I. Project Context

Country Context

1. Brazil signed the Convention on Biological Diversity (CBD) in 1992 and Congress ratified it on February 28, 1994. The country also ratified the RAMSAR Convention on wetlands in May 1996. Since the early 1990s, the Brazilian Federal Government has taken, with the support of the Global Environment Facility (GEF) and other international organizations, decisive measures to implement the three objectives of the CBD, which are fully compatible with the Ramsar Convention's objectives for the conservation and sustainable use of wetlands. These measures include: enhancement of the legal framework for environmental issues; institutional capacity building of the Ministry of the Environment; and establishment of national policies, programs, and major projects for biodiversity conservation and sustainable use. The proposed project contributes to Brazil's commitments under these two Conventions and meets the Brazilian eligibility criteria for GEF funding according to the guidelines set by the National Commission on Biodiversity (CONABIO) - National Biodiversity Policy Decree No. 4.339, of August 22, 2002, outlined in the document "Brazilian Strategy for the GEF".
2. Brazil is a global leader in biodiversity conservation. In addition to being a signatory of the above-mentioned key international environmental agreements, Brazil has developed and is implementing a National Biodiversity Strategy (NBS) under which a national policy and a legal framework for biodiversity protection and management were developed. One of the first important initiatives was the National Biodiversity Program (PRONABIO), conceived as an intergovernmental and multi-institutional program. This Program was followed by the Conservation and Sustainable Use of Brazilian Biodiversity Project (PROBIO), with the main objectives of assisting the Government to identify priority areas and actions for the conservation and sustainable use of biodiversity, stimulate the development of demonstration subprojects, and disseminate biodiversity information.

3. In addition, the Brazilian government established the National Protected Areas Strategic Plan (PNAP), as a blueprint for implementing the country's commitments under the CBD. The PNAP addresses all Brazilian biomes, and takes into consideration the recommendations made by the Ad Hoc Technical Expert Group on Marine and Coastal Protected Areas. These latter call for a representative marine and coastal protected areas system which should include a primary representative network of no-take zones, inserted within a secondary Marine and Coastal Protected Areas (MCPAs) network associated to a system of sustainable management practices. Although the PNAP did not include specific national targets, CONABIO approved the national target of achieving 10% of the marine and coastal zones in protected areas under any category, plus another 10% of these zones in protected areas for strict biological protection and/or no-fishing zones. The PNAP indicates that the final percentage of each coastal and marine ecosystem to be protected should be defined based on studies on the ecological representativeness of the protected areas system.

4. Brazil has also advanced significantly in biodiversity conservation through strengthening the National Protected Areas System (SNUC in Portuguese). SNUC defines management categories and objectives of protected areas and provides, for the first time, a framework for coordination between federal, state, and municipal levels and the private sector on this matter. The present proposal is clearly in line with SNUC objectives as it seeks to strengthen this System to ensure the effective conservation of national marine and coastal ecosystems. Brazil's interest and effort to conserve coastal areas is clearly indicated by the second National Environmental Program (PNMA II). This project has coastal zone management as one of its focal areas under the institutional development component. Furthermore, it is important to recall that, given the enormously large marine zone under Brazilian jurisdiction, this proposed project would have benefits that are broader than for Brazil alone. Numerous migrating aquatic species and sea birds, including important fisheries resources and endangered species, feed, rest and/or breed in Brazilian waters, oceanic islands, and coastal zone. The protection of these globally important areas to be achieved under the project will reflect positively on the conservation of migrating biodiversity and on the amount and quality of migrating fisheries resources, among other global benefits.

**Sectoral and institutional Context**

5. The Federal Government agencies responsible for Protected Areas creation and maintenance are the Ministry of Environment (MMA) and its executive agency the Chico Mendes Institute for Biodiversity Conservation (ICMBio is the body responsible for federal protected areas and issues related to threatened species in Brazil). Within MMA the Secretariat of Biodiversity and Forests
(SBF) is responsible for the institutional coordination of this proposed project through the Directorate of Protected Areas (DAP). The project will principally target federal protected areas. Creation goals will focus mainly on establishment of "strict protection" marine areas (which are more deficient in Protected Areas) whereas consolidation actions will also include both coastal and marine "sustainable resource use" Protected Areas.

6. The project is a partnership between Governmental agencies, NGOs and the private sector. The Ministry of Environment (MMA) will be the grant recipient, while the Brazilian Biodiversity Fund (FUNBIO) will be responsible for procurement actions with grant funds through a cooperation agreement with MMA, as well as for monitoring implementation of project actions. Petróleo Brasileiro S.A. (Petrobras - leader in the Brazilian oil and gas industry) will provide most of the counterpart funds for this project. MMA will create and strengthen coastal and marine protected areas through the ICMBio and will partner with the academic sector and NGOs to implement specific project actions. The institutional arrangements will be further detailed in the Project Appraisal Document.

7. Petrobras' interest in partnering on biodiversity conservation issues and its interest in taking biodiversity into account in its investment decisions is a positive step towards mainstreaming biodiversity in the entire oil and gas industry. Other private sector groups, are expected to be attracted by the importance of the issue and the already significant resources expected to flow into coastal zone conservation.

8. Other stakeholders involved with and likely to benefit indirectly from the project are: communities living within and around the Protected Areas, people involved with artisanal and commercial fishing industry, and the tourism sector. It is estimated that fishery activities account for 800,000 jobs in Brazil, involving about 4 million people directly and indirectly.

II. Global Environmental Objective(s)

The Global Environmental Objective (GEO) is the same as the Project Development Objective (PDO). The objectives of the project are (a) to support the expansion of a globally significant, representative and effective Marine and Coastal Protected Areas system in Brazil, and (b) to identify mechanisms for its financial sustainability.

III. Project Description

Component Name
- Component 1 - Creation and Implementation of Marine and Coastal Protected Areas
- Component 2 – Identification and Design of Financial Mechanisms to Support the MCPA
- Component 3 – Monitoring and Evaluation
- Component 4 - Project Coordination and Management

IV. Financing (in USD Million)

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<th>For Loans/Credits/Others</th>
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<td>Global Environment Facility (GEF)</td>
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<td>Financing Gap</td>
<td>99.66</td>
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<tr>
<td>Total</td>
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V. Implementation
The project will be executed by the Ministry of Environment (MMA) in partnership with the Brazilian Biodiversity Fund (FUNBIO); the Chico Mendes Institute for Biodiversity Conservation (ICMBio- responsible for federal protected areas and threatened species in Brazil); the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA); Petróleo Brasileiro S.A. (Petrobras); and state and municipality agencies (for specific Protected Areas in their jurisdictions). Implementation will additionally involve the academic sector, NGOs and civil society. Component specific implementation responsibilities are distributed as follows: (i) Component 1: technical implementation in their respective selected Protected Areas will be led by ICMBio and state municipal agencies, with support from MMA. (ii) Component 2: field monitoring and evaluation activities will be led by MMA together with ICMBio, with support from IBAMA and Petrobras, and in partnership with research institutions; (iii) Component 3: sustainable financing initiatives will be led by FUNBIO, in consultation with relevant stakeholders; and (iv) project coordination and communication activities will be led by MMA.

VI. Safeguard Policies (including public consultation)

<table>
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<tr>
<th>Safeguard Policies Triggered by the Project</th>
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<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
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<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
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</tbody>
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VII. Contact point

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