

FIP: Brazil Investment Plan: Integrated Landscape Management (ILM¹) in the Cerrado Biome Project and Ecological Restoration Financing in Cerrado Biome Project

Additional Information

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Projects Combination: Integrated Landscape Management (ILM) in the Cerrado Biome and Restoration Fund Project

Following the reviewers suggestion, the proposed projects: (a) Integrated Landscape Management (ILM) in the Cerrado Biome and (b) Ecological Restoration Financing in Cerrado Biome Project will be combined in one project to be implemented jointly by the Ministry of Environment (*Ministério do Meio Ambiente*, MMA), Ministry of Agriculture, Livestock and Food Supply (*Ministério da Agricultura, Pecuária e Abastecimento*, MAPA), and Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*, BNDES).

The new Project will include an additional component: Ecological Restoration Fund. This new component integrates the concept note submitted by BNDES (IADB) for the use of additional resources from the Forest Investment Program. Thus, the new Project will also involve BNDES as the partner that will manage this component, under the coordination and supervision of MMA.

¹ “Landscape means an area, as perceived by people, whose character is the result of the action and interaction of natural and/or human factors” (Council of Europe, 2000).

The World Bank will be the Multilateral Development Bank (MDB) responsible to support project preparation and implementation.

National Restoration Planning

Considering the challenge of the implementation of the Law nº 12.651, from May 25, 2012, which addresses the protection of native vegetation, the Ministry of the Environment has formulated the National Plan for Recovery of Native Vegetation – PLANAVEG, its purpose is to expand and strengthen public policies, financial incentives, markets and good agricultural practices. PLANAVEG seeks to offer conditions to motivate, facilitate and enable the implementation of actions for the recovery of native vegetation. It relies on strategic initiatives to increase the awareness, provide technical and operational conditions, promote financial mechanisms, technological innovation, and monitoring and planning systems that enable and encourage the engagement of rural landholders in environmental restoration processes.

Initially, the Plan will cover a period of 20 years, aiming to recover at least 12.5 million hectares. It has an estimated budget of R\$ 181 million for the first five years of implementation. The preliminary version of the PLANAVEG, was built in a dialogue with multiple stakeholders (landholders, government and civil society) since 2013, and it is currently in public consultation on the website of the Ministry of the Environment.

Governance

The proposed new Project will be part of the Brazil Investment Plan (BIP) and therefore will act in synergy with other BIP projects. It will also contribute to the achievement of objectives of both the National Policy on Climate Change (*Política Nacional sobre Mudança do Clima*, PNMC) and the Plan to Prevent and Control Deforestation and Fires in the Cerrado (PPCerrado).

The BIP proposes a coordinated and synergistic set of actions by different actors in order to improve the sustainability and efficiency of forest resource management and land use in the Cerrado Biome. Since the beginning of the design phase, the successful collaboration among the three ministries (Ministry of Environment [*Ministério do Meio Ambiente*, MMA], Ministry of Agriculture, Livestock and Food Supply [*Ministério da Agricultura, Pecuária e Abastecimento*, MAPA], and Ministry of Science, Technology and Innovation [*Ministério da Ciência, Tecnologia e Inovação*, MCTI]) has allowed the development of a strategic approach with the ability to foster synergies not only between the BIP and its projects, but also with ongoing Cerrado government plans and policies already under implementation at federal, state and municipal levels.

Periodic meetings among projects and agencies involved in the implementation of the BIP will be held and recorded to ensure regular and structured opportunities for information sharing and joint analysis and planning.

Institutional Arrangements and Risk

The proposed implementation arrangement is based on successful experiences with other grants, in order to facilitate and expedite the financial management of activities.

The Project will be carried out by a nonprofit organization (NPO), in close agreement with the primary partners, MMA, MAPA and BNDES. The parties will work jointly and in a coordinated

manner to implement the necessary actions and control mechanisms. MMA, MAPA and BNDES will be responsible for supervising and monitoring the progress of work and the achievement of results. Each of the institutions involved will appoint a focal point who will be responsible for monitoring project implementation.

Project coordination will be the responsibility of the Monitoring Committee, which will include representatives from MMA, MAPA, , BNDES, and the implementing agency. This committee will be responsible for: (a) preparing and approving the Project's Operational Manual; (b) approving the work plans and financial-technical reports prepared by the implementing agency; and (c) reviewing and adjusting, when necessary, the impacts toward achieving overall results. This committee will be formalized through an interministerial *portaria* by MMA and MAPA to be published prior to the beginning of project implementation.

MMA, MAPA, and BNDES will sign a Technical Cooperation Agreement (TCA) with the NPO aimed at achieving project objectives. This TCA will commit the parties to implement, in a coordinated manner, all joint actions and control mechanisms, and will set forth their respective responsibilities under the Grant Agreement. The TCA thus establishes the roles and responsibilities of each party in project implementation, including: (a) the parties' obligation to implement all joint actions and control mechanisms required for carrying out the Project in a coordinated manner, including the appointment of one staff member each, to be responsible for monitoring project implementation on each party's behalf; (b) the NPO's obligation to implement, monitor and evaluate the Project under the technical supervision of MAPA, MMA, EMBRAPA, and BNDES, carry out the Project's overall financial and administration management, hire consultants for project-related activities, and make them available to MMA and MAPA; (c) the responsibility of MMA, MAPA, and BNDES to lead the monitoring and evaluation system under the Project, tracking the Project's technical progress, including the achievement of results, and the preparation of respective progress reports; (d) the respective responsibilities of MAPA, BNDES, MMA and the NPO to hold regular meetings for operational planning, monitoring and adjustment of actions needed for the conduction of the Project; and (e) the responsibility of MMA, BNDES, and MAPA to prepare, and provide to the NPO, in a timely manner, the terms of reference (TORs) for hiring the services of third parties (consultants), as well as to establish the technical specifications of goods needed by the Project.

This institutional arrangement is considered appropriate to implement project activities and assure fiduciary compliance.

National Policies, Programs and Projects related to REDD+: Synergies and Financing

The BIP projects are included in broader policies and national plans that are considered priority areas by the Government of Brazil (GoB). In parallel with the Forest Investment Plan (FIP), the GoB continues to support initiatives related to its national policies and plans through annual budget allocations and other international funds.

It is important to highlight the fact that the BIP was designed to enable the development of a strategic approach to promote synergies not only among its projects, but also with ongoing government plans and policies for the Cerrado Biome that are already under implementation at federal, state and municipal levels.

This section presents a brief summary of the MMA's strategy, programs and projects for the Cerrado Biome, their synergies, and financing sources that contribute to greenhouse gas (GHG) emission reductions by reducing deforestation and forest degradation.

The following policies guide MMA's Cerrado Biome approach:

- Through the PNMC (Law 12.187/2009 and Decree 7.390/2010), the GoB made a voluntary commitment to reduce the annual rates of deforestation in the Cerrado Biome by 40 percent, based on average deforestation between 1999 and 2008.
- Launched in September 2010, the aim of the PPCerrado (Decree 5.577/2005) is to promote sustained reductions in the rates of deforestation and forest degradation, as well as in the incidence of burnings and forest fires in this biome.
- The Forest Code (Law 12.651/2012) requires landholders to ask their respective state environmental agency for prior authorization to use fire on vegetation in locations or regions whose characteristics justify its use in agro-pastoral or forestry practices. It also states that federal, state and municipal environmental agencies, which comprise the National Environmental System (*Sistema Nacional do Meio Ambiente, SISNAMA*), will update and deploy contingency plans for fighting forest fires, and that the Federal Government should establish a National Policy for Prevention and Control of Deforestation and Forest Fires.

The PPCerrado guidelines include: (a) the integration and improvement of monitoring and control activities by federal agencies, aimed at the environmental regulation of rural landholdings, sustainable forest management, and firefighting; (b) land-use planning for conserving biodiversity, protecting water resources, and encouraging the sustainable use of natural resources; and (c) the promotion of environmentally sustainable economic activities, maintenance of natural areas, and restoration of degraded land.

In addition to the BIP, the following programs or projects are under MMA's Cerrado Biome approach:

- The **Sustainable Cerrado Initiative**, supported by the Global Environment Facility (GEF), aims to enhance biodiversity conservation and improve environmental and natural resource management in the Brazilian Cerrado through appropriate policies and practices.
- The **Brazil Cerrado Climate Change Mitigation Trust Fund** (BCCMTF; ProCerrado Program), launched in January 2012, is a single-donor trust fund with Bank- and recipient-executed components from the Department for Environment, Food and Rural Affairs of United Kingdom (DEFRA). The program's objective is to assist Brazil in mitigating climate change in the Cerrado Biome and in improving environmental and natural resource management in this biome through appropriate policies and practices.
- **Cerrado Jalapão Project.** Through the German Development Bank (KfW), Germany's financial cooperation seeks to support the implementation of the Rural Environmental Cadastre (*Catastro Ambiental Rural, CAR*) in the municipalities of the Cerrado located in two states of the Legal Amazon: Maranhão and Mato Grosso. This cooperation does not include the strengthening of environmental agencies for the CAR, but rather the landholdings' registration in the CAR in selected municipalities.

Each of the programs and projects will contribute to the coordination effort by funding investments and activities designed to support actions of the various executors and their working relationships with the government and nongovernment entities involved.

Furthermore, MMA and the World Bank are coordinating the BIP, the Sustainable Cerrado Initiative, and the Cerrado Climate Change Mitigation Program, and are working in an integrated manner to avoid duplication, maximize synergies, and guide resource allocation activities that effectively contribute to the achievement of goals established in the PNMC and PPCerrado.

In efforts to avoid duplication and to distinguish the programs and projects' performance, each activity under one program or project will be financially supported by only one specific program or project.

The table below provides an estimate of the international financing resources to fund the PPCerrado approach to date.

Programs/Projects	Amount (US\$ million)	Type	Donor
Sustainable Cerrado Initiative	13.00	Grant	GEF
Brazil Investment Plan	37.50	Grant	FIP–SCF–CIF
	32.48	Concessional Loan	
Cerrado–Jalapão Project	15.90	Grant	Germany
Cerrado Climate Change Mitigation Program	16.80	Grant	DEFRA
TOTAL	115.70		

Project Area and Beneficiaries

The continental size and environmental complexity of Brazil's Cerrado Biome and the need to ensure the consistency of the various instruments employed, coordinate efforts in the regions, and share timely and relevant information are all challenges that call for the building of synergies among the various actors and activities with the aim of securing cost-effective solutions to implement field activities.

It is important to highlight that there are 1,383 municipalities within the Cerrado Biome (or with part of their territory in this biome) and some 1,059,181 landholdings (826,058 of small landholdings and 233,123 of medium and large landholdings).

The criteria used to select the project area are: (a) municipalities in which no support to carry out the CAR of landholdings is provided by the BIP projects and other external funds and grants; (b) municipalities that have not been prioritized for investments in low-carbon agriculture (*agricultura de baixo carbono*, ABC) by the BIP–ABC project; and (c) municipalities that were surrounding to the selected municipalities under the FIP; CAR project (project 1.1)². In this context, there is no risk of beneficiaries overlapping with existing projects, i.e., FIP projects 1.1 and 1.2. The

² The Environmental Regularization of Rural Lands in the Cerrado of Brazil Project's core area will include a total of nine Federative Units: the States of Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Maranhão, Paraná and São Paulo; the Federal District; and 47 selected municipalities. For more information, see: <http://www.mma.gov.br/desenvolvimento-rural/cadastro-ambiental-rural/projeto-de-regularização-ambiental-de-imóveis-rurais-no-cerrado-car-fip>

preparation of the ILM Project will ensure that there is no duplication of efforts at the level of target beneficiaries and among FIP Projects 1.1 and 1.2 and the ILM Project.

Besides not having spatial overlap in terms of the points mentioned above, the Project's target audience is different from those that are the focus of Brazil Investment Plan Project 1.2. While the focus of the CAR project is on small landholdings, this proposed project will focus on landholders' income. In addition to its environmental and sustainable agriculture focus, the Project's objective is to promote social mobility in the rural area through increased income among beneficiaries.

Project Timeline

The proposed implementation phase is four years, from 2016 to 2020, in order to allow sufficient time to mobilize and empower diverse small landholders involved in landscape management, as well as local technical assistance and rural extension institutions.

Project Scale and Financing Instrument

The substantive innovations of the landscape approach are the recognition of the need to address the complex interactions among various spatial scales, as well as the need to embrace the full complexity of human institutions and behaviors (Sayer et al. 2013).

Addressing forest protection and reforestation, and promoting low-carbon emission agricultural technologies, will require an integrated landscape perspective that addresses tradeoffs and synergies among land uses, which include livestock and crop objectives.

The proposed Project contains a set of activities that: (a) explicitly seek to simultaneously improve production, ecosystem conservation, restoration, and rural livelihoods; (b) work at a replicable scale and include deliberate planning, management, and field support activities; (c) involve the coordination of activities at the level of MAPA, EMBRAPA, BNDES, and MMA, local government entities, landholders, and community organizations; and (d) support adaptive, collaborative management within a learning framework.

Simultaneously, the Brazilian Forest Code (Law 12.651/2012) requires a minimum level of forest cover (20 percent) in the Cerrado Biome on private land, and defines two main mechanisms for the conservation of natural vegetation on privately owned land: (a) Areas of Permanent Preservation (APPs), and (b) Legal Reserves (LRs). The size of APPs and LRs depends on landholding size, whether an area was deforested before July 2008, and whether it has a "consolidated land use."

In this context, it is not possible to estimate the total area to be reforested and it is essential to work on a large scale to obtain significant and replicable results.

The new project will include a component to be led by BNDES. This component will support the design the financing framework and the implementation of a restoration financing system that initially will fund restoration process in Cerrado Biome, essentially needed in the governmental arrangements to implement environmental regularization in Brazil. This initiative closes the environmental regularization circuit comprising the landholdings registration in the CAR system, preparation of Degraded and Changed Land Restoration of Projects (PRADAs) and, in the next step, the implementation of PRADAS in the regular process of restoration through the Financing System proposed.

The total project cost is US\$25 million, to be financed by a grant from the Strategic Climate Fund (SCF) under the FIP. Scaling back the project funds will mean a reduction in land area covered, the number of beneficiaries enrolled in the CAR and the PRA at least 50% of the previously estimated data. Of the total of US\$25 million, US\$5 million will support the design and implementation of a Cerrado Biome restoration fund.

Scaling-up Strategy

In the context of the BIP and the proposed project, the scaling-up strategy is a deliberate effort to increase the impact of tested interventions so as to benefit more people and promote the development of ILM on a lasting basis.

The scaling-up strategy will include: (a) dissemination and advocacy; (b) other costs/resource mobilization; (c) implementation of a Cerrado Biome restoration Fund to increase ecological restoration activities; (d) institutionalization of the successful approach/interventions; (e) values of human rights, guided by participatory and client-centered approaches; and (f) technical assistance and rural extension.

Technical Assistance and Rural Extension

In 2013, the Federal Government created the National Agency for Technical Assistance and Rural Extension (*Agência Nacional de Assistência Técnica e Extensão Rural*, ANATER) to work in partnership with EMBRAPA. The goal is to bring more and better technical assistance to the agricultural sector, giving priority to family farmers (small landholdings).

Rural extension is an educational process of communicating knowledge, either technical or any other type of knowledge, in order to improve the income and quality of life of rural families. Rural extension also focuses on facilitating sustainable rural development through collective action and social inclusion. As part of the rural extension process, technical assistance looks at agricultural production and production systems with the aim of introducing new technologies that can lead to higher income generation.

The Technical Assistance and Rural Extension Program offers ongoing, free services nationwide, whose aim is to “contribute to increasing the income and quality of life of rural families by improving production systems and the mechanism to access resources, services and income in a sustainable manner.”

In this context, technical assistance and rural extension will be an essential free services to expand, replicate, adapt and sustain successful ILM practices in the Cerrado Biome, and over time to reach a greater number of family landholders.

It is important to note that the main beneficiaries of government technical assistance and rural extension are family landholders and rural family entrepreneurs.

Thus, the proposed project technical assistance and rural extension will be free of charge for family farmers, people and traditional communities, and implemented through state agencies of technical assistance and rural extension. Component 2 includes training actions, field visits in Demonstration Units mainly to extension agents linked to these entities. The project does not provide direct technical support to medium and large landholders. They can access information

on recovery technologies that will be available in the Technologies Transfer Units or on the internet (website). There will be an internet platform that will make available recovery technologies for degraded areas of APP, RL accessible to all, this website is being developed by Embrapa, and Ministry of Environment and it will include information about recovering technologies for all biomes and ecosystems in Brazil.

Restoration Fund

The Environmental Fund will pilot in Cerrado biome, and, based on lesson learned, can then be scaled-up to also cover other Biomes. According to the BNDES Ecological Restoration rule, BNDES can launch “Calls for Proposals” with specific conditions, for example, the Focus 01/2015, in which projects for restoration in Mata Atlântica biome can be received until July 03, 2015.

The FIP Project resources will help to create the Environmental Fund and BNDES will launch a new Focus for supporting restoration projects specifically for the Cerrado biome. Scale-up is expected to happen with additional private and public funds mobilized through the Environmental Fund. It is expected that the availability of FIP resources encourages other actor engagement, particularly from the private sector. In the Iniciativa Mata Atlântica, BNDES could provide up to 100% of the project budget. In the Environmental Fund BNDES will seek to raise additional public and private resources.

The Iniciativa BNDES Mata Atlântica was the first BNDES experience in financing non-reimbursable restoration projects. It was not a specific Fund. The resources for this support came from the BNDES Social Fund. The Ecological Restoration rule uses the lessons learnt from the Iniciativa BNDES Mata Atlântica to design a model for implementing further non-reimbursable restoration projects for all biomes.

The Environmental Fund will be important in order to pilot restoration projects in Cerrado, where the restoration production chain is not well developed. Furthermore, BNDES project can launch a new Call for proposal for restoration in the Cerrado biome in the same way the Focus 01/2015 is being run. It is worthwhile to note the Environmental Fund creation will be a crucial step for promoting restoration activities in Cerrado. Even considering the importance of the first projects financed by the Environmental Fund based on FIP resources, the permanent structuring of the Fund will allow BNDES to finance more projects in Cerrado. A close coordination between BNDES and the ministries will be required.

The grant recipients will have to demonstrate capacity. The most important criteria for selection of proposals are the technical, managerial and organizational capacity of the proponent. Regarding restoration costs, there are several aspects driving it and resulting quality of restoration, such as restoration technical activities, level of land degradation, logistics factors, additional investments to reduce risks such as fire teams and equipment, among others. The cost structure and amount is one of the criteria for selecting proposals. One of the purposes of this initiative is to gain scale in restoration projects so it is possible to reduce costs. Supporting the restoration with species with commercial value as well as biological diversity is one of the ways to reach such goal.

³ For more information on the Focus 01/2015 Call for Proposals please see http://www.bndes.gov.br/SiteBNDES/bndes/bndes_pt/Areas_de_Atualizacao/Desenvolvimento_Social_e_Urbano/Fundo_Social/Restauracao_Ecologica/foco01_2015.html