

FIP approval by mail: Brazil - Environmental Regularization of Rural Lands in the Cerrado of Brazil FIP (IBRD)

Joint World Bank – Government of Brazil Response to Questions and Comments raised by DfID on the FIP Project Proposal

General Observations and Explanation of Context

First of all, thank you for your comments. The team and the Government of Brazil are confident that the Rural Environmental Cadastre (CAR), implemented through the National System for Rural Environmental Cadastre- SICAR, is an essential tool to effectively monitor, supervise, control, plan and ensure environmental compliance of landholdings throughout Brazil.

Permanent Preservation Areas (APP) and Legal Reserves (RL). In fact, the land use restrictions of APPs and RLs to private landholdings were in place since 1965. Nevertheless, the process to register APPs and RLs before was complex and in many instances expensive for the landholders, and the Government did not have the necessary tools to monitor the compliance of the rural landholdings..

In this context, the CAR has been introduced by the new Forest Code (Law 12.651/2012) as an additional tool to monitor and control deforestation. Registration of landholdings in the CAR is a first step towards bringing landholdings into compliance with Brazil's Forest Code.

The Chart below brings some additional details of the difference between now and before the New Forest Code:

1965 Forest Code and related laws	Law 12.651/2012 (the New Forest Code)
High cost for technical assistance required to establish and validate the APPs and RLs with the Notary's office, especially for small landholdings.	The Government will provide the technical assistance necessary to the small landholders (family farmers) to register the CAR. It will not be required to register the RLs with the Notary's office anymore.
Only those who had land title could have their RLs registered in the Notary's office.	Land users who have any type of document that shows that they use a specific piece of land may register the CAR, they do not need to present the official land title.
Anyone could access public credit, without considering their compliance with the Environmental Legislation.	Starting on May 25, 2017 on, access to the public credit will only be available to those who have registered the CAR.
Landholders had the responsibility to recover their degraded areas at their own costs,	There will be Government Programs to support the recovery of degraded areas of APPs and RLs

including small landholders (family farmers).	to small landholders (family farmers) and indigenous peoples and traditional communities, without any cost to them.
There was not integrated system that could provide the information of APPs and RLs registered. APPs and RLs were registered in Notary's office, and the information was not integrated, the State and Federal Governments had not tool to access this information and have it integrate.	A tool to integrate all the environmental information of all landholdings was created, the National System of Rural Environmental Cadastre – SICAR, which will be implemented in all States.
Difficulty in identifying the owners of the deforested areas.	Possibility to automatically identify the user/landholder of deforested areas.

Responses to Questions

Question 1: Analysis around incentives.

The CAR is a new tool, under the Forest Code launched in 2012. On the other hand, CAR is being successfully implemented in Amazon region since 2009.

It is important to highlight that Law 12.651/2012 forecasts a Program of Incentives and Support to the landholders, which include financial incentives, access to credit incentives, and market promotion of products of landholders that comply with the Law. It also enables the landholders to have some economic use of their APPs and RLs to improve their income, with native and exotic species, in areas that were not usually used for economic purposes. With a more efficient monitoring system it will be possible to identify and punish those who are not in compliance, which will prevent illegal acts.

In fact, the scope of the Project only covers that first step towards environmental regularization, with the implementation of the CAR and the recovery plans. However, there are various polices that are running in parallel that will support the implementation of the recovery plans. The Environmental Regularization Program was enacted recently through Decree 8.235/2014, it also established the Program Mais Ambiente Brasil, which aims at providing support to the process of recovery of degraded areas through capacity building, technical assistance and provision of seeds and seedlings. It is important to highlight there are initiatives already in place that provide incentives to environmental compliance, which are: lines of credit from the Constitutional Fund and Bank of Brasil to subsidies recovery plans, as well as the Low Carbon Agriculture program for small landholders. Still this year (likely in October) the WebAmbiente will be launched, which is an Internet portal that will provide information on technologies to recover degraded areas of APPs and RLs for all biomes in Brazil. This webpage will serve as a supporting tool to all technical assistance institutions and rural extension, as well as for the landholders themselves to recover their environmental liabilities.

Regarding the deforestation control and monitoring, the Government has had some important advances. For instance, in the period of 2004-2013, the State of Pará it has decreased 73% and the State of Mato Grosso has shown a decrease of 90%. However it is still not possible to precisely differentiate the legal from the illegal deforestation, which is essential for the success of the programs to maintain and recover native vegetation. This will be substantially improved after the implementation of the CAR and the integration of the countrywide database.

The SICAR and the policies being implemented by the Ministry of Environment enhance the environmental regularization process by: using land base information and images of high definition with

various attributes (land classification, land-use change detection); registering lands through continuous territories mapping, which avoids overlapping; financing of the validation step and other monitoring and controlling actions. The States' systems will be integrated to the countrywide database, which will permit a more efficient and integrated approach among the different levels of Government responsible for monitoring and controlling deforestation. Both the Federal Government and the State Governments will be able to act, preventively and/or with direct measures to restrain illegal deforestation within areas that have been registered in the CAR, and are integrated in the SICAR.

- *The program does not provide a full analysis of the reason for the failures of compliance to date. An analysis of the full range of disincentives to smallholders to comply would be helpful to understand the situation more fully (page 17), and in turn a more detailed analysis, making the case for how smallholder farmers will benefit from engaging in the full CAR process and the recovery plans in particular. This will be critical to ensure smallholder farmer participation, and future compliance.*
- *The program assumes that deforestation will be reduced through registration of landholdings. There needs to be a very clear understanding, analysis and discussion of the causes of failure and how the CAR process as implemented this program is going to succeed where it has failed elsewhere (ref example on page 73).*
- *The project's response to address such failures emphasizes strengthening the state's capacity and improving monitoring etc., but little is said about what measures can be taken to provide incentives to smallholders to comply and engage in restoration activities.*
- *There is an optimistic assessment of the impact of the programme on degraded lands . Restoration planning is supported by the programme but the implementation of plans does not seem to be. Is compliance with the forest code sufficient incentive for landowners to undertake the actions themselves? (page 21).*
- *If it is beyond the scope of this project to provide technical assistance or other incentives to smallholders, it would be useful to have a sense of where such support might come from, and what instruments are already in place or going to be put in place.*

Response: Analysis around incentives:

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The SICAR and the policies being implemented by the Ministry of Environment enhance the environmental regularization process by: using land base information and images of high definition with various attributes (land classification, land-use change detection); registering lands through continuous territories mapping, which avoids overlapping; financing of the validation step and other monitoring and controlling actions. The States' systems will be integrated to the countrywide database, which will permit a more efficient and integrated approach among the different levels of Government responsible for monitoring and controlling deforestation. Both the Federal Government and the State Governments will be able to act, preventively and/or with direct measures to restrain illegal deforestation within areas that have been registered in the CAR, and are integrated in the SICAR.

Question 2: Institutional/Capacity issues

This is a large and ambitious project befitting the scale of the task at hand. Given that the project document identifies capacity as a potential risk, and mentions the number of initiatives, existing and planned in the region and operating with the MMA, we would appreciate reassurance that human resources within the Secretariat of Extractivism and Sustainable development (SEDR) are sufficient and that the OEMAs in all the states covered by the project have the institutional capacity to implement the project.

Response: Institutional/Capacity issues: During Project preparation, the capacity and level of preparedness of each of OEMAs involved in the project was evaluated, and an action plan for each is being designed to respond adequately to their needs, in order for them to be capable of implementing and managing the CAR. It is important to highlight that the CAR unit within MMA's was strengthened, with 15 additional staff. Technical Cooperation Agreements between MMA and each of the States, for the implementation of the CAR have been signed. These Agreements, which are ongoing since 2012, clearly establish MMA's responsibility in providing

support to the States through capacity building, support to access additional funds from Fundo Amazônia, assistance in integrating systems and provision of technologies to successfully implement the CAR (registration module, analyses and monitoring of the SICAR, periodical provision of images).

The OEMAs capacity will be evaluated through a system to monitor the process of implementation of the CAR, which is being developed in partnership with GIZ – German Cooperation Agency – with quantitative and qualitative indicators.

Question 3: Safeguards

- *It is important that the Social and Environmental Safeguards the project documents make reference to have the correct measures in place to ensure the socio-economic benefits arising from the CAR reach the project direct and indirect beneficiaries. In particular we would have liked to see more detail from the ESMF on the potential negative impacts of the CAR, and how the project will set out to mitigate these.*
- *Even though the scope for activities targeted specifically at women is limited in the project, it is good to see that, where possible, efforts will be made to encourage their participation and ensure their capacity development.*

Response: Safeguards: The universe of rural landholders in the Cerrado cannot easily be determined by the national statistics, because the Cerrado biome covers parts of states and municipalities. The 2006 Agricultural Census by the Brazilian Institute of Geography and Estatistics (IBGE) contains data on rural landholdings, but this data is organized by municipalities and federal units. Based on a 1383 list of municipalities within the Cerrado biome (or with part of its territory in the biome), it was possible to extract data on rural landholdings, their size distribution and their classification into small landholdings and others (medium and large). Of the total of approximately one million properties, 78 percent are family landholdings. However, the total area of family agriculture is only 14.7 percent of the area of all landholdings. In the nine selected Federative Units, male landholders encompass the great majority (from 86 percent to 94 percent) of landholders. Thus, based on the assessment of small landholders who are direct beneficiaries, it was estimated that 10 percentages of small landholders are female (in the country, women represent 13.8% of the family landholders and 6.9% of the non-family landholders). It is worth noting that women overall hold a critical role in family agriculture. They represent a significant share of the people occupied by family farming. The female labor force represents 33.7% of the people occupied in family farming and 21.3% of the people occupied in non-family farming.

Question 4: Results framework

- *“Land area where sustainable management practices were adopted”: we are not clear how strengthening the rural environmental cadastre system alone, directly encourages sustainable management practices. Is this the right indicator?*

- *The project lists environmental benefits as an expected result – the results framework does not indicate how this will be monitored and no baseline is mentioned. (page 19)*
- *Is there a better and more consistent definition of beneficiaries? Definitions differ between pages 18 and 19.*

Response: Results framework: The Forest Code, on its Articles 4 and 12 precisely determines what APPs and RLs are, however, based on these parameters it is very difficult to estimate a possible area of APPs and RLs to be registered in the CAR within the 47 selected municipalities.

Thus, the team defines as outcome indicator the landholding area that, as a result of the Project, was registered in the CAR. As per the language used to describe this indicator, the Bank team chose to use a Core Indicator, which is pre-determined by the Bank. Even though this language does not perfectly reflect the reality of the project; this indicator will allow the Bank to compare its results and achievements with other projects with similar activities/indicator within the Bank. During Appraisal the team will re-visit the proposed indicator to make sure it truly reflects the project actual outcomes.

Regarding Beneficiaries, it is important to highlight that project indicators only reflect the direct beneficiaries, in the case of this project are: OEMAs and landholdings. The co-benefits (environmental, social and institutional) will be monitored throughout the implementation, but do not reflect a goal to be achieved during implementation.

Question 5: Synergies

- *The project appraisal document draws out the links and synergies between this FIP project and other interventions in the area linking all projects to the strategic direction and policies guiding the MMA's Cerrado Biome approach. We would welcome learning more about how these synergies can be maximized.*

Response: Synergies: The Cerrado Biome approach combines conservation with the promotion of local and regional rural economic development. Currently, the World Bank is supporting initiatives of the Government of Brazil (GoB) to foster inclusive development through programs and projects. It is implementing an integrated approach of analytical studies, lending, trust funds, and partnership activities. The slides attached show this integrated approach.

The project team is available to any additional question and/or to organize a phone call to seek any clarifications.

Please also see attached file on Cerrado Policies and Programs:



Cerrado Policies and Programs.pdf

Date: June 09, 2014