for sub-projects with respect to financial, physical and other administrative indicators;
- c) approve the design of monitoring and evaluation for sub-projects;
- d) approve and inform executing agencies about final evaluation reports on sub-projects;
- e) combine data from sub-project reports for overall project monitoring and evaluation;
- f) collect data on performance indicators and performance of project activities (publicity, processing of proposals, training, dissemination, GTA, CMA);

- g) prepare a consolidated six-month activity report for submission to the Pilot Program's Executive Secretariat and to the World Bank. This report should include the number of proposals received for sub-projects, a summarized description of sub-projects, overall performance of financial and physical indicators for the three project components, and an evaluation of the project's progress and performance in relation to monitoring indicators;
- h) prepare a consolidated evaluation report on the effectiveness of project activities in terms of the overall objectives of the project, to be submitted annually to the Executive Secretariat and the World Bank;
- i) carry out visits to supervise sub-projects of particular interest or importance, and those with evidence of serious implementation problems;
- j) hire consultants to conduct evaluation studies of concluded sub-projects in order to select cases with important lessons or which have significant potential and size;
- k) establish and operate a financial data system drawn from data extracted from sub-project contracts and from payments made by the Bank of Brazil.

4. The monitoring of sub-projects is primarily the responsibility of **implementing agencies**, which report periodically to the Technical Secretariat and depend on it for support. Implementing agencies also participate in sub-project evaluation. These agencies should:

- a) design the monitoring and evaluation component as part of the sub-project proposal, including monitoring indicators and indicators for evaluation of progress toward sub-project goals;
- b) continuously collect data required for reporting to the Technical Secretariat;
- c) submit reports to the Technical Secretariat every six months, based on standard forms and including additional data, as agreed with the Technical Secretariat;
- d) prepare a final report upon sub-project completion, describing to what extent the sub-project's objectives were met, problems and questions that were raised during sub-project implementation, and new or replicable experiences gained from the sub-project. Mid-term evaluations may be required by the Technical Secretariat for projects having a duration of three years;
- e) provide the Bank of Brazil with necessary financial information to enable it to ensure timely release of initial and subsequent funds;
- f) cooperate as needed with supervision visits, analysis and evaluation reports, evaluation workshops and reviews of beneficiaries' responses.

5. The Technical Secretariat will call upon the GAPEP to:

- a) provide training for the design of monitoring and evaluation systems to groups of potential beneficiaries, as part of its training program for sub-project preparation;
- b) provide training on the use of monitoring and evaluation techniques during sub-project implementation training exercises.

6. The GAP will:

- a) evaluate the design of monitoring and evaluation for sub-projects when it analyzes proposals, indicating whether additional assistance may be necessary;
- b) alert the Technical Secretariat during the evaluation of proposals about certain cases in which external technical assistance may be required during or after sub-project implementation.

7. The Bank of Brazil will have the responsibility to:

- a) provide regular, consolidated reports containing payment requirements for sub-projects and disbursements for the Technical Secretariat;
- b) supervise the financial flow of sub-projects, check payments and reimbursements according to the sub-project's timetable, and receive and check receipts.

8. The World Bank will:

carry out an annual review of the project in conjunction with the Technical Secretariat to determine whether the project is meeting its objectives and to evaluate the project's contribution to overall Pilot Program objectives. The Bank will summarize its conclusions in an annual report to Pilot Program Participants.

9. Methods and Activities

- a) project monitoring and evaluation will be carried out by the Technical Secretariat based on sub-project data, information from the project database, and monitoring and evaluation data collected by the Technical Secretariat and by consultants;
- b) the Executive Secretariat and the World Bank will receive regular reports on monitoring and evaluation, and the International Advisory Group (IAG) and donors will receive summarized annual reports on the Demonstration Projects through the World Bank.

10. Monitoring and evaluation for sub-projects will be carried out using a series of instruments, including but not limited to the following:

- a) self-monitoring and self-evaluation for all sub-projects. Reports compiled by implementing agencies can be supplemented by participatory evaluation assisted by the Technical Secretariat or surveys of beneficiaries;
- b) monitoring and evaluation visits by Technical Secretariat staff. Staff will periodically visit sub-project sites to verify reported progress and evaluate progress toward sub-project goals, especially for sub-projects experiencing difficulties in implementation;
- c) evaluation studies. Consultants will be hired to carry out studies on sub-project implementation and evaluation, based on random samples, or according to samples chosen by the Technical Secretariat.

11. The Technical Secretariat may hire consultants to conduct studies on sub-project performance and impact in relation to critical management or technical issues. In addition to data collected on a sub-project's contributions to the project's objectives, in their evaluation studies consultants will assess the environmental and economic sustainability of sub-project activities.

12. The following table defines the objectives, goals, indicators and data sources for monitoring and evaluation. This table is a flexible instrument which will be modified as appropriate during project implementation. It does not include indicators for the NGO network strengthening component, as these indicators will be reviewed and finalized by NGO representatives and the Bank after the activities of this component have been finalized.

Monitoring **Goal/Source** **Evaluation** **Goal/Source**

Objective 1. Generate information 1.1 Finance sub-projects within established priorities	% of proposals received which are approved	Goal: 1st year 50%; 2nd year 65%; 3rd year 75% Source: MIS ¹	Percentage of completed sub-projects considered successful ² , by subject area, type of organization, region	Goal: 1st year 30% successful; 2nd year 50%; 3rd to 5th years 75%. Source: consultant reports
	No. and amount of funds by size category of executed sub-projects	Goal: Within 10% of proposed figures Source: MIS		
	No./amount of funds by subject area	Goal: At least 5% of funds each year dedicated to each of the established priorities Source: MIS		
	No./amount of funds by type of organization	Goal: Maximum of 20% of funds for public institutions; no minimum Source: MIS		
	No./amount of funds by region (Amazon/Atlantic Forest)	Goal: 17% of funds for Atlantic Forest Source: MIS		

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¹ MIS: Management Information System

² A sub-project is considered successful when (i) it contributes to attaining the overall objectives of the Demonstration Projects of conservation and sustainable development, and (ii) it is judged to be replicable.

	Monitoring	Goal/Source	Evaluation	Goal/Source
1.2 Finance training, meetings for information exchange, etc.	No. of participants and organizations involved, by type of organization and region	Goal: Compliance with training timetable Source: MIS	% of acceptable ³ proposals from organizations which received training during proposal preparation % of compliance with administrative and accounting norms % of organizations which receive training in organizational structure that experience improvement in their organizational structure	Goal: 65% Source: MIS Goal: 80% Source: Bank of Brazil Goal: 65% experience improvement Source: Study of randomly selected organizations compared to baseline data ⁴
1.3 Set up project administration	Compliance with timetable for setting up Technical Secretariat (TS) Compliance with timetables for sub-projects No. of technical visits made by TS or consultants; no. per sub-project % of technical opinions submitted within established time limits % of GAPEP technical assistance carried out within established time limits % of indicated corrective actions taken as result of TS annual performance review of GAP and GAPEP	Goal: Compliance with timetable Source: MIS Goal: 70% compliance Source: MIS Goal: Compliance with timetable Source: MIS Goal: 90% Source: MIS Goal: 80% Source: MIS Goal: 100% of unacceptable members removed and replaced Source: TS annual reports	% of proposals processed within established time limits % of sub-projects which receive funds within established time limits % of reformulated proposals recommended by GAP after reformulation % of problematic sub-projects assisted by TS or GAPEP that reached their stated objectives	Goal: 90% within 90 days Source: MIS Goal: 90% within 72 hours of request for eligible requests Source: MIS/BB Goal: 75% Source: MIS Goal: 75% Source: MIS

³ A proposal is considered acceptable if it is presented according to the guidelines provided in training.

⁴ Baseline data would be collected at the training, and a follow-up interview of a sample of organizations would be carried out later.

	Monitoring	Goal/Source	Evaluation	Goal/Source
1.4 Publicize the objectives of the project and mechanisms for applying for grants	Compliance with Publicity Plan No. of proposals by source of information about project	Goal: Publicity Plan (to be developed) Source: MIS Goal: Sources efficient in relation to costs Source: Question in application form	No. of organizations that request information about the program	Goal: To be determined Source: To be determined
Objective 2: Dissemination	2.1 Inventory of existing experiences 2.2 Identify replicable experiences 2.3 Carry out information exchange meetings 2.4 Document and evaluate experiences 2.5 Produce materials 2.6 Carry out dissemination activities	No. of experiences documented per subject area No. of experiences selected for dissemination by subject area No. of participants and organizations in meetings by region; compliance with timetable % of successful sub-projects documented by subject area and region Type and quantity of materials, by type of audience No. of participants and organizations involved, by region and type of organization	Goal: 150 experiences Source: Report from study of existing experiences Goal: Minimum of 5 per subject area; 5 priority areas Source: MIS Goal: 100% within 6 months of completion Source: MIS Goal: Compliance with timetable Source: MIS Goal: Compliance with timetable Source: MIS	Evaluation of the perception of participants in meetings, etc. of the relevance and potential replicability of the disseminated experiences and the adequacy of the medium of communication Goal: 75 % of participants for cases in which audience size is known (workshops, etc.) Source: Study of randomly selected participants or other means appropriate to the medium of communication

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****NON-GOVERNMENTAL ORGANIZATIONS IN THE AMAZON AND
ATLANTIC FOREST REGIONS**

1. The history of non-governmental organizations (NGOs) in Brazil has been dated by one author, Leilah Landim,¹ to the 1960s, when the first NGOs emerged from the social work of the Catholic Church and, secondarily, some Protestant denominations. While growing out of church pastoral work, these groups were generally autonomous from the church hierarchy. Called "Popular Education Centers" or "Social Promotion Centers," they served as rallying points for members of civil society who opposed the military dictatorship. With the transition to civil government in the 1980s, many more NGOs emerged, especially, according to Landim, in the environmental field. In 1988, she estimated that some 400 national NGOs were concerned with environmental issues in Brazil. She characterizes the environmental NGOs as extremely diverse and fragmented into "minute and localized groups." By 1992, the Brazilian Directory of Environmental Organizations listed 1533 NGOs working on conservation issues in Brazil, according to the World Wildlife Fund.
2. In the industrialized countries, environmental groups have generally originated with the primary purpose of working to conserve the environment. In Brazil, by contrast, groups concerned with environmental issues have a bifurcated history. Many emerged as social action organizations, dedicated to defending the interest of a particular social or ethnic group--such as Indians or rubber tappers--and later developed environmental interests through a realization of the linkage between the group's livelihood and environmental conservation. The assassination of rubber tapper leader Chico Mendes in 1988 brought to international attention the struggle of local populations to preserve their environment and their way of life.
3. The two regions of Brazil covered by the Demonstration Projects, the Amazon and the Atlantic Forest, differ markedly not only in their ecosystems and relative levels of development, but also in the history of their environmental movements. The Atlantic Forest, stretching along the coast in the most populous areas of the country, has been largely destroyed by centuries of development. Less than nine percent of the original forest remains standing. In the last decade, dozens of groups, large and small, have sprung up to defend the last remaining vestiges of this forest. These are traditional environmental NGOs, created for the express purpose of environmental conservation. They tend to be based on a membership of educated, middle-class urban dwellers, much like environmental organizations in the industrialized countries. While the

¹ Leilah Landim, in "Brazilian Crossroads--NGOs, Walls, and Bridges," Development, Journal of the Society for International Development, 1991:1, pp. 91-95.

funding of many groups is precarious, the socio-economic status of their membership and their location in major urban centers gives them better and easier access to funding from both domestic and international sources.

4. Despite alarming levels of deforestation in the late eighties, over 90 percent of the original Amazon forest cover remains. While the majority of the Amazon population is now urban, urban centers are smaller, newer, and have less well-developed infrastructure than do urban centers in the Atlantic Forest region. NGOs that have emerged in these regions, such as the National Council of Rubbertappers (CNS), have generally originated as social movements or as groups dedicated to providing social assistance. Because many traditional lifestyles have less negative impact on natural resources than newer production technologies, groups dedicated to defending the livelihoods of traditional forest dwellers were able to form strategic alliances with conservation-oriented environmental groups, pursuing a common objective of conserving the rain forest while guaranteeing the rights of the populations that lived in and from it. Generally, traditional forest dwellers in the Amazon are poorer, more rural, and less educated than the membership base of Atlantic Forest groups, and consequently they have more restricted access to and more difficulty in successfully applying for funding or technical assistance from outside sources. Because the people these groups represent are generally very poor, their ability to raise funds from their membership is limited in comparison to the Atlantic Forest.

5. NGOs working on environmental issues have come together to form associations in each region in recent years. Due to the differences in the history and characteristics of the environmental movement in the two regions, these associations are distinct in organization and function. It is both because the Pilot Program as a whole is focused on the Amazon and because of the relative strength of NGOs in the Atlantic Forest region that the Demonstration Projects emphasize institutional strengthening and training for the Amazon NGO association and not for the Atlantic Forest association. The two associations, the Amazon Working Group (GTA) and the Atlantic Forest Network, are described below.

6. The Amazon Working Group. Catalyzed by the announcement of the Pilot Program to Conserve the Brazilian Rain Forest, in 1991 NGOs in the Amazon organized themselves into an NGO association, the Amazon Working Group (GTA). Membership in the GTA has grown rapidly, from about a dozen when it was first formed to almost 300 member groups today. The GTA has six specific objectives, according to the statute which creates it: (i) to maintain a network for exchanging information about activities aimed at conserving the Amazon rain forest and protecting its human inhabitants; (ii) to monitor and to promote participation in the preparation, monitoring, and evaluation of the Pilot Program to Conserve the Brazilian Rain Forest; (iii) to organize civil society to discuss, monitor, and participate in environmental and socio-economic development activities carried out in the Amazon; (iv) to create a vehicle for dialogue between civil society and government on public policy in the Amazon; (v) to consolidate the mechanisms for participation of local populations in the planning, monitoring, and execution of development policies in the region; and (vi) to analyze, discuss, and monitor government programs directed at the Amazon region.

7. In order to facilitate communication among members spread throughout the vast area of the Amazon, the GTA has organized itself internally into 15 regions. Nine regions maintain a regional GTA office within the headquarters of one of the GTA's member groups. The national coordination of the GTA is seated in Brasilia. The highest governing body is the General Assembly of all the member groups, which meets periodically to elect the Deliberative Council and to approve programs, reports, and expenditures by that body. The Council meets twice a year to consider actions submitted to it by the Directorate, comprised of officers elected by the General Assembly. Day to day work is coordinated by an Executive Secretary appointed by the Directorate. Partial financial support for the GTA has been provided by the Ministry of Environment and the Legal Amazon, the Commission of the European Communities, and the United Nations Development Programme.

8. The Atlantic Forest Network. The Atlantic Forest Network (Rede Mata Atlântica) was formed in 1992 during the Rio Conference on Development and the Environment. Its objective is to promote exchanges among NGOs working for the conservation of the Atlantic Forest and its associated ecosystems. From the original ten members, the Network has grown to approximately 80 member groups. In addition to NGOs, businesses, research institutes, and government agencies may be affiliated, although they may not vote. Affiliated groups pay dues on a sliding scale according to their size. The majority of members (59) characterize themselves as small groups, estimated to have annual budgets of less than US\$30,000 per year. These groups pay US\$10 per year in dues. Six members characterize themselves as large, estimated to have budgets of over US\$300,000; these groups pay US\$50 per year in dues. The Network also receives donations to help cover its operating costs. Its infrastructure is minimal, consisting of an office within the São Paulo headquarters of the NGO SOS Mata Atlantica. A Coordinating Commission, comprised of representatives of eight member NGOs, coordinates Network activities between meetings of the General Assembly.

9. The activities of the Network to date are centered on the exchange of information. Affiliates receive a weekly bulletin and are connected to each other via Alternex, a computer network, as well as through conference calls and meetings. The Network also publishes a bimonthly journal for public distribution. Member groups generally concentrate their efforts on classic environmental work. Nearly one-quarter of projects reported by member organizations focused on preservation of fauna, while 17 percent focused on conservation of flora, and 16 percent on environmental education. Only 10 percent of projects focused on sustainable development issues.

10. The Atlantic Forest Network is represented in the Pilot Program by the Atlantic Forest Commission (CMA). The CMA is composed of representatives of eight member groups and has no infrastructure or office of its own.

Annex 6

BRAZIL

**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS**

LOGICAL FRAMEWORK

OBJECTIVE 1	ACTIVITIES	PREMISE	RESULTS	PREMISE	INDICATORS	SOURCES
To generate information about conservation, preservation or sustainable management of natural resources by local populations through demonstration activities.	1. Finance sub-projects within established priorities.	<ul style="list-style-type: none"> - Supported sub-projects are oriented to obtaining desired information. - Supported sub-projects have a multiplier effect. - Funded sub-projects have an overall strategic effect. - Supported activities are sustainable following the conclusion of the Demonstration Projects. - Processing, documentation and validation of results obtained. 	<ul style="list-style-type: none"> - % of sub-projects actually implemented. 	<ul style="list-style-type: none"> - Resources channeled. - Technical assistance provided. - Monitoring system implemented. 	<ul style="list-style-type: none"> - Total number of approved sub-projects. - Number of approved sub-projects, classified by subject. - Number of approved proposals, by sub-region/state. - Number of sub-projects sent to GAP. - Number of sub-projects assisted by GAPEP. - Volume of resources released, by sub-region/state and subject. - Number of NGOs (basic and support) considered by project. - Number of public institutions considered by project. 	<ul style="list-style-type: none"> - Executive Commission reports. - Technical Secretary (TS) reports. - Sub-project reports. - GAP technical opinions. - Bank of Brazil reports. - Reports by CMA/Atlantic Forest Network and GTA. - Reports by training teams.
	2. Finance courses, seminars, informal and formal meetings to publicize the project, analyze problems, and prepare proposals.	<ul style="list-style-type: none"> - Existence of qualified trainers. - Seminars meet actual demand. - Populations' absorptive capacity is adequate. - Determination to implement new information. 	<ul style="list-style-type: none"> - % of organizations which have been given training and which are able to administer sub-projects. - % of sub-projects able to generate relevant experiences. - % of training agents. 	<ul style="list-style-type: none"> - Training for sub-project administration carried out. - Training for analysis and formulation of proposals carried out. - Technical training in subject areas carried out. - Training of training agents carried out. - Retention of trained staff in the organizations. 	<ul style="list-style-type: none"> - Number of NGOs, official institutions and local populations trained, in relation to total target group. - Number of courses, seminars, informal and formal meetings held, by subject and sub-region/state. 	

	<p>3. Set up management structure to:</p> <ul style="list-style-type: none"> - Receive proposals - Analyze proposals - Evaluate proposals - Sign contracts - Carry out technical and financial monitoring of sub-projects - Provide technical assistance - Evaluate sub-projects - Provide feedback on management system. 	<ul style="list-style-type: none"> - Possibility of hiring staff. - Technicians hired are qualified. - Joint management by TS and NGO representatives. - Executive Commission are efficient. - Mechanisms to guarantee continuity of management structure, minimizing political risks. 	<ul style="list-style-type: none"> - Disbursement timetable for assisted sub-projects. - Processing of proposals (in 4 months). - Relation of TS administrative costs to total funds disbursed. 	<ul style="list-style-type: none"> - Resource availability according to plan. - Hiring of sufficient staff. 	<ul style="list-style-type: none"> - Planned infrastructure set up. - Number of technicians and professionals hired for the TS. - Number of technicians and professionals involved in GAP. - Number of evaluation, monitoring and follow-up visits made. - Number of informal and formal meetings to held evaluate sub-projects. - Creation of Executive Commission and number of meetings held. - Number of ongoing sub-projects. 	<ul style="list-style-type: none"> - Executive Commission reports. - TS reports. - Sub-project reports. - GAP technical opinions. - Bank of Brazil reports. - Reports by CMA/Atlantic Forest Network and GTA. - Reports by training staff.
	<p>4. Publicize project objectives and grant application process.</p>	<ul style="list-style-type: none"> - Ongoing joint management actions by TS, GTA and CMA. - Resources available 	<ul style="list-style-type: none"> - % of NGOs, public institutions and local populations covered. 	<ul style="list-style-type: none"> - Communication media used effectively. 	<ul style="list-style-type: none"> - Number of sub-projects submitted. 	

OBJECTIVE 2	ACTIVITIES	PREMISE	RESULTS	PREMISE	INDICATORS	SOURCES
To transfer information from existing experiences and from sub-projects supported by the project to other communities, decision makers, government technicians and other Pilot Program projects.	1. Review significant existing experiences.	- Availability of resources and means of communication and transportation.	- Replicable experiences made available.	- Significant experiences exist.	- Number and type of inventoried replicable experiences.	- Sub-project reports. - Review of experiences.
	2. Identify experiences with greater potential for replication.	- Availability of resources and means of communication and transportation.	- Replicable experiences made available.	- Significant experiences exist.	- Number and type of inventoried replicable experiences.	- Reports by CMA/Atlantic Forest Network and GTA.
	3. Hold meetings and carry out other activities for purposes of information exchange among participants.	- Availability of resources and public interest.	- Knowledge about preservation, conservation and sustainable management of natural resources.	- Availability of technical skills. - User interest.	- Number, subjects, organizations and populations participating in meetings and other information exchange activities.	- Reports on information exchange activities.
	4. Document, organize and evaluate experiences.	- Content and type of message adapted to audience.	- Material available for dissemination.	- Release of scheduled funds (scheduled times and conditions).	- Number and subjects of documents produced.	- Documents and reports on sharing of experience.
	5. Prepare dissemination materials.	- Availability of resources.	- Material available for dissemination.	- Release of scheduled funds (scheduled times and conditions). - Availability of technical skills.	- Number and subjects of documents produced.	- Information from GAP and GAPEP.
	6. Develop interactive means of communication for various groups.	- Availability of technical skills.	- Strengthening of joint actions and integration of work.	- Interest on the part of NGOs and local public institutions.	- Frequency of various means of communication used by groups of beneficiaries.	- Reports on interactive communication events held.

OBJECTIVE 3	ACTIVITIES	PREMISE	RESULTS	PREMISE	INDICATORS	SOURCES
To strengthen local populations' ability to organize and communicate, and to prepare and implement sub-projects in light of project objectives.	1. Establish channels of participation by grassroots and support-level NGOs and populations involved in analyzing, planning, implementing, evaluating and redefining sub-projects.	- GTA regional offices and CMA have sufficient communication infrastructure.	- % of sub-projects, reflecting local priorities and realities. - % of informed grassroots organizations and local communities which participate in various sub-project stages.	- Technicians, NGOs and professionals involved, who are trained in joint project preparation. - Joint management mechanisms among TS, GTA and CMA that have been implemented.	- Number of persons, grassroots and support-level organizations and official institutions trained. - Number of NGOs, public institutions and persons participating in various sub-project stages. - Number of planned events that have been held. - Number of sub-projects actually implemented.	- Reports by TS, GAPEP, GTA and CMA. - Reports by regional GTAs, CMA and the Atlantic Forest Network. - Reports by TS, GAPEP, GTA and CMA. - Reports by TS, GTA and CMA.
	2. Promote studies and implement mechanisms for GTA self-sustainability.	- Funds released to hire specialized consultants and implement proposal.	- Study of self-sustainability alternatives carried out. - Mechanisms for GTA sustainability being implemented.	- Suitable consultant hired. - Proposal accepted and resources available.	- Approval of proposal for GTA sustainability. - Numerical and qualitative results of proposal.	- Final report by specialized consultants. - Reports by TS, GTA, CMA, and direct observation.
	3. Promote interchange of experience.	- Existence of relevant experience.	- Adoption of new knowledge.	- Interchange mechanisms used effectively.	- Number of experiences disseminated. - Number of experiences adopted.	- Reports by TS, GTA, CMA, and direct observation.
	4. Provide financial support for basic operating structure of GTA and CMA.	- Approval and release of funds.	- Basic structure of GTA and CMA defined, adopted and being implemented.	- Resources available.	- Number of equipment/vehicles/installations obtained and being used. - Number of technicians and professionals hired at regional GTAs.	- Administrative/financial reports and documentation from GTA and CMA.

	5. Finance local organization's sub-projects with a view to regional linkages.	- Sub-projects approved and funds released.	<ul style="list-style-type: none"> - Works integrated and interconnected. - Improved relationship between NGOs and local-level public institutions. - Increased ability to coordinate interests and increased sub-project effectiveness. 	<ul style="list-style-type: none"> - Consensus on local problems and priorities. - Joint discussion and preparation of sub-projects. - Technicians and professionals trained in project management and coordination. 	<ul style="list-style-type: none"> - Quality and relevance of implemented proposals with respect to environmental conservation and standard of living of communities involved. 	<ul style="list-style-type: none"> - Reports by GTA, CMA and direct observation.
	6. Finance meetings to evaluate the strengthening reached by participation in project and the process of involvement in the Amazon and Atlantic Forest regions.	- Existence of resources.	<ul style="list-style-type: none"> - Definition of successes and failures for purposes of providing feedback on the organizational process. 	<ul style="list-style-type: none"> - Interest of interlocutors (GTA, CMA). 	<ul style="list-style-type: none"> - Number of meetings held and proposal to modify the organizational process. 	<ul style="list-style-type: none"> - Report on GTA and CMA meetings.

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****SUMMARY OF FOUR SAMPLE SUB-PROJECTS**

The types of sub-projects which would be eligible for funding under the Demonstration Projects are heterogeneous in subject matter, duration, and costs. Below are four projects submitted to the FNMA for funding. While the last is outside of the geographical area that would be served by the small grants program, all of them would otherwise fall within the purview of the program.

1. "Fonte do Mato" Park (Cacapava do Sul - RS)

Executing Agency: Public (municipal government)
Duration: 6 months
Total Cost: US\$15,000, of which own contribution of US\$4,500 (30 percent)
Project Goal: To improve the quality of life of the town population
Project Measures: To create a protected forest park within the city limits; to protect a headwater region/watercourse; to use the park for environmental education
Target Group: Approximately 80,000 inhabitants of the town of Cacapava.

2. Inventory of Flora of the Artex Ecological Park (Blumenau, Santa Catarina)

Executing Agency: NGO (Artex Ecological Park--Teofilo Bernardo Zadrozny Foundation)
Duration: 10 months
Total cost: US\$15,500, of which own contribution of US\$5,100 (33 percent)
Project goal: To gain knowledge about the existing vegetation in order to facilitate the selection of appropriate criteria for the conservation or rehabilitation of the park flora
Project Measures: The executing agency, in cooperation with the local botanical museum and the University of Santa Catarina, will inventory flora existing in the Artex Ecological Park (5,300 ha. of forest); analysis of the results; report on findings.
Target Group: Research institutes, forestry authorities/decision-makers (not indicated in project proposal).

3. Introduction of Agroforestry Production Systems for Small Farmers.

Executing Agency: NGO (Union of Rubbertappers, Small Farmers, and Rural Workers, Rio Branco/Acre).

Duration: 36 months

Total Cost: US\$36,800, of which own contribution of US\$15,100 (41 percent)

Project Goals: To develop alternative (agro-silvo-pastoral) models for sustainable management of settlement areas and thus to contribute toward preventing slash-and-burn farming; to cultivate already deforested areas; to improve the living conditions of the small farmers.

Project Measures: Production of the saplings needed for the project (nursery); training and extension in the appropriate technologies to be introduced; application of the agroforestry production system by the families on 1 hectare plots.

Target Group: 100 small farm families per year.

4. Campaign Against Fishing with Explosives (Salvador, Bahia).

Executing Agency: NGO (Environmental Restoration Group)

Duration: 12 months

Total Cost: US\$430,000, of which own contribution US\$400,000 (93 percent)

Project Goals: to help preserve the flora and fauna of the bay

Project Measures: Awareness campaign/environmental education; distribution of information material; increased policing

Target Group: Population of Salvador (not indicated in proposal).

BRAZIL**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS****REPORTS AND DOCUMENTS IN PROJECT FILES**

1. Project proposal (September 1993)
2. Report from the two GTA strategic planning pre-investment workshops
3. Report from the FNMA pre-investment study
4. Report from the regional meetings pre-investment activity
5. Report from the pre-test of forms and manuals
6. Report from the MIS design pre-investment activity
7. Operational Manual
8. Application form and manual
9. Operating plan for the remainder of 1994
10. Timetables for monitoring and evaluation activities

BRAZIL

**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS**

DETAILED PROJECT COST TABLES

DETAILED COSTS

Component	Cost (US\$)					Total
	Year 1	Year 2	Year 3	Year 4	Year 5	
1. Small Grants Program	1,230,859	4,395,926	6,154,296	4,571,763	1,231,670	17,584,514
SUB-TOTAL--Small Grants Program	1,230,859	4,395,926	6,154,296	4,571,763	1,231,670	17,584,514
2. Technical Assistance for the Technical Secretariat						
2.1 Long-term consultants	152,400	176,400	176,400	110,400	110,400	726,000
2.2 Travel	25,600	32,000	32,000	19,200	19,200	128,000
2.3 Miscellaneous services	11,600	11,600	11,600	11,600	11,600	58,000
2.4 Office supplies	7,200	9,600	9,600	7,200	7,200	40,800
2.5 Equipment	4,000	0	0	0	0	4,000
2.6 Publications	1,500	1,500	1,500	1,500	1,500	7,500
2.7 Computer hardware and software	47,250	0	0	0	0	47,250
2.8 GAPEP	61,750	104,500	42,750	9,500	4,750	223,250
2.9 GAP	26,730	35,640	26,730	0	0	89,100
2.10 Other consultants	10,000	25,000	30,000	25,000	10,000	100,000
2.11 Executive Committee	17,200	17,200	17,200	0	0	51,600
2.12 Publicity	10,000	10,000	10,000	0	0	30,000
2.13 Training	264,741	142,241	47,540	0	0	454,522
2.14 Evaluation of sub-projects	10,000	25,000	30,000	25,000	10,000	100,000
2.15 Dissemination						
2.15.1 Study of existing experiences	60,000	0	0	0	0	60,000
2.15.2 Bulletin	3,000	4,000	4,000	4,000	4,000	19,000
2.15.3 Production of materials	75,000	75,000	75,000	75,000	75,000	375,000
2.15.4 Production of videos	0	30,000	30,000	30,000	30,000	120,000
2.15.5 Radio programs	100,000	100,000	100,000	100,000	100,000	500,000
2.15.6 Support for information exchange meetings	13,800	13,800	13,800	13,800	13,800	69,000
2.15.7 Workshops	28,100	56,200	56,200	56,200	56,200	252,900
Administration fee for technical assistance (UNDP--3%)	27,896	26,090	21,430	14,652	13,610	103,678
SUB-TOTAL--Technical Assistance	957,767	895,771	735,750	503,052	467,260	3,559,600
3. NGO Network Strengthening						
3.1 GTA	271,495	202,158	126,347	0	0	600,000
3.2 CMA	31,680	31,680	31,680	0	0	95,040
SUB-TOTAL--NGO Network Strengthening	303,175	233,838	158,027	0	0	695,040
Administration fee (Bank of Brazil--1.65%) and auditing	47,650	88,796	108,968	80,864	34,567	360,846
TOTAL	2,539,451	5,614,331	7,157,041	5,155,679	1,733,497	22,200,000

BRAZIL

**PILOT PROGRAM TO CONSERVE THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS**

ANNUAL COSTS BY EXPENDITURE CATEGORY

Expenditure category	COST (US\$)					Total
	1994	1995	1996	1997	1998	
1. Sub-project contracts	1,230,844	4,395,926	6,154,296	4,571,763	1,231,670	17,584,499
2. Consultants	321,518	347,580	293,217	145,400	124,900	1,232,615
3. Travel	255,903	233,351	173,986	43,700	29,450	736,390
4. Training	264,741	142,241	47,540	0	0	454,523
5. Equipment	78,400	20,216	12,635	0	0	111,250
6. Materials and supplies	22,775	21,708	17,917	7,200	7,200	76,800
7. Miscellaneous services	289,724	338,424	327,052	292,100	292,100	1,539,400
8. Administrative fees	75,546	114,886	130,398	95,516	48,177	464,523
TOTAL	2,539,451	5,614,332	7,157,041	5,155,679	1,733,497	22,200,000

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PILOT PROGRAM TO CONSERVE
THE BRAZILIAN RAIN FOREST
DEMONSTRATION PROJECTS

