



Global Environment Facility

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September 11, 2009

Dear Council Member,

The World Bank as the Implementing Agency for the project entitled: ***Brazil: Rio Grande Do Sul Biodiversity Conservation***, has submitted the attached proposed project document for CEO endorsement prior to final Agency approval of the project document in accordance with the World Bank's procedures.

The Secretariat has reviewed the project document. It is consistent with the project concept approved by the Council in November 2007 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP have been addressed.

We have today posted the proposed project document on the GEF website at www.TheGEF.org for your information. We would welcome any comments you may wish to provide by October 9, 2009 before I endorse the project. You may send your comments to gcoordination@TheGEF.org.

If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

A handwritten signature in black ink, appearing to read 'Barbut', enclosed within a simple, hand-drawn rectangular box.

Attachment: Project Document

cc: Alternates, GEF Agencies, STAP, Trustee



GEF

REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: FULL-SIZED PROJECT

THE GEF TRUST FUND

Submission Date: 24 June 2009

Re-submission Date: 25 August 2009

PART I: PROJECT INFORMATION

GEFSEC PROJECT ID: 2450

GEF AGENCY PROJECT ID: P086341

COUNTRY: Brazil

PROJECT TITLE: Rio Grande do Sul Biodiversity Conservation Project

GEF AGENCY: World Bank

OTHER EXECUTING PARTNER(S): State of Rio Grande do Sul

GEF FOCAL AREA(S): Biodiversity

GEF-4 STRATEGIC PROGRAM(S): BD2-SP4

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: N/A

Expected Calendar	
Milestones	Dates
Work Program (for FSP)	November, 2007
GEF Agency Approval	September, 2009
Implementation Start	January, 2010
Mid-term Review (if planned)	June, 2013
Implementation Completion	December, 2015

A. PROJECT FRAMEWORK

Project Objective: To promote the conservation and restoration of biodiversity in the state's grassland ecosystem by mainstreaming biodiversity conservation within the forestry, agriculture, and livestock productive landscapes. The project's objective will be achieved by: (i) promoting actions that assist farmers to restore and maintain priority areas for biodiversity conservation where ecosystem fragility and threats to biodiversity occur; (ii) conserving biodiversity by strengthening the implementation of public policies that enhance the development of improved management systems and production practices, including raising awareness and building institutional capacity; and (iii) securing the functions, dynamics and evolution of threatened ecosystems and endemic species while consolidating the network of protected areas¹ within the biome.

Project Components	Inv, TA, or STA *	Expected Outcomes	Expected Outputs	GEF Financing*		Co-financing*		Total (\$) c=a+b
				(\$a)	%	(\$b)	%	
1. On-farm Biodiversity Mainstreaming	Inv, TA	1.1. Conservation practices in selected private properties as demonstration units. 1.2. Farmers adopt conservation practices in their properties.	1.1.1. At least 12 demonstration units (DU) will have successfully demonstrated biodiversity conservation practices within productive systems. 1.2.1. Biodiversity conservation practices will be adopted in at least 500 rural properties. 1.2.2 At least 2,000 producers participating in the project through training events. 1.2.3. At least 24 municipalities with one	1,847,716	78	509,491	22	2,357,207

¹ The protected area consolidation analysis is a methodology created by NGO The Nature Conservancy which evaluates the level of protected area effective implementation according to 17 pre-defined implementation and protection indicators, including land tenure, management plan, enforcement, and biodiversity monitoring system.

			technician trained in natural resources management and biodiversity information.					
2. Biodiversity management	Inv, TA	<p>2.1. Infrastructure of protected areas (conservation units) improved.</p> <p>2.2. Improved regulatory framework for State biodiversity management.</p> <p>2.3. Conservation of key grassland species and sites is improved</p> <p>2.4. An environmental education program is designed and disseminated to key audiences</p> <p>2.5. Biodiversity information generated for decision makers, especially state authorities</p>	<p>2.1.1. 10 conservation units with improved management capacity through management plans and/or infrastructure.</p> <p>2.2.1. Proposal for incentives promoting biodiversity conservation opportunities.</p> <p>2.2.2. Four State institutions in charge of biodiversity conservation strengthened in equipment and capacity for policy implementation.</p> <p>2.3.2. At least 6 risk prevention plans developed and/or under implementation.</p> <p>2.3.3. Four areas with strategies for biodiversity conservation planned and under implementation by the State.</p> <p>2.4.1. Development of at least 40 educational and awareness events related to biodiversity aimed at schools and specific groups in 4 areas, considering local characteristics.</p> <p>2.4.2. 63,000 inhabitants (40% of the rural population from the four priority areas) informed about biodiversity and its importance for conservation through environmental education.</p> <p>2.5.1 Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available.</p> <p>2.5.2. 16% of priority area 1 with a conservation corridor proposed.</p>	2,505,599	34	4,714,194	66	7,219,793

3. Project management	499,346	41	706,760	59	1,206,106
Unallocated Resources ²	147,339	45	177,913	55	325,252
Total Project Costs	5,000,000		6,108,358		11,108,358

B. SOURCES OF CONFIRMED CO-FINANCING FOR THE PROJECT

<i>Name of Co-financier (source)</i>	<i>Classification</i>	<i>Type</i>	<i>Project Amount (\$)</i>	<i>%</i>
RS State Government : Environment Compensation system	Project Govt. contribution	State Fiscal Resources	2,876,923	47
RS State Government: Annual allocation for the agencies FZB, SEMA, EMATER	Project Govt. contribution	State Fiscal Resources (in kind)	2,100,000	34
RS State Government: Annual allocation for the EMATER	Project Govt. contribution	State Fiscal Resources	274,000	5
RS State Government: Annual allocation for the FEPAM	Project Govt. contribution	State Fiscal Resources	652,000	11
The Nature Conservancy	NGO	In kind	205,435	3
Total Co-financing				100%

C. FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	<i>Project Preparation a</i>	<i>Project b</i>	<i>Total c = a + b</i>	<i>Agency Fee</i>	<i>For comparison: GEF and Co-financing at PIF</i>
GEF financing	332,492	5,000,000	5,332,492	535,000	5,884,488
Co-financing	0	6,108,358	6,108,358	00	6,100,000
Total	332,492	11,108,358	11,440,850	535,000	11,984,488

*The DF B grant of US\$349,488 was approved on March 22, 2004

D. GEF RESOURCES REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES):

Not applicable. The project will be implemented in Brazil and the implementation agency will be the World Bank.

E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

<i>Component</i>	<i>Estimated person weeks</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
Local consultants*	537	1,034,208	652,000	1,686,208
International consultants*	00	00	00	00
Total	537	1,034,208	652,000	1,686,208

* Details provided in Annex C.

² The intent of these "unallocated resources" is to provide flexibility to the use of money, regarding US dollar flotation and internal rate of inflation. This resource will be to cover reasonable costs of goods, works, non-consultants' services, consultants' services, workshops and /or training. The unallocated resources correspond to 2.9% of total project cost.

F. PROJECT MANAGEMENT BUDGET/COST

<i>Cost Items</i>	<i>Total Estimated person weeks</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
Local consultants*	320	450,056	54,783	504,839
International consultants*	00	00	00	00
Office facilities, equipment, vehicles and communications ³		37,056	00	37,056
Travel ⁴		4,456	50,000	54,456
Other ⁵		7,778	601,977	609,755
Total	320	499,346	706,760	1,206,106

* Details provided in Annex C.

G. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT?

No.

H. DESCRIBE THE BUDGETED M & E PLAN:

The Monitoring and Evaluation (M&E) system has been designed as a participatory system to include local communities living in the priority areas of the project. The M&E system will be under the responsibility and coordination of the PIU, and will be implemented through: a) effective participation of interested local parties to secure transparency and dynamism; b) integration and inter-institutional action that generates responsibility, institutional strengthening, and multidisciplinary learning; c) use of information technology to secure feedback in real time for appropriate decision-making and action management; and d) mechanisms to ensure local participation, institutional commitment and on-going information flow.

The M&E system will be used by the PIU to monitor outputs and outcomes, including the attitudes of beneficiaries with regard to biodiversity conservation and management. Analysis will be based on a geographic database that will provide regularly updated information on the project's implementation and results. This data will be fed into the SIGBio (GIS for biodiversity) and will be provided for external evaluations, a mid-term review, and the final evaluation. Each project component and sub-component has benefits at different scales and scopes, and these will be incorporated into the system.

Project outputs and outcomes have been already identified and these indicators will be monitored by the system to be implemented at the PIU. In order to measure the outputs and outcomes of this project, the M&E system will adopt a set of indicators derived from the results framework. There will be indicators for behavioral aspects, such as the awareness level of different sectors of society and the satisfaction level of the population with the innovations introduced and promoted by the project, and environmental/biodiversity aspects. Indicators will be based on: a) soil management, b) fauna and flora

³ The GEF contribution will finance costs, including: (i) basic office furniture (e.g., desks, chairs, small filing cabinets, etc.) necessary to accommodate project team; (ii) communications, including internet access, telephone, fax and hosting of a project site for promotion of energy efficiency and renewable energy technologies, and sharing of lesson learned; and (iii) computing equipment required for data analysis and reporting.

⁴ The annual value to be expended for management staff travel is US\$ 54,456, which corresponds to a monthly amount of US\$907.6. This value will also cover travel costs to field site evaluations and monitoring activities of the project's target areas.

⁵ In 5 years of implementation this co-financing of cost items will finance operational costs, including : (i) PIU staff; (ii) office supplies; (iii) training activities (\$20,500); (iv) project team meetings materials; and, (v) equipment maintenances costs. The annual value to be expended by the GEF in incremental costs is US\$1,555.

terrestrial bio-indicators, c) sustainable use of biodiversity and natural resources, and d) removal of risks to biodiversity.

The M&E activities will be carried out under Component 2: Biodiversity Management, subcomponent Protection and conservation of species and sites; and Under Component 3: Project Management

Component 2 will finance assessments, system design, data collection and analysis, training, workshops, and limited field data collection when necessary to assess the biome's environmental and social status. The Component 3 includes a set of actions needed for coordination of the project's activities, including developing/implementing a system for monitoring and evaluation.

(See Rio Grande do Sul Biodiversity Project Appraisal Document for detailed project activities, pgs 37-39)

The Tables below presents the estimated budget by subcomponents and the detailed budget for Monitoring and Evaluation activities

Components and Funding Sources	GEF		COUNTERPART		TOTAL	
	U\$S	%	U\$S	%	U\$S	%
<i>1: On-Farm Biodiversity Mainstreaming</i>	<i>1,847,716</i>	<i>78</i>	<i>509,491</i>	<i>22</i>	<i>2,357,207</i>	<i>100</i>
Demonstration units	236,451	45	284,281	55	520,732	100
Subprojects implementation	1,611,265	88	225,210	12	1,836,475	100
<i>2: Biodiversity Management</i>	<i>3,695,432</i>	<i>34</i>	<i>1,018,982</i>	<i>66</i>	<i>4,714,414</i>	<i>100</i>
Production and conservation of species and sites	795,431	20	3,234,246	80	4,029,677	100
Improving the State's regulatory framework and Institutional strengthening	1,056,564	44	1,115,069	56	2,171,633	100
Environmental awareness	653,604	64	364,879	36	1,018,483	100
<i>3: Project management</i>	<i>499,346</i>	<i>41</i>	<i>706,760</i>	<i>59</i>	<i>1,206,106</i>	<i>100</i>
Organization Structure	442,389	49	460,717	51	903,106	100
Monitoring and Evaluation	56,957	19	246,043	81	303,000	100
<i>Unallocated</i>	<i>147,339</i>	<i>45</i>	<i>177,913</i>	<i>55</i>	<i>325,252</i>	<i>100</i>
Total Project Costs	5,000,000	45	6,108,358	55	11,108,358	100

Components, M&E activities, and Funding Sources	GEF		COUNTERPART		TOTAL	
	U\$S	%	U\$S	%	U\$S	%
2: Biodiversity Management: Improving the State's regulatory framework and Institutional strengthening						
Local consultants ⁶	66,000	54	56,800	46	122,800	100
3: Project management: Monitoring and Evaluation						
Local consultants ⁷	54,783	50	54,783	50	109,566	100
Tanning activities	00	0	20,434	100	20,434	100
Office facilities, equipments, vehicles	2,174	1	170,826	99	173,000	100
Total M&E Costs	122,957	29	302,843	71	425,800	100

PART II: PROJECT JUSTIFICATION:

See Rio Grande do Sul Biodiversity Project Appraisal Document for detailed project justification.

- A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:**
- B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL AND/OR REGIONAL PRIORITIES/PLANS:**
- C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH [GEF STRATEGIES](#) AND STRATEGIC PROGRAMS:**
- D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES.**
- E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:**
- F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH [INCREMENTAL REASONING](#) :**
- G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MANAGEMENT MEASURES:**
- H. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN:**

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

See the Project Appraisal Document (Annex 6) for detailed description of Implementation Arrangements.

- A. INSTITUTIONAL ARRANGEMENT:**

⁶ Provide technical assistance to definition of biodiversity indicator for M&E system; the social and economic indicators for M&E system. (See: Annex C, Local Consultants, rows 5 and 6)

⁷ Provide support to design and implement the project management system. (See: Annex C; Project Manager)

The grant recipient will be the Rio Grande do Sul State, through the State Secretariat of Environment (SEMA). The proposed arrangements for the implementation of the project will follow the experience gained during the preparation process. Implementation arrangements will be established through legal agreements between SEMA and the three partnering institutions: FEPAM, FZB and EMATER.

Other state institutions, namely the State Foundation for Agricultural Research (FEPAGRO), The Nature Conservancy (TNC), and the Brazilian Agricultural Research Corporation (EMBRAPA), will also be partners during project implementation with specific responsibilities under Components 1 and 2. Terms of reference for each institution will be included in the Operational Manual. The PIU will centralize activities related to general coordination, financial management and monitoring.

Rural communities living in close proximity to protected areas and within the four priority areas will actively participate in the planning and implementation of strategies and conservation efforts. Consultations with these local stakeholders constitute a major part of the project during the design and implementation phases.

A State Steering Committee will be made up of representatives of the executing agencies, municipalities, and universities, as well as COREDEs (*Conselhos Regionais de Desenvolvimento/ Regional Development Councils*), FAMURS (*Federação das Associações de Municípios do Rio Grande do Sul / Federation of Municipalities Associations*), FETAG (*Federação de Trabalhadores da Agricultura / Federation of Agriculture Workers*), FARSUL (*Federação da Agricultura do Rio Grande do Sul / State Federation of Agriculture*), MMA (*Ministerio do Meio Ambiente / Ministry of the Environment*), IBAMA (*Instituto Brasileiro de Meio Ambiente e Recursos Naturais Renováveis/Brazilian Institute for the Environment*), and APEDEMA (*Assembléia Permanente de Entidades em Defesa do Meio Ambiente/ Environmental NGO Network*). The Steering Committee will monitor project implementation. Local committees will be created in each of the four priority areas with representatives from the public sector and civil society organizations, to supervise the local implementation of the project. Where these committees already exist and are linked to environmental issues or regional development, they will be linked to this project and will be asked to undertake the appropriate local role in order to better facilitate project implementation.

B. PROJECT IMPLEMENTATION ARRANGEMENT:

The project will be implemented through a partnership between the SEMA (*Secretaria do Meio Ambiente/State Secretariat of Environment*), FEPAM (*Fundação Estadual de Proteção Ambiental/ State Foundation of Environmental Protection*), FZB (*Fundação Zoobotânica /Zoobotic Foundation*) and EMATER. Other institutions with specific roles in project implementation will be part of this partnership at the state level with FEPAGRO (*Fundação Estadual de Pesquisa Agropecuária/State Foundation of Agropecuary Research*), TNC (*The Nature Conservancy*), and EMBRAPA (*Empresa Brasileira de Pesquisa Agropecuária / Brazilian Agricultural Research Corporation*).

The project will foster partnerships with conservation organizations, including The Nature Conservancy and BirdLife International, both of which were involved in the design of the project. Rural communities, municipal authorities, existing working groups and the wider RS society will also be encouraged to take part in project implementation and evaluation.

The project will also be coordinated with similar biodiversity projects in the neighboring Brazilian state of Paraná, as well as those in Uruguay and Paraguay.

The overall coordination of the project will be carried out by SEMA, which will host the Project Implementation Unit (PIU). The organizational structure for implementing this project, including financial and administrative matters, is defined in the Project’s Operational Manual

PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF:

There have been no significant changes in the project’s objective, scope and outcomes from PIF stage. During project preparation adjustments were made, specifically with respect to design the components and expected outputs.

1. To maximize the number of farmers to benefit from the project, during preparation the expected outputs of Component 1 were re-planned to: (1.1.1) at least 12 demonstration units (DU) will have successfully demonstrated biodiversity conservation practices within productive systems; (1.2.1) biodiversity conservation practices will be adopted in at least 500 rural properties; (1.2.2) at least 2,000 producers participating in the project through training events; and, (1.2.3) at least 24 municipalities with one technician trained in natural resources management and biodiversity information.

Adopting this strategy, the Project will increase the total number of beneficiaries from 1,200 - 1,500 rural properties, proposed at PID stage, to at least 2,000 producers. This Component will also focus the technical assistance to the 500 rural producers, stimulating the adoption of biodiversity-friendly practices by the private sector, and works on a large-landscape scale. These properties may have “demonstration effects”. For example, one rural producer may devote her land to tourism rather than farming after observing that another has done so successfully.

2. At PIF stage, improvements to the infrastructure of conservation units (protected areas) were considered as part of Component 1. Since the existing conservation units are under the State regulatory framework, at preparation these were re-assigned to Component 2.
3. During project preparation, Component 2 outputs were detailed and quantified. In this context, the outputs proposed at PIF stage have been replaced by more detailed outputs. The adjustments to the outputs are presented below:


Outputs at PIF stage	Outputs
<ul style="list-style-type: none"> • Proposal for incentives promoting biodiversity conservation opportunities through payment for environmental services. • X (6-7) action plans would be implemented to address specific threats to identified species or areas. • Environmental awareness and educational cross-cutting themes to create /raise awareness about biodiversity conservation are implemented. 	<ul style="list-style-type: none"> • Proposal for incentives promoting biodiversity conservation opportunities. • Four State institutions in charge of biodiversity conservation strengthened in equipment and capacity for policy implementation. • At least 6 risk prevention plans developed and/or under implementation. • Four areas with strategies for biodiversity conservation planned and under implementation by the State. • Development of at least 40 educational and awareness events related to biodiversity aimed at schools and specific groups in 4 areas, considering local characteristics. • 63,000 inhabitants (40% of the rural population in the four priority areas) informed about biodiversity and the importance of conservation through environmental

<ul style="list-style-type: none"> • Biodiversity conservation specific knowledge on x (6-8) issues (rapid ecological assessments, studies of corridor strategy) is generated and disseminated. 	<p>education.</p> <ul style="list-style-type: none"> • Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available. • 16% of priority area 1 with a conservation corridor proposed.
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- In addition, as requested by the GEF Council member from the United States, the project has embraced the concept of corridors as an integrated approach to landscape management and to improve sustainability in the livestock productive landscape (see: Annex B).
- The Project remains consistent with GEF-4 Strategic priorities.

PART V: AGENCY CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.

Agency Coordinator, Agency name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Steve Gorman GEF Executive Coordinator, The World Bank		31 July 2009			
Jocelyne Albert Sr. Regional Coordinator, The World Bank		31 July 2009		(202) 473-3458	jalbert@worldbank.org

ANNEX A: PROJECT RESULTS FRAMEWORK

Project Global Objective	Project Outcome Indicators	Use of Project Outcome Information
<p>To promote the conservation and restoration of biodiversity in the Rio Grande do Sul grassland ecosystem by integrating biodiversity conservation within the forestry, agriculture and livestock productive landscapes.</p>	<ul style="list-style-type: none"> • At least 500 rural properties with biodiversity conservation practices at the farm level in the <i>Pampa</i> (grasslands) biome. • State conservation unit system improved with management plans and infrastructure for 10 conservation units, totaling 72,000 ha under protection. • State policy and regulatory framework incorporates measures to conserve biodiversity, including strategies for invasive alien species and natural resources management. 	<ul style="list-style-type: none"> • YR02-Y03: will determine if implementation strategy needs adjustment. • YR05: Assess the effectiveness of farm level management as a mechanism for biodiversity conservation. • YR05: Assess the effectiveness of the state conservation units system
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p><i>Component 1: On-Farm Biodiversity Mainstreaming.</i> Protection and conservation actions by key productive sectors of the rural environment implemented by extension of sustainable practices in the use of biodiversity integrated into other sectors of local and regional development.</p>	<ul style="list-style-type: none"> • At least 12 demonstration units (DU) implemented with selected farms or group of farms. • At least 500 rural properties benefiting from investments in productive activities in their farms for biodiversity conservation best practices. • At least 2,000 producers participating in the project through training events. • At least 24 municipalities (80% of the municipal area) with one technician trained in natural resource management and biodiversity information. 	<ul style="list-style-type: none"> • YR03: Re-assess the strategy if less than 7 DUs were implemented. • YR03: Re-assess if trained technicians were present in less than 40% of municipalities. • YR03: Re-analyze strategy if less than 55% of estimated beneficiaries (producers) were reached. • YR03-05: Evaluate the interest of local farmers to participate in training and investing activities.

<p>Component 2: Biodiversity Management. Actions towards the reduction of biodiversity loss and specific threats to conservation, implemented in identified and prioritized areas. Actions and instruments for supporting biodiversity management by means of knowledge generation, environmental control and implementation of management tools.</p>	<ul style="list-style-type: none"> • 10 conservation units with improved management capacity by management plans and/or infrastructure. • At least 6 risk prevention plans developed and/or under implementation. • Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available. • Four areas with strategies for biodiversity conservation elaborated and under implementation by the State. • 16% of priority area 1 with a conservation corridor proposed. • Development of at least 40 educational and awareness events related to biodiversity aimed at 4 areas schools and specific groups, considering the local characteristics. • 63,000 inhabitants (40% of the rural population from the four priority areas) informed about biodiversity and its importance for conservation through environmental education. • Four State institutions in charge of biodiversity conservation strengthened in equipment and capacity for policy implementation. • Proposal for incentives promoting biodiversity conservation opportunities. 	<ul style="list-style-type: none"> • Re-assess at mid term the operational strategy for the threat reduction/removal goals and use them to insert changes if needed. • Assess governmental willingness to combat invasive alien species. • Assess government interest in using knowledge to improve management. • Assess usefulness of information generated to produce biodiversity conservation actions. • YR03: the indicators will be monitored to: <ul style="list-style-type: none"> a) analyze how well the activities are being performed and provide improvement guidelines; b) zoning and GIS should be duly monitored in terms of their preparation and implementation to assess possible solutions when required; and c) assess institutional commitment to biodiversity monitoring.
<p>Component 3: Project Management. Better institutional capacity for administrating and coordinating actions, monitoring impacts and disseminating experiences to achieve better conservation management and conservation in the <i>Pampa</i>.</p>	<ul style="list-style-type: none"> • Project implementation plan prepared and annually reviewed through operational plans. • System in place for monitoring and evaluation of outputs and outcome. • System of physical and financial administration developed and working. • Objectives and outputs of the project communicated by different means (workshops, seminars, press, products). • Project Implementation Unit created and operational. • Successful annual reports. 	<ul style="list-style-type: none"> • YR02: the strategy for M&E will be reviewed to assure the system is in place and duly working. • YR03: the general strategy of the project measured in terms of 50% achievement of goals. • The behavioral aspects and attitudes of the four institutions in the consortium for better management of biodiversity.

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Cumulative Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
500 rural properties with biodiversity conservation practices at the farm level in the <i>Pampa</i> biome	0	50	200	400	500	500	Annually – Project Implementation Reports (PIRs)	Database / Planning outcomes of different agencies / Physical and financial Follow-Up System (PFFS); supervision missions	PIU & partnering institutions
State conservation unit system improved with management plans and infrastructure of at least 10 conservation units, totaling 72,000 ha under protection.	partially	2	5	8	10	10	Semi-annually – Project Implementation Reports (PIRs)	Database and record of participation/ Planning outcomes of different agencies & PFFS; supervision missions	PIU & partnering institutions
State policy and regulatory framework incorporates measures to conserve biodiversity, including strategies for invasive alien species and natural resources management.	0	0%	30%	70%	90%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS; supervision missions	EMATER, FEPAM-SEMA, FZB
Intermediate Outcome Indicators									
Component 1									
12 Demonstration units implemented with selected farms or group of farms	0	2	6	10	12	12	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER (AND FEPAGRO)
Around 2,000 producers participating in the project through training events	0	25%	50%	75%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER
24 Municipalities (ca. 80% of the municipal area) with at least one technician for training in natural resource management	0	20%	40%	60%	80%	80%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER
500 families benefiting from investments in productive	0	100	200	400	500	500	Annually – Project Implementation Reports	Field visits / Planning outcomes	PIU & EMATER

activities that incorporate biodiversity conservation based on 10 preliminary practices							(PIRs)	of different agencies & PFFS	
Component 2									
10 state conservation units with improved management capacity through management plans and/or infrastructure	partially	2	5	8	10	10			
At least 6 risk prevention plans developed and under implementation.	0	20%	40%	60%	100%	100%	Annually – Project Implementation Reports (PIRs)	Documents available / Planning outcomes of different agencies & PFFS	PIU & FZB
Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available.	0	20%	60%	100%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
Four areas with Strategies for biodiversity conservation planned and under implementation by the State	0	0	1	2	4	4	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
16% of priority area 1 with a conservation corridor proposed to the State Authorities	0	0%	30%	60%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
63,000 inhabitants (40% of the rural population from the four priority areas) informed about biodiversity and its importance for conservation through environmental education.	0	20%	40%	60%	80%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM, SEMA
Four State institutions in charge of biodiversity conservation strengthened for policy implementation.	0	5%	15%	45%	85%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM, SEMA
Proposal for incentives promoting biodiversity conservation opportunities.	0	5%	15%	45%	85%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM, SEMA

Component 3									
Project implementation plan prepared and annually reviewed through operational plans	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
System in place for monitoring and evaluation of outputs and outcome	0	1	0	0	0	0	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
System of physical and financial administration developed and working	0	1	0	0	0	0	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
Objectives and outputs of the project communicated by different means (workshops, seminars, press, products)	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
Project Implementation Unit created and working Successful annual reports	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF)

Comments from the GEF Council

Comments from France

The project aims at conserving the biodiversity of grasslands in Rio Grande do Sul by integrating conservation approaches into productive activities (agriculture, forestry...).

Opinion: favorable, but with the following questions and remarks to be taken into account:

Based on our own experience in a similar project in *Pantanal* with FEEM, two weak points in the proposal would need further elaboration:

- How to structure private stakeholders and landowners around conservation practices, protected areas.
- The project focuses on pilot experiences on the ground, on the one side, and transversal State level activities (regulatory framework, awareness raising...) on the other side. What about the feasibility and the support in terms of access to the market on the income generation activities developed. Wildlife ranching is for example subject to severe which can prevent or burden any commercial use of the game. Fantastic organic farming can be developed without access to the market; the activities will be died and end up counterproductive.

Response from the World Bank:

During project preparation livestock and forestry productive sectors have begun to discuss the potential for cooperation; while ranchers in a very well defined region of the southern Pampa have already proposed different forms of biodiversity integration into the productive forestry landscape of the Pampa.

Component 1 was designed to rationalize land conversion processes by promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. Specifically, the project would support the implementation of conservation practices and experiences in 12 demonstration units in selected farms or groups of farms in priority areas. Activities under this component will focus on implementation through market-oriented productive subprojects that incorporate innovation, income generation, and environmentally sustainable practices. Preliminary results indicate that the proposed activities would not only have the expected benefits from the point of view of sustainability of natural resources and biodiversity in the project area, but would represent also incremental financial returns to participating farmers.

Comments from the United States

The use of agro-ecological zoning is promising, but the project should have a greater focus on enhancing the ecological connectivity landscape.

Response from the World Bank:

As recommended, the project has embraced the concept of corridors as an integrated approach to landscape management and to improve sustainability in the livestock productive landscape. Activities

under the On-Farm component (Component 1) will focus on stimulating the adoption of biodiversity-friendly practices by the private sector, and works on a large-landscape scale.

Due to the detailed and comprehensive information available during project design, it was possible to define the most important areas within the *Pampa* in RS and to identify the most efficient ways to link these areas with the surrounding ecosystems. In addition, as part of the Component 2, the ecological corridor Quarta Colônia, within the Atlantic Forest Biosphere Reserve, will be demarcated and an action plan will be designed and implemented.

Responses to GEF SEC - Comments at GEF Endorsement request – July 08, 2009

Eligibility

Please submit the full endorsement letter for the amount of the GEF grant coming from the country RAF.

Response from the World Bank:

Please find attached the endorsement letter for the full amount.

Resource Availability

Please provide endorsement letter.

Response from the World Bank:

Please find attached the Endorsement letter.

Justification for GEF Grant

Annex C (Consultants and travel) contains several minor budgetary miscalculations leading to a difference in about \$3,000 in the total amount for consultants and about \$1,000 in the management line. Please correct these.

Response from the World Bank:

The team revised the Annex C following the recommendation, including some adjustments in the \$/person week to address the inconsistencies.

Justification for GEF Grant

Many of the local TA consultant fees are at \$2000 or above per week. As the fee seems rather high, please justify or revise as necessary.

Response from the World Bank:

The rate equivalent of US\$2,000 to US\$2,500 per week for senior consultants carrying out specialized work is compatible with the current market figures in Brazil. The consultants will be hired by

government agencies. Thus the rates include taxes and fees, which in Brazil amount to about 35% of the income. As consequence, the consultant's fees will be range from equivalent of US\$1,300 to US\$ 1,625.

Justification for GEF Grant

Finally, please provide a more detailed indication of how the PPG unallocated resources (\$147,338) will be used towards the objectives of the project.

Response from the World Bank:

The intent of these "unallocated resources" is to provide flexibility to the use of money, regarding US dollar flotation and internal rate of inflation. This resource will be to cover reasonable costs of goods, works, non-consultants' services, consultants' services, workshops and /or training. The unallocated resources correspond to 2.9% of total project cost.

The unspent PPG resources are indicate at Annex D and the total amount is US\$ 16,995.75. The PPG was closed on November 24, 2008. Upon the trust fund's closure, the unused fund balance was transferred back to the main fund TF050551.

Justification for GEF Grant

The co-financing amounts are adequate. However, there are no letters of cofinancing, which we kindly ask the WB to submit to the GEF Secretariat.

Response from the World Bank:

Please find attached the co-financing letters.

Justification for GEF Grant

The endorsement document contains an adequate M&E plan. Please point to where information on the budget for M&E is to be found.

Response from the World Bank:

The team revised the CEO endorsement request document and included the appropriate summary regarding budget for M& E. (see: Table page 05).

Responses to GEF SEC - Comments at GEF Endorsement request – August 17, 2009

Justification for GEF Grant

The Letter of Co-financing from the State of Rio Grande Do Sul has no dollar figures. Please provide an updated letter of co-financing from the State.

Response from the World Bank:

Please find attached the co-financing letter.

Justification for GEF Grant

The Table on p. 5 is the budget for the components, not the budget for the M&E. Please provide the information.

Response from the World Bank:

The team has revised the CEO endorsement request document and included more detailed information regarding the M&E budget. (see: new Table page 06).

ANNEX C: CONSULTANTS TO BE HIRED FOR THE PROJECT USING GEF RESOURCES

<i>Position Titles</i>	<i>\$/ person week⁸</i>	<i>Estimated person weeks</i>	<i>Estimated amount</i>	<i>Tasks to be performed</i>
For Technical Assistance				
Local				
Biodiversity specialists	\$2,446.11	72	176,120	Provide technical support for the conservation of biodiversity in priority areas.
Environmental Services Specialist	\$1,789.00	10	17,890	To undertake economic and environmental assessment studies, which will support the economic incentives proposal.
Public Policy Specialist	\$1,331.00	24	31,944	Provide technical support to preparation of a strategic policy plan to prevent, control and manage invasive alien species.
GIS Specialist	\$2,245.67	164	368,290	Provide support to design and implement biodiversity geographic information system.
Biodiversity Specialist	\$2,000.00	16	32,000	Provide technical assistance to definition of the biodiversity indicators for M&E system.
Social and economic specialist	\$2,000.00	17	34,000	Provide technical assistance to definition of the social & economic indicators for M&E system
Ecological Economic Zoning Specialist	\$1,437.00	72	103,464	Provide technical assistance to economic ecological zoning of Litoral Médio region.
Landscape management specialist	\$2,472.72	55	136,000	Provide technical assistance to the identification of techniques and mechanisms to be adopted by farms to conserve biodiversity.
Economic and Policy Specialist	\$2,100.00	5	10,500	Provide support to analyze, review and propose financial instruments and incentives regarding biodiversity conservation.
Environmental Specialist	\$1,500.00	22	33,000	Provide technical assistance to preparation of prevention plans for the reduction of biodiversity loss and endangered species.
Rehabilitation of degraded areas and landscape management specialist	\$1,952.38	21	41,000	Provide support to the identification of practices to re-establish gallery forest and other natural Pampas habitats.
Environmental Education Specialist	\$1,000.00	36	36,000	Provide support to preparation of education materials and activities for formal education.
Environmental Education Junior Specialist	\$250.00	12	3,000	Provide support to preparation of environmental education activities.
Environmental Education Specialist	\$1,000.00	11	11,000	Provide technical support to implement environmental education activities.
Subtotal (a)		537	1,034,208	

⁸ The consultants will be hired by government agencies. Thus the rates include taxes and fees, which in Brazil amount to about 35% of the income.

International: Not applicable				
Justification for Travel; The project will include field activities for biological, social and economic surveys, ecological assessment, awareness campaign, and technical assistance for rural properties. The project will finance the participation of consultants, staff, and representatives of the entities included in the project in field activities, training events, seminars, Steering Committee meetings, and exchange visits among the subprojects. The annual value to be disbursed for management staff and representatives travel (<i>per diem</i> and travel expenses) from GEF resources totals US\$ 60,000, which corresponds to a monthly amount of US\$5,000.				
For Project Management				
Local				
Organizational Development Specialist	\$2,000.00	98	196,000	Provide support to design and implement the project management system and organizational development program.
Communication Specialist	\$1,490.20	51	76,000	Provide support to design and implement communication system within the project.
Facilitator	\$1,000.00	24	24,000	Provide support for institutional exchange activities, meetings, workshops and events.
Institutional Assessment and Capacity Development Specialist	\$1,469.56	23	33,800	Provide technical support for the institutional integration and coordination of project implementation.
Executive Assistance	\$1,000.00	100	100,000	Provide support for project management.
IT Specialist	\$844.00	24	20,256	Provide IT support to design the monitoring and evaluation system.
Subtotal (b)		320	450,056	
International: Not applicable				
Justification for Travel: The project will finance the participation of PIU staff in field activities, training events, national seminars and institutional meetings. The total to be disbursed for management staff and representatives travel (<i>per diem</i> and travel expenses) will be US\$ 54,456 of which GEF: US\$ 4,456.				
TOTAL (a+b)			1,484,264	

* Provide dollar rate per person week. ** Total person weeks needed to carry out the tasks.

ANNEX D: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

A. EXPLAIN IF THE PPG OBJECTIVE HAS BEEN ACHIEVED THROUGH THE PPG ACTIVITIES UNDERTAKEN.

The PPG has achieved the proposed objective to assist the State of Rio Grande do Sul in the preparation of the project. Technical studies were carried out to develop a better understanding of productive activities and ecological sustainability. These studies have included: (i) participatory identification of areas relevant to conservation; (ii) assessment of biodiversity products, particularly forest, grassland and wetland products; (iii) assessment of sustainable alternatives, such as rural tourism and forest species management; (iv) implementation of demonstration units to assess the economic and financial viability of natural resources and biodiversity management; and, (v) identification of the protected areas to be targeted by the project.

Regarding project activities in the forestry sector for improved forestry management and biodiversity conservation (including lower density planting), a regional financial and economic analysis was undertaken in which the comparison of the lower density model and traditional model resulted in favor of the lower density model.

During project preparation, key stakeholders were involved through consultations and workshops carried out in different areas of the state and finally in the key priority areas, with a final consensus-building workshop in the State's capital, Porto Alegre. The first workshop was attended by 120 participants and the last by 150. The preparation of the project was developed in a very participatory way and all recommendations were incorporated in project documents; details are on file. The final version of the proposal was validated in the last workshop held in Porto Alegre and by electronic consultations with interested parties.

B. DESCRIBE FINDINGS THAT MIGHT AFFECT THE PROJECT DESIGN OR ANY CONCERNS ON PROJECT IMPLEMENTATION, IF ANY:

The project addresses the following issues which have been identified during preparation: a) areas with serious environmental damage as a result of unsustainable practices and ecosystem fragility; b) expansion of practices not compatible with the natural environment; c) the urgency for more sustainable practices in the rural communities and biodiversity-friendly land conversion by the private sector; d) diminished capacity of state authorities to advance sustainable management and coalition building; and e) lack of information or little knowledge by society in general about biodiversity and its importance.

Project preparation included extensive discussions and evaluations in the development of strategies to ensure participation of rural properties and the long-term sustainability of project-financed activities, including implementation and institutional arrangements, as well as the strategic design of project components. Arrangements for the implementation of the project will follow the experience gained during the preparation process.

C. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES AND THEIR IMPLEMENTATION STATUS IN THE TABLE BELOW:

<i>Project Preparation Activities Approved</i>	<i>Implementation Status</i>	<i>GEF Amount (\$)</i>				<i>Co-financing (\$)</i>
		<i>Amount Approved</i>	<i>Amount Spent to date</i>	<i>Amount Committed</i>	<i>Uncommitted Amount*</i>	
Carry out technical studies to develop a better understanding of soil use potential for biodiversity and its economic, social and ecological sustainability - consultant services -	Concluded	199,300.00	156,428.15	-	42,871.85	00
Workshops and stakeholder consultation including non-consultant expenditures related to the carrying out of workshops and stakeholder consultation	Concluded	43,550.00	43,625.84	-	-75.84	00
Operating costs including the reasonable and incremental expenses of the Project preparation unit, and includes costs for telecommunications, printing materials, translation and interpretation, and other minor related expenditures, such as consumable office supplies	Concluded	80,750.00	106,550.26	--	- 25,800.26	00
Unallocated resources		25,888.00	25,888.00	-	--	
Total		<u>349,488.00</u>	<u>332,492.25</u>		16,995.75	00

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PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT FROM THE
GLOBAL ENVIRONMENT FACILITY TRUST FUND
IN THE AMOUNT OF USD 5.0 MILLION
TO THE
STATE OF RIO GRANDE DO SUL
FOR A
RIO GRANDE DO SUL BIODIVERSITY PROJECT

June 16, 2009

Brazil Country Management Unit
Sustainable Development Department
Latin America and the Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 08, 2009)

Currency Unit = Real
R\$ 2.00 = US\$1
US\$ 0.50 = R\$ 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

APEDEMA	Assembléia Permanente de Entidades em Defesa do Meio Ambiente
APL	Adaptive Program Lending
CAIXA RS	Caixa Estadual S/A /Promotion Agency
CBD	Convention on Biological Diversity
CECA	Câmara Estadual de Compensação Ambiental / State Chamber for Environmental
CMS	Compensation
CPS	Convention on Migratory Species Country Partnership Strategy
CIENTEC	Fundação de Ciência e Tecnologia / Foundation of Science and Technology
COREDES	Conselhos Regionais de Desenvolvimento / Regional Development Council
CQ	Consultant Qualifications
DEFAP	Departamento Estadual de Florestas e Areas Protegidas / State Department of Forests and Protected Areas
DRH	Departamento Estadual de Recursos Hídricos / State Department of Water Resources
ESW	Economic and Sector Work
EMATER	Associação Rio-grandense de empreendimentos de Assistência Técnica e Extensão Rural / Technical Assistance and Rural Development Enterprise
EMBRAPA	Empresa Brasileira de Pesquisa Agropecuária/ Brazilian Agricultura Research Corporation
FAMURS	Federação das Associações de Municípios do Rio Grande do Sul / Federation of Municipalities Associations
FAO	Food and Agriculture Organization
FARSUL	Federação da Agricultura do Rio Grande do Sul / Rio Grande Sul Agriculture Federation
FEE	Fundação de Economia e Estatística / Economy and Statistics Foundation
FEPAGRO	Fundação Estadual de Pesquisa Agropecuária / State Foundation of Agropecuary Resarche
FEPAM	Fundação Estadual de Proteção Ambiental/ State Foundation of Environmental Protection
FETAG	Federação de Trabalhadores da Agricultura/ Federation of Agriculture Workers
FZB	Fundação Zoobotanica / Zoobotanic Foundation
GC	General Coordination
GDP	Gross Domestic Product
GEF	Global Environment Facility
GEO	Global Environment Objective
GOB	Government of Brazil
GPN	General Procurement Notice
IBAMA	Instituto Brasileiro de Meio Ambiente e Recursos Naturais Renováveis / Brazilian Institute for the Environment and Renewable Resources
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IERR	Internal Economic Rate of Return

IPM	Integrated Pest Management
IPF	Indigenous People Framework
IFR	Interim Financial Reports
ISDS	Integrated Safeguards Data Sheet
IUCN	International Union for Conservation of Nature
LCS	Least Cost Selection
M&E	Monitoring and Evaluation
MIS	Management Information System
MMA	Ministério do Meio Ambiente / Ministry of Environment
MOP	Manual of Operation
NBF	Non Bank-Financed
NCB	National Competitive Bidding
NGO	Non-Governmental Organization
NPL	Non-performing Loans
PCN	Project Concept Note
PID	Project Information Document
PIU	Project Implementing Unit
PROBIO	National Program of Biodiversity
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RS	Rio Grande do Sul
SEFAZ	Secretaria da Fazenda – Secretariat of Finances
SEPLAG	Secretaria do Planejamento e Gestão - State Secretariat of Planning and Management
SEDAI	Secretaria de Desenvolvimento e Assuntos Internacionais
SEBRAE	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas
SEMA	Secretaria Estadual do Meio Ambiente – State Secretariat of the Environment

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BRAZIL
BR GEF Rio Grande do Sul Biodiversity

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I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

1. **Brazil is a mega-biodiverse country, meaning that it is recognized as one of 18 countries that hold the majority of the world's plant and animal species. Brazil contains several important biomes and ecosystems, and boasts the richest biodiversity of any single country on the globe, with 15-20% of all known living species.** Part of this natural heritage is already protected in conservation units, with almost 8%¹ of the national territory legally protected most of them in the Amazon biome².

2. **The state of Rio Grande do Sul (RS), the southernmost state in Brazil, has a diverse topography and due to the variety of climates and soils the state is endowed with extremely rich ecosystems and ecoregions. In addition, RS is the only Brazilian state in which the *Pampa* (grasslands) biome occurs.**

3. **The grasslands biome is located in the southern half of Rio Grande do Sul and occupies 176,496 km² or 63% of the state's total area and 2.07% of Brazil's total area.** The grasslands support high levels of biodiversity and are considered one of the most globally significant areas for endemic birds. The grasslands contain 3,000 species of vascular plants, more than 60 mammal species, 210 birds, 30 reptiles, 20 amphibians and 40 inland waters fish. In addition, this biome is considered to be one of the most important global centers for endemic birds. The area is home to 17 species of birds that are under threat of extinction and another 11 that are classified as 'near threatened.

4. **Rio Grande do Sul is one of the most prosperous states in Brazil, producing about 8% of Brazil annual GDP, but economic activity is increasingly having an impact on environmentally fragile areas.** Historically, RS's primary economic activities have involved the use of natural resources, especially for livestock production, agriculture (rice, soybeans, corn, tobacco, wheat and fruits), and forestry. These activities are spread over large areas of the state. With the recently strong economy, and especially the export market, agricultural activities have spread into natural habitats, including areas that are environmentally fragile. This expansion is also fueled by population increases; recent high market prices for soybeans, corn and other commodities; and growing forestry operations. In response to strong demand, some undeveloped areas of the State have recently been sold or rented for agricultural production, moving livestock production into more remote areas of the State or beyond the state's boundaries.

¹ Full protection (3.7%) and of sustainable use (4.1%) under the National System of Conservation Units Law.

² Biomes are large geographic ecoregions with specific environmental conditions that determine typical plant and animal communities in that area. A fundamental classification of biomes is into aquatic and terrestrial biomes. The terrestrial Brazilian biomes are: Amazônia, Caatinga, Cerrado, Mata Atlântica, Pantanal and Pampa (IBGE, 2004). The Pampa biome is also known as grasslands. It is a vast plain, extending from Southern Brazil to Uruguay and Argentina.

5. Some of the state's territory has already been protected. Currently, about 2.6% of the State's territory (704,638 ha) is protected within 73 conservation units, though only 0.8% of the territory can be classified as having full protection. Forty-two of the state's conservation units are located within the grasslands biome comprising 540,463 hectares, of which 71% is federally owned, 28% is state-owned, and 1% is owned as either municipal or private reserves.

6. Additional conservation within the grasslands faces a host of challenges. Specific current challenges to biodiversity conservation in the grasslands biome include: a) accelerated land conversion due to forestry; b) traditional practices of extensive livestock (overgrazing, continuous grazing, conversion to non-native pasture species); c) unsustainable agricultural practices d) the use of chemicals; e) the increase of exotic plantations in natural habitats used for pulp production; f) introduction of invasive species; g) erosive processes associated with the removal of natural vegetation; h) lack of knowledge and technical capacity for farmers to adopt conservation practices; and i) deficient regulatory framework to promote sustainable practices integrated with biodiversity conservation. However, it is probable that even this long list of challenges do not present a full picture of RS's threatened biodiversity, as a large part of the biodiversity in the biome is still unknown and unrecorded.

7. To address the state's challenge to balance economic growth and environmental conservation, the Government of RS has developed a long-term strategy (Rumos 2015)³, supported by several specific programs. This long-term strategy established the importance of the natural resource base for economic development and identified investment opportunities in the agricultural and non-agricultural sectors of each region of the State. Rumos 2015 would enable the poorer regions to advance economic development without a deterioration of their natural resource base. In addition, the State of Rio Grande do Sul has made advances with zoning of certain areas of the State and has reinforced the application of existing laws that pertain to conservation.

8. The proposed project will complement and strengthen key facets of Rumos 2015. Although actions taken by the state Government have made significant progress, some priority areas for biodiversity conservation, especially in the grasslands, face continued pressures from issues such as land tenure and relative lack of consolidated conservation units. The proposed project will enable more robust application of existing laws regarding conservation and sustainable use of biodiversity. This project will also strengthen the conservation unit network in the *Pampa*, helping to conserve key species of global importance.

9. The objective of the proposed project is to promote the conservation and restoration of biodiversity in the state's grassland ecosystem through mainstreaming biodiversity conservation within the forestry, agriculture, and

³ Rumos 2015. Estudo sobre Desenvolvimento Regional e Logística de Transporte no Rio Grande do Sul. Governo do Rio Grande do Sul. Secretaria da Coordenação e Planejamento. 469 pg. Dezembro 2005.

livestock productive landscapes⁴. This project will be based on two approaches: a) helping private landowners in rural areas to adopt biodiversity-friendly conservation practices, and b) providing the public sector with the tools needed to promote conservation and to create an enabling environment for biodiversity integration. The first approach will promote actions to adopt biodiversity-friendly production systems based on the capacity of the State agency (EMATER) responsible for technical assistance and agricultural extension in the grasslands. The second approach proposes working with biodiversity authorities of the State to reduce threats to unique and globally-important species and sites, and to cover knowledge gaps on sound biodiversity conservation actions.

10. The project will collaborate with the State government to advance sustainable development in the rural landscape and conserve globally significant biodiversity while maintaining farmers' social, economic and cultural livelihoods. The productive sector (livestock and forestry) will be included in project activities that will focus on sound conservation practices that can be applied within the economic development of the *Pampa*. The project will seek to remove critical knowledge barriers for landholders to integrate biodiversity conservation in their production practices and to integrate biodiversity into future development plans. By the end of the project, it is expected that through demonstration, dissemination and technical assistance, a significant number of landowners in priority areas of the grasslands will have adopted biodiversity conservation practices.

11. While this project will seek to conserve areas of the Southern Grasslands outside protected areas with GEF-funding, the RS government will match GEF investments through the existing Compensatory Measure program (*Medidas Compensatórias* program) consolidating the protected areas system in the biome. The Compensatory Measure system is an innovative mechanism of the State of RS to generate incomes through the process of licensing⁵ to be applied in grassland conservation units. Decree No. 4.340 of August 2002 regulates Federal Law No. 9.985, about compensatory measures, and Article 33 defines the priorities for financial resource application for land tenure and land demarcation, management plans, goods and services for the operation of conservation units and research.

B. Rationale for Bank involvement

12. Over the past ten years, the State of Rio Grande do Sul and the World Bank have established an active, collaborative relationship that has been further

⁴ In the present context, “livestock productive landscape” is an overall concept that influences rural propriety management at large. The natural grassland and landscape are managed to promote or achieve livestock productive purposes, while allowing natural flora and fauna to thrive in minimal competition with the productive role of the land.

⁵ The state of Rio Grande do Sul introduced resolution CONSEMA No. 001/2007 establishing operational rules for the implementation of resolution CONAMA No. 371/2006 and Federal Law 9985 (July 2000) which requires an industry to obtain a license to operate in the state. As part of receiving the license, the industry has to: a) present an environmental mitigation plan with dedicated budget; and b) contribute 0.5% of the total investment to a Biodiversity Conservation Fund. This fund finances conservation activities established by the law within protected areas including demarcation, management plans, goods and services for operation and research.

strengthened since the current state government administration took office in January 2007. In particular, the Bank worked with the State of Rio Grande do Sul to successfully implement the US\$ 100 million Rural Poverty Alleviation Project (“RS Rural” - Loan 4148-BR), the loan agreement of which was concluded in 2006. The RS Rural project worked directly with rural populations in environmentally fragile areas.

13. The proposed project furthers the objectives detailed in the Country Partnership Strategy (CPS 2008-2011). The CPS calls for reducing social and environmental problems in the least developed areas of the country, and for promoting a more competitive Brazil by promoting more efficient use of resources including land, water, and human resources. The CPS addresses the critical development nexus between agriculture and sustainable natural resources management. One of the proposed strategic elements of the next generation of projects in Southern Brazil is to consolidate the “win-win” approach, focusing on implementation through market-oriented productive subprojects that incorporate innovation, income generation, and environmentally sustainable practices.

14. The proposed project supports the State Government’s efforts to develop and implement Brazil’s National Environmental Policy as well as efforts to strengthen state institutions and laws. The national policy will be supported by consolidating the State Government’s priorities and programs in conservation and sustainable management, replicating and scaling up existing conservation and rural development programs, and coalition-building for reversing trends of biodiversity loss. Rio Grande do Sul’s public policies on biodiversity conservation have progressed significantly in the past decade due to the establishment of the State Secretariat of Environment (SEMA) and the inclusion of the principles of the Convention on Biological Diversity (CBD) in legal instruments, plans and government projects.

15. The proposed project is consistent with the GEF strategy, strengthening the policy and regulatory framework for mainstreaming biodiversity. The project seeks to remove critical knowledge barriers that prevent RS landholders from integrating biodiversity conservation in productive practices and that prevent widespread integration of biodiversity issues into the planned development of the State. In addition, GEF resources represent a unique opportunity to leverage state resources, support the development of economic incentives, and promote the participation of the private sector in biodiversity conservation. Without this project, only limited and uncoordinated interventions will be implemented by the State to mitigate environmental impacts of economic activities especially areas of environmental fragility.

16. The Bank brings important and relevant knowledge from other projects. Participation by the Bank increases the State’s ability to maintain these global environmental benefits by allowing the application of the Bank’s experience in conservation of biological diversity and natural resources management based on knowledge gained through important lessons learned from other successful GEF co-financed projects in the region, including the Mbaracayú Biodiversity Project (Paraguay), the Responsible Production Project (Uruguay) and the Paraná Biodiversity Project (Brazil).

C. Higher level objectives to which the project contributes

17. **The proposed project is consistent with the long-term strategy of Brazil and of the State of Rio Grande do Sul. The State's policies emphasize the importance of the natural resource base for economic development, and also recognize the importance of environmental conservation.** In addition, the State has made advances through zoning certain areas of the State and reinforcing the application of existing laws. The project follows the National Policy on Biodiversity as developed by the National Program of Biodiversity, PROBIO (under the Ministry of Environment). This project contributes to PROBIO's six principles and follows the general guidelines established in Decree No. 4.339. The project also falls within the 2010 National Goals for Biodiversity established in Resolution No. 3 of December 2006.

18. **The proposed project is consistent with GEF objectives. Specifically, the project proposes biodiversity conservation by protecting natural habitats and biological diversity through forest conservation, reversion of marginal agricultural areas to forest, and promotion of sustainable practices in agriculture.** At the same time, the project's objectives are fully consistent with guidelines and decisions of the Conference of the Parties (COP) of the Biodiversity Convention regarding conservation and sustainable use of biological diversity.

19. **The proposed project will advance Brazil's progress on the Millennium Development Goals (MDGs).** At the time of PAD preparation, Brazil had achieved four of its eight MDGs. However, MDG 7, covering environmental sustainability, was among the four not yet achieved. This project supports conservation activities in a critically important and diverse area, and will further the country's progress toward meeting MDG 7.

20. **The proposed project is in accordance with international recommendations regarding grasslands conservation.** At the World Conservation Congress held in Barcelona (2008) a specific motion was approved by members which calls on countries sharing the *Pampa* to accelerate conservation actions for this rich, diverse, highly threatened and fragile biome.

II. PROJECT DESCRIPTION

A. Lending instrument

21. The proposed project will be funded through a GEF grant with co-financing mainly from the Rio Grande do Sul State Government.

B. Project Development Objective and key indicators

22. The project's Global Environment Objective (GEO) is **to promote the conservation and restoration of biodiversity in the grassland ecosystem of Rio Grande do Sul,**

through integrating biodiversity conservation within the forestry, agriculture and livestock productive landscapes. The project GEO will be achieved through:

- Promoting actions that assist farmers to restore and maintain priority areas for biodiversity conservation, where ecosystem fragility and threats to biodiversity occur;
- Conserving biodiversity by strengthening the implementation of public policies that enhance the development of improved management systems and production practices, including creating awareness and building institutional capacity; and
- Securing the functions, dynamics and evolution of threatened ecosystems and endemic species while consolidating the network of protected areas⁶ within the biome.

Key indicators include:

- At least 12 demonstration units with biodiversity conservation practices within rural productive systems that involve local farmers.
- At least 500 rural properties⁷ with biodiversity conservation practices implemented at the farm level.
- 10 state conservation units totaling 72,000 hectares improved with management plans and infrastructure.
- Six studies for priority sites and species developed and conservation strategies presented to authorities for implementation.
- 63,000 inhabitants (40% of the rural population from the four priority areas) made aware of the state's biodiversity and its importance through environmental education.
- Four state institutions in charge of biodiversity conservation strengthened in provision equipment and capacity for policy implementation.

Project Area

23. The proposed project will function within areas that are currently fully protected as well as areas that are not, and will finance each type of approach differently. The project intends to operate within priority areas relevant for biodiversity that are currently outside fully protected conservation units⁸ with GEF-funding, and inside fully protected conservation units with counterpart funding. A participatory process which incorporated recommendations from the Federal Government established priority areas to target the use of financial resources and generate effective outputs for the project. Priority areas were defined according to the following criteria: a) areas of

⁶ The protected area consolidation analysis is a methodology created by NGO The Nature Conservancy which evaluates the level of protected area effective implementation according to 17 pre-defined implementation and protection indicators, including land tenure, management plan, enforcement, and biodiversity monitoring system.

⁷ 500 properties represent circa 26,300ha, and 2% of the rural properties with less than 200ha within the four priority areas.

⁸ Conservation units are areas of special natural interest, legally recognized by the State as being protected with defined objectives and boundaries. The Brazilian National System of Conservation Units or Sistema Nacional de Unidades de Conservação (SNUC) divides conservation units into two main groups: full protection, allowing only an indirect use of natural resources; and sustainable development conservation units that, in principle, allow forestry activities, including Sustainable Development Reserves, Extractive Reserves, and Environmental Protection Areas.

high importance for biodiversity conservation according to the Brazilian Ministry of the Environment; b) occurrence of threatened ecosystems or species; c) existence of opportunities with potential incremental activities, and d) occurrence of legally protected areas.

24. Four priority areas have been selected for the project. The four priority areas selected for this project are broadly defined by the boundaries of nearby municipal districts: 1) Quarta Colônia; 2) Campos da Campanha; 3) Escudo Sul-riograndense; and 4) Litoral Médio. These four priority sites include 33 municipalities (6.7% of RS Municipalities), 11.8 % of the State’s population (1,253,118), and 22.5% of its territory (63,429km²). These areas present different land tenure aspects and include small, medium, and large-sized properties. In Annex 16, maps of the four priorities areas are provided. The project area involves 10 fully protected state conservation units, as described in Table 1.

Table 1. Priorities State Conservation Units.

State Conservation Units	Municipality	Area (ha)
São Donato Biological Reserve	Itaqui, Maçambará, São Borja	13,517
Do Ibirapuitã Biological Reserve	Alegrete	352
Espinilho State Park	Barra do Quaraí	1,628
Podocarpus State Park	Encruzilhada do Sul	3,895
Banhado dos Pachecos Wildlife Refuge	Viamão	2,605
Itapuã State Park	Viamão	5,876
Quarta Colonia State Park	Agudo, Ibarama	1,848
Delta do Jacuí State Park	Porto Alegre, Canoas, Nova Santa Rita, Triunfo, Eldorado do Sul	17,245
Camaqua State Park	Camaquã	7,993
Mato Grande Biological Reserve	Arroio Grande	17,245
	Total area	72,204

C. Project components

25. This proposed project will promote biodiversity conservation in the rural areas of the *Pampa* of the State of Rio Grande do Sul, by combining agricultural and livestock activities within a holistic context of ecosystem management and natural resources management.

26. The planned project duration is five years and the total cost is projected to be US\$ 11.10 million, of which US\$ 5.00 million will be financed by the GEF (excluding the US\$ 0.35 million grant for project preparation and US\$ 0.50 million agency fee). The remaining US\$ 6.10 million will be financed by the Rio Grande do Sul State Government. Funding from the Government will consist of US\$ 2.90 million from the financial contributions to the conservation units through the Compensatory Measures (*medidas compensatórias*) program, US\$ 3.00 million from the project implementation agencies, and US\$ 0.2 million from in-kind sources from NGO.

27. The project will consist of three components:

28. **Component 1: On-Farm Biodiversity Mainstreaming** (Total cost: US\$ 2.36 million; GEF: US\$ 1.85 million): The objective of this component is to rationalize land conversion processes by promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. This will be accomplished through two subcomponents.

- **Demonstration units:** At least 12 demonstration units will be established within the productive private sector of the grasslands. These units will facilitate sound management and conservation practices of selected farms or groups of farms in project priority areas. Ten demonstration units are already identified and two others will be identified during project implementation. These demonstration units will be established on properties which have volunteered to conduct demonstration practices and are willing to share their experience with neighbors and other landowners under the extension activities of EMATER. Sustainable farming practices to be demonstrated emphasize environmental monitoring, high-quality and low impact pasture, and landscape management.

- **Subprojects implementation:** At least 500 rural properties will be supported over the life of the project. The subprojects will emerge from the experiences of the demonstration units and biodiversity-friendly activities suggested by EMATER, and will be implemented on properties within the priority areas established by the project. The sustainable practices to be supported by these subproject investments will include activities such as integrated management of grasslands, raising of native bees, water availability and access, agroforestry systems, habitat restoration with native species, organic farming, medicinal plants, ecological farming of grains, nature tourism, native biodiversity use and processing, certification and eco-labeling, among others. The rural beneficiaries (producers) will be selected based on demand, following criteria and procedures defined in the Operational Manual.

29. This component will finance consultancies and trainers, travel, technical assistance, limited equipment, subproject investments and the organization of events such as field days and other venues for exchanging experiences.

30. **Component 2: Biodiversity Management** (Total cost: US\$ 7.22 million; GEF: US\$ 2.50 million): This component will strengthen the capacity of the following State institutions which are responsible for biodiversity conservation: Secretariat of the Environment (SEMA); State Foundation for Environmental Protection (FEPAM), Zoo-Botanical Foundation (FZB), and Technical Assistance and Rural Development Enterprise (EMATER). The component will also undertake activities, through resources from the state-run Compensatory Measures program, for the conservation of threatened species as well as improving the management capacity and infrastructure within 10 conservation units in the project area. This component will be implemented through the following subcomponents:

- **Protection and conservation of species and sites:** Four rapid ecological assessments (REAs) and action plans for relevant species/sites, technical studies and the events for exchange of information will be developed. Within this subcomponent the delineations of the conservation corridor of the Quarta Colônia, as part of the Atlantic Forest Biosphere Reserve, will be defined and an action plan will be designed and implemented. The state system of conservation units within the

grasslands will be consolidated, initially based on the 10 State conservation units according to the priorities required for their strengthening (e.g., infrastructure, management plans). Typical activities envisaged under this subcomponent are: ecological assessments, demarcation of limits, infra-structure investment, enforcement equipments, availability of management plans and studies, staffing, awareness campaigns, and creation of management councils. This subcomponent will also implement plans and activities to address endemic, rare, or threatened species and/or those of economic, medical or scientific interest based on ecosystem fragility, key sites, and/or buffer zones of conservation units.

Results from this component will provide the basis for sound decision-making, supported by the introduction of a GIS-based monitoring and reporting system for the State. This activity will develop the baseline information to monitor the project implementation based on: soil management; fauna and flora terrestrial indicators; sustainable use of biodiversity and natural resources: vegetation cover; and, removal of biodiversity at risk.

▪ ***Improving the State's regulatory framework and Institutional Strengthening:***

The development of payments for environmental services (PES) will be studied based on analytic models for economic valuation of biodiversity management, and the development of strategies for private land stewardship initiatives and incentives for biodiversity conservation practices will be developed. Activities will provide appropriate training for operational and managerial staff in the various state agencies, thereby helping to ensure sustainability of the project's impacts after implementation.

▪ ***Environmental awareness:*** increasing the environmental awareness. The component will promote and spread biodiversity information through a formal educational network and local interest groups within priority areas. Investments will include: educational materials for children and for teachers' preparation, production and dissemination of manuals, magazines, and videos, communication campaigns, educational events, technical assistance and training activities.

31. This component will also finance assessments, system design, data collection and analysis, training, workshops, and limited field data collection when necessary to assess the biome's environmental and social status. Investments in equipment, acquisition of software and hardware, training, and technical assistance will be also made to improve management and oversight with regards to agro-ecological zoning and licensing, development of economic incentives for biodiversity conservation..

32. Component 3: Project Management (Total cost: US\$ 1.21 million; GEF: US\$ 0.50 million): Component 3 focuses on project implementation as well as monitoring and evaluation. Investments will focus on supporting coordination of the project's activities, including establishment of the Project Implementation Unit (PIU) with staff, operational procedures, equipment, and developing and implementing a system that allows for monitoring, evaluation, and follow-up. Communication within the project and external communication will also be established under this component.

33. This component will finance travel, training, and limited acquisition of software and computers.

Costs by Component

34. The following table summarizes the costs and proposed funding sources for each component:

Table 2. Project costs.

Components and Funding Sources	GEF		COUNTERPART		TOTAL	
	U\$S	%	U\$S	%	U\$S	%
1.On-Farm Biodiversity Mainstreaming	1,847,716	78	509,491	22	2,357,207	100
2.Biodiversity Management	2,505,599	34	4,714,194	66	7,219,793	100
3.Project management	499,346	41	706,760	59	1,206,106	100
4.Unallocated resources	147,339	45	177,913	55	325,252	100
Total Project Implementation	5,000,000	45	6,108,358	55	11,108,358	100

D. Lessons learned and reflected in the project design

35. The development of this project has greatly benefited from knowledge gained in implementing the Paraná Biodiversity Project and the Rio Grande do Sul Rural Project. In addition, the project has benefited from a number of key lessons learned from other GEF and non-GEF projects. The following are the key lessons learned from the Paraná Biodiversity Project and reflected in the project design:

- **Priority is given to recognizing the expertise and views of local people**, building their ownership and ensuring the participations of small farms.
- **Meaningful involvement of farmers’ organizations and NGOs** through the project cycle is key to ensuring quality and creating networks.
- **Communication strategy within the project and external communication** are necessary to ensure transparency and results dissemination.
- **Facilitating “direct” biodiversity conservation activities by communities or conservation stakeholders dependent upon conservation for their livelihoods and quality of life** can be very helpful for conservation. Stakeholder engagement can be encouraged by assuring that: (i) there is creative cooperation among implementing agencies and other global organizations working in the area; and (ii) there is adequate monitoring and evaluation of results in order to help scale up demonstration experiences.

36. The lessons learned from other projects and reflected in this project are:

- The importance of focused **consolidation of conservation units and incorporating fragments in designs for corridors in order to obtain a landscape and ecoregional approach** that is sufficiently large to support biodiversity.
- The importance of **integrating activities, including macro activities, with those occurring at the micro-catchment level, and creating a sense of shared ownership** of resources and obligations.

- **Technical assistance that is administered by local technicians and that continues beyond the duration of the project** is important for achieving sustainable, long-term impacts.

E. Alternatives considered and reasons for rejection

37. A full-area approach to conserving the grasslands rather than prioritizing sites and areas. Trying to conserve and restore the whole of the *Pampa* is not possible through one discrete project, no matter how well it is designed. Funds are limited and populations within the grasslands are widely dispersed. However, optimal efficiency in conservation can be achieved by concentrating on priority areas and ensuring strong connectivity between those areas through maintaining and enhancing an inclusive network of corridors. Due to the detailed and comprehensive information available during project design, it was possible to define the most important areas within the *Pampa* in RS and to identify the most efficient ways to link these areas with the surrounding ecosystems. This linkage includes those portions of the grasslands ecosystem occurring in Argentina, Uruguay, and Paraguay, with a network of corridors that will maintain the genetic viability of the species within them and enable sustained conservation of the ecosystems.

38. A broader geographical focus aiming at the whole state was considered. This approach was rejected because it will disperse scarce resources and will not achieve the goal of restoration of biodiversity in the grassland ecosystem, integrating biodiversity conservation within the forestry, agriculture and livestock productive landscapes.

39. Focusing on conservation units' implementation only, without strengthening institutional capacity. Such an approach will fail to develop a long-term conservation mechanism. It will also reduce the ability of the project to develop international synergies with conservation interventions in the other portions of the *Pampa* that are outside of Brazil. Institutional strengthening is also vital to make the project interventions sustainable and replicable throughout southern South America.

II. IMPLEMENTATION

A. Partnership arrangements

40. The project will be implemented through a partnership between the SEMA (*Secretaria do Meio Ambiente/State Secretariat of Environment*), FEPAM (*Fundação Estadual de Proteção Ambiental/ State Foundation of Environmental Protection*), FZB (*Fundação Zoobotânica / Zoobotanic Foundation*) and EMATER. Other institutions with specific roles in project implementation will be part of this partnership at the state level with FEPAGRO (*Fundação Estadual de Pesquisa Agropecuária/State Foundation of Agropecuary Research*), TNC (*The Nature Conservancy*) and EMBRAPA (*Empresa Brasileira de Pesquisa Agropecuária / Brazilian Agricultural Research Corporation*).

41. The project will foster partnerships with conservation organizations, including The Nature Conservancy and BirdLife International, both of which were involved in the design of the project. Rural communities, municipal authorities, existing working groups and more widely RS society will also be encouraged to take part in project implementation and evaluation.

42. The project will also be coordinated with similar biodiversity projects in the neighboring Brazilian state of Paraná, as well as those in Uruguay and Paraguay.

43. The overall coordination of the project will be carried out by SEMA which will host the Project Implementation Unit (PIU). The organizational structure for implementing this project, including financial and administrative matters, is defined in the Project's Operational Manual

B. Institutional and implementation arrangements

44. The grant recipient will be the Rio Grande do Sul State, through the State Secretariat of Environment (SEMA). The proposed arrangements for the implementation of the project will follow the experience gained during the preparation process. Implementation arrangements will be established through legal agreements between SEMA and the three partnering institutions: FEPAM, FZB and EMATER.

45. Other state institutions namely FEPAGRO, TNC, and EMBRAPA, will also be partners during project implementation with specific responsibilities under Components 1 and 2. Terms of reference for each institution will be included in the Operational Manual. The PIU, which will operate within SEMA, will centralize activities related to general coordination, financial management and monitoring.

46. Rural communities living in close proximity to protected areas and within the four priority areas will actively participate in the planning and implementation of strategies and conservation efforts. Consultations with these local stakeholders constitute a major part of the project during the design and implementation phases.

47. A State Steering Committee will be made up of representatives of the executing agencies, municipalities, and universities, as well as COREDEs (*Conselhos Regionais de Desenvolvimento/* Regional Development Councils), FAMURS (*Federação das Associações de Municípios do Rio Grande do Sul /* Federation of Municipalities Associations), FETAG (*Federação de Trabalhadores da Agricultura /* Federation of Agriculture Workers), FARSUL (*Federação da Agricultura do Rio Grande do Sul /* State Federation of Agriculture), MMA (*Ministerio do Meio Ambiente /* Ministry of the Environment), IBAMA (*Instituto Brasileiro de Meio Ambiente e Recursos Naturais Renováveis/Brazilian Institute for the Environment*), and APEDEMA (*Assembléia Permanente de Entidades em Defesa do Meio Ambiente/* Environment NGOs network). The Steering Committee will monitor project implementation. Local committees will be created in each of the four priority areas with representatives from the public sector and civil society organizations, to supervise the local implementation of the project. Where these committees already exist and are linked to environmental issues or regional

development, they will be linked to this project and will be asked to undertake the appropriate local role in order to better facilitate project implementation.

48. Further details on Institutional Arrangements can be found in Annex 6.

C. Monitoring and evaluation of outcomes/results

49. The Monitoring and Evaluation (M&E) system summarized in Annex 3 has been designed as a participatory system to include local communities living in the priority areas of the project. The M&E system will be under the responsibility and coordination of the PIU, and will be implemented by: a) effective participation of interested local parties to secure transparency and dynamism; b) integration and inter-institutional action that generates responsibility, strengthening, and multidisciplinary learning; c) use of information technology to secure feedback in real time for appropriate decision-making and action management; and d) mechanisms to ensure local participation, institutional commitment and on-going information flow.

50. The M&E system will be used by the PIU for monitoring outputs and outcomes, including attitudes of the beneficiaries in relation to biodiversity conservation and management. Analysis will be based on a geographic database that will provide regularly updated information on the project's implementation and results. This data will be inserted into the SIGBio (GIS for biodiversity) and will be provided for external evaluations, a mid-term review, and the final evaluation. Each project component and sub-component has benefits at different scales and scopes, and these will be incorporated into the system. The indicators to be tracked will be refined through participatory techniques.

D. Sustainability

51. The importance that the Government of RS places on integrating ecosystem management and biodiversity conservation is demonstrated by the Bank's past project experience in the State and the steps taken by different governmental secretariats to make the proposed project possible. The institutional sustainability of this project will be guaranteed through capacity building for all stakeholders in key areas (governmental secretariats, civil society organizations, community organizations), and improving the environment for regulatory and policy frameworks in order to improve the management of biodiversity. To ensure social and economic sustainability, local community associations, local community members and members of guilds as well as local representatives will participate in project implementation.

52. The project will develop guidelines, plans and a strategy regarding threatened species, sites and invasive alien species, increasing the framework of management tools available at the state level. All outputs will benefit state and municipal governments and civil society organizations for decision making in the long term. The significant commitment of the state government, the partnering institutions and civil society organizations will promote the financial sustainability of biodiversity activities beyond project implementation.

53. In terms of replicability and continuity, the project will: a) create the needed awareness among local populations, especially in rural areas, that will support biodiversity conservation; b) reinforce the arrangements with institutions collaborating on project implementation and the involvement of communities at the state level (these practices will be guaranteed to promote biodiversity conservation in the governmental institutions); and c) integrate SIGBio and its information into the state system.

54. Replicability of interventions is of utmost importance and forms an integral part of the implementation strategy, based on a process of learning by doing, which focuses on the dissemination and expansion of positive experiences in the *Pampa* involving landowners in different ways to produce in a more sustainable way.

E. Critical risks and possible controversial aspects

55. The main risks potentially affecting project implementation are:

<i>Risk factors</i>	<i>Description of risk</i>	<i>Rating^a of risk</i>	<i>Mitigation measures</i>	<i>Rating^a of residual risk</i>
I. Country and/or Sub-National Level Risks				
Macroeconomic framework	Inadequate response to external shocks, due to slow progress on fiscal reforms, in spite of the sound country economic environment.	M	Monitoring of Brazil macro-economic conditions and assessment of impacts of external shocks.	L
State Engagement with World Bank	The project will require a high level of understanding, interaction joint planning and collaboration among government agencies and with World Bank.	M	The project will maintain an open dialogue with implementation agencies and with the Bank.	L
Governance	Delay in project processing due to the approval steps required once the invitation to negotiate is issued: by STN, PGFN and SEAIN to negotiate, by the Senate for signature and again by PGFN to authorize effectiveness.	S	CMU, SMU and project team work in tandem to improve timing of project processing on Bank and Federal Government sides. Bank is also maintaining federal authorities informed of progress in preparation and expected approval dates.	M
Systemic corruption	According to Global Integrity, Brazil's Anti-Corruption Law, rule of law and law enforcement are considered, respectively, very strong and weak. According to the World Governance Indicators 2006 ¹ , Corruption Control percentile ranks 47.1.	M	In addition to close project supervision special attention will be given to complaints when they surface.	L
II. Sector Governance, Policies and Institutions				
Political changes	Political changes in State	M	The Bank team engaged in	L

	Government could reduce political support and consequently the government's commitment to the project		constructive dialogue with senior representatives of the administration who confirmed their support of the project's objectives and its planned implementation.	
III. Operation-specific Risks				
Technical/design	Failure to remove constraints to adoption of sustainable land use practices. The obstacles to adaptation of sustainable practices may be complex: knowledge; diversification; cost/effectiveness.	S	The project's efforts in this area build on EMATER's extensive on-the-ground experience and will be developed in a participatory approach in order to maximize the wider applications of sustainable practices and landscape management.	M
	The lack of familiarity on the part of beneficiaries with project instruments could reduce demand for project activities.	M	The project will begin with pilot demonstrations and place a strong emphasis on outreach and dissemination to educate potential beneficiaries on project activities.	L
	Market demand could produce an unsustainable acceleration of land conversion while governmental instruments prove inadequate to address this increased demand.	S	Actions in the field will help facilitate sustainable land conversion practices to mitigate or avoid unsustainable increased demand and assist in creating an environment conducive to <u>sound decision-making at the policy level</u> and paying for environmental services.	M
Implementation capacity and sustainability	The challenges of coordinating activities among various state institutions those are responsible for different aspects of biodiversity conservation and management, due to the complexity of existing institutional arrangements. Although there has been a strong high level commitment from the implementing institutions, this commitment needs to be ensured and translated into successful coordination.	S	Agreed terms in the Grant Agreement on project area plus the proposed institutional arrangement for project implementation will minimize this risk. Detailed definitions of roles, responsibilities, and objectives and costs have been developed as part of the proposed project. These have benefited from knowledge from the RS Rural project and similar biodiversity projects. Steering Committee will act as a mediator	M
Financial management	The PIU has to be formally established by a State Government decree, and a legal instrument has to be issued naming PIU's staff; Financial Management system needs to be implemented, and Counterpart funding represents about 55% of total project costs, of which about 60%	S	At least one FMS mission per year.	M

	will be borne by the private sector.			
Procurement	Team staff is not completely familiar with Bank procurement procedures, and/or is not staffed to handle this project.	S	The project staff will be trained in procurement of Bank-financed procedures. Continuous supervision in this area.	M
Social and environmental safeguards	Sustainable biodiversity use of production processes supported by this Project might not generate the returns to make them economically viable.	M	Environmental Assessment has been carried out; compliance measures were established for the implementing agency. Selection of subprojects to be supported will be based on environmental and economic viability.	L
IV. Overall Risk (including Reputational Risks)				Moderate
^a Rating of risks on a four-point scale – High, Substantial, Moderate, Low – according to the likelihood of occurrence and magnitude of potential adverse impact.				

F. Grant conditions and covenants

56. Conditions for Negotiations: (a) final draft regulation for the creation of Project Implementation Unit; (b) final draft regulation for the Steering Committee; (c) final draft of the Project Operational Manual; and, (d) final draft for the Cooperation Agreements with EMATER, FEPAM, FZB, and TNC

57. Conditions for Effectiveness: (a) approved and published [decree] for the creation of Project Implementation Unit; (b) approved and published decree for the Steering Committee; (c) approved Project Operational Manual; and (d) signed Cooperation Agreements with EMATER, FEPAM, FZB and TNC.

58. Dated Covenants: Procurement audit for the Project and in particular for the rural subprojects; Mid Term Review two and a half years after effectiveness.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

59. **The project has been specifically designed to maximize sustainability and efficiency, and to this end, it funds investments in activities that strike to have the optimum combination of immediate and long-term conservation benefits.** Project preparation included extensive discussions and evaluations in the development of strategies to ensure the long-term sustainability of project-financed activities, including implementation and institutional arrangements, as well as to strategically design project components in order to promote the sustainability of all activities.

60. A full Incremental Cost Analysis (presented in Annex 15) of the proposed project analyzes the incremental benefit provided by the GEF grant to transform the project

from one that has domestic benefits to one that also has regional and global benefits. This analysis therefore follows GEF guidance and provides quantitative analysis, when possible, to complement the more in-depth qualitative analysis.

61. The types of interventions the project will support have also been carefully selected to maximize impact while minimizing cost. A strong focus has been placed on influencing policy and practice guidelines, which affect a broad number of stakeholders while costing relatively little. The project has also chosen to work through demonstration units and subprojects that test proposed solutions to identified problems. This approach both minimizes project costs and, in the long term, risks, while increasing impact. The summary results from economic and financial analysis prepared are found in Annex 9.

62. The project seeks to rationalize land conversion processes by promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. Activities will focus on stimulating the adoption of biodiversity-friendly practices by the private sector, and works on a large-landscape scale. The government institutions will benefit from increased resources and structure dedicated to conservation. The direct economic benefits from these activities will accrue to the beneficiaries of the 500 rural properties financed, who will receive partial financing for the adoption of biodiversity conservation practices within productive landscapes with high biodiversity value. While the recipients will vary from subproject to subproject, they will include both representatives of the dominant economic sector in the selected area (cattle-ranching) and those working with secondary sectors, nongovernmental organizations (NGOs), and local civil society organizations.

63. The indirect economic beneficiaries include the government, additional NGOs, and other producers in the sectors involved, which will benefit from training, institutional strengthening, lessons learned and techniques adopted in these pilot/demonstration subprojects, resulting in cost savings in later replication efforts. Other indirect beneficiaries will be local residents, who will benefit from improved ecosystem services such as water quality and quantity, reduced presence of agrochemicals, soil conservation, and availability of additional natural resources.

B. Technical

64. The Rio Grande do Sul Government and the Environment Ministry have embraced the concept of corridors as an integrated approach to landscape management and to improve the sustainability in the livestock productive landscape. The project aims to improve the conservation and restoration of globally significant biodiversity in buffer zones and corridors, connecting protected areas and improving natural resources management, following the landscape management approach.

65. Shared responsibility is an effective and sustainable approach to biodiversity conservation. With only a few poorly connected biodiversity initiatives in the *Pampa*, the project will protect existing biodiversity and expand the integration of biodiversity

issues with important economic sectors. In order to have maximum impact in the *Pampa* of Brazil, biodiversity themes need to be integrated into different sectors, both public and private. At the same time, improvements are needed in knowledge gathering and its analysis, so that relevant and accurate data can be used for decision making, incentive generation, and provision of benefits to the rural populations. In this way, this project will strengthen the state institutions in charge of conserving and promoting biodiversity and sustainable use of natural resources.

C. Fiduciary

66. All necessary fiduciary assessments have been satisfactorily completed. The assessment of the project financial management arrangements is based on a) three financial management assessment missions that were carried out November 12-14, 2007, October 16-17, 2008, and March 11-12, 2009; and b) the Implementation Arrangements referred to in Annex 6 and the Detailed Project Description, Annex 4.

67. Sources of Finance: The US\$ 11.10 million project will be financed in the following ways:

- A GEF grant of US\$ 5.00 million, equivalent to 45% of the total project costs;
- Provision by the private sector of an equivalent of US\$ 2.90 million under the *medidas compensatorias* program, counterpart funding which DEFAP/SEMA manages and monitors.
- In kind project government contribution, equivalent to about US\$ 2.10 million, from SEMA, FZB, EMATER, and FEPAM, from their budgetary allocations from the State; and
- The remaining US\$ 0.90 million will be provide by EMATER (US\$ 0.30 million) and FEPAM (US\$ 0.60 million); and
- In-kind financing, equivalent to about US\$ 0.20 million, from The Nature Conservancy (TNC).

68. PIU-SEMA: Although some of the project activities will be implemented by such state government agencies as EMATER, FZB and FEPAM. The PIU, a unit of the State Secretariat of Environment (PIU-SEMA) will be responsible for overall project management (including financial management and financial reporting), coordination, and monitoring. The PIU-SEMA will be directly responsible for all fiduciary and legal aspects of the grant, including disbursements, preparation of interim financial reports (IFRs), and auditing arrangements (details are provided in Annex 7). The PIU-SEMA will be directly and ultimately responsible for the implementation of all project components and for grant disbursements under all categories.

69. Financial Management Risk Assessment: The overall Financial Management (FM) risk associated with the PIU has been rated as *Moderate*. The risk control indicators that are directly associated with the project FM arrangements—(a) the adequacy of the PIU’s control framework that will be applied to the project, and (b) certainty of counterpart funding, particularly those from the private sector which depend

on the amount of private investments that require State environmental licensing —have been rated as **Moderate** (see Annex 7 for details).

70. A draft Operational Manual has been prepared by the project preparation team and the final version will be completed before negotiations of this project. The PIU already has a comprehensive 24-month procurement plan approved by the Bank. TNC will procure consultant services for PIU-SEMA; a detailed plan is required by negotiations.

71. The procurement project risk rate is **Average**, as a result of (i) previous procurement experience of the PIU (ii) small procurement amounts involved, and (iii) good control systems within the implementation agencies.

D. Social

72. **Key stakeholders associated with this project, from both the public and private sectors, were involved during project preparation, and they will become active players during different phases of project implementation.** Involvement of primary stakeholders during project preparation took many different forms including consultations and workshops developed in different areas of the state and finally in the key priority areas with a final consensus building workshop in the State's capital, Porto Alegre. The first workshop was attended by 120 participants and the last by 150. The preparation of the project was developed in a highly participatory way and all recommendations were incorporated in project documents. Details are in the project files. The final version of the proposal was validated in the last workshop held in Porto Alegre and by electronic consultations with interested parties.

73. This project is expected to work directly with a wide range of actors from the public sector, landowners, civil society organizations and others. The rural population of the grasslands will benefit either directly or indirectly, as this project seeks to integrate biodiversity aspects across a wide range of sectors. Activities to be developed in priority areas of the *Pampa* will either be selected as demonstration sites with the agreement by landowners to participate or will be generated from demand and based on a wide range of eligible practices. Primary beneficiaries of the project's component 1 (on-farm practices) are farmers, with a strong emphasis on small, and medium-sized producers.

74. During project implementation, stakeholders will participate in different ways, either on consultative committees or by making contributions to issues related to biodiversity priorities, policies and guidelines during project implementation. Partnerships with universities, research institutions, and civil society will be created or strengthened. Participation of local stakeholders and beneficiaries will include involvement in planning, implementation and monitoring of demonstration activities, and these groups will be direct beneficiaries of training in biodiversity conservation.

75. At the time of PAD preparation, the project area had 157,887 inhabitants (9.2% of the rural population of RS), within municipalities in 9 Regional Development Councils (COREDEs). Within this area, there are approximately 30,000 rural properties. A total of at least 500 rural properties/landowners will benefit from subprojects of biodiversity conservation. **Circa 360 indigenous people are found in the project area and 297**

families of quilombolas. Both indigenous and *quilombola* inhabitants are potential beneficiaries and will be involved in particular field projects in priority areas. An **Indigenous People Framework (IPF) was prepared** and will be included in the Operational Manual. The Operational Manual will indicate the details of all potential beneficiaries' participation, the actions plans to be developed, and other related issues, for example the awareness building materials to be made available in the Guarani language.

E. Environment

72. The project is classified as Environmental **Category: B. The proposed project's impact is expected to be positive.** The Government of Rio Grande do Sul has prepared an Environmental Assessment (EA). All activities are designed to improve the ecosystem and the habitat conditions of the grasslands in the State, while working at the rural property level to generate benefits for the population of the grasslands and integrating biodiversity into their productive systems. Potentially adverse environmental or social impacts will be minor or non-existent, as they will be avoided or minimized through appropriate preventive actions and mitigation measures.

73. Even though no conversion of critical natural habitats will be either promoted or permitted under demonstrative units and subprojects, the project triggers the OP4.04 as it will support land use planning and improved management natural habitat conservation. The planned activities will lead to improvements in natural habitats. Project activities, including subprojects, will not take place in protected areas, and are not likely to result in increased pressure on native species. As some of the interventions and activities under the "On-Farm Biodiversity Mainstreaming" Component (Component 1) could potentially have a negative impact on the environment, however, as recommended by the EA, these potential impacts will be reviewed by SEMA prior to implementation and specified in the terms of reference of the activities proposed in the component.

74. All sub-projects and demonstration units in Component 1 will ensure that proposed actions are consistent with the policy and specifically address the issue of natural habitats, regarding BP/OP 4.01. Further information related to safeguards can be found in Annex 10.

75. RS governmental institutions involved in this project are the institutions in charge of environmental and biodiversity management in the State. The Secretariat of the Environment (SEMA) will be in charge of the proposed project. Both federal and State laws regarding environmental management are sound, and practices in the State have been acceptable as the RS Rural Project has demonstrated. Activities under Component 1 to be implemented by EMATER in rural properties will be licensed and monitored by SEMA.

76. While working at the farm level, it is likely that subproject activities will be limited to grazing areas where no use of chemicals is currently practiced or envisaged. Although the project will not finance the procurement of any pesticides or other

chemicals, aspects of OP 4.09 were triggered. The use of biological or environmental control methods may be promoted but the project will not fund the use of synthetic chemical pesticides. This project will consider IPM, if found to be needed for biological control, cultural practices, and the development and use of crop varieties that are resistant or tolerant to the pest, if such is deemed appropriate. The project will also require support for training of agricultural producers participating in Component 1 in the correct management and use of biological control methods. The Operational Manual will include necessary checklists to screen and highlight such subprojects and will include details of the steps such subprojects will need to go through in order to ensure compliance with the Bank's safeguards.

77. This project does not involve any dams, international waterways or disputed areas. The project also does not cause any physical or economic displacement.

F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Pest Management (OP 4.09)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OD 4.20/BP 4.10)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP/GP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

G. Policy Exceptions and Readiness

78. The proposed project does not require any exceptions from Bank Policies and meets the following regional requirements for readiness of implementation: (i) financial and procurement arrangements in place; (ii) project staff and consultants mobilized; (iii) Counterpart funds budgeted; (iv) first procurement plan prepared; and, (iv) disclosure requirements met.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Annex 1: Country and Sector or Program Background

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Introduction and background

1. **Brazil is a mega-biodiverse country, meaning that it is recognized as one of 18 countries that hold the majority of the world's plant and animal species.** Brazil contains several important biomes and ecosystems, and boasts the richest biodiversity of any single country on the globe, with 15-20% of all known living species. Part of this natural heritage is already protected in conservation units, with almost 8%⁹ of the national territory legally protected. The majority of Brazil's protected areas are concentrated in the Amazon region.

The State of Rio Grande do Sul

2. Rio Grande do Sul (RS) is the southernmost state of Brazil. With a total area of 280,000 km², or about 3.2% of Brazil's total area, and a population of about 10.5 million (about 6% of the country's total), the State produces about 8% of Brazil's GDP and is economically the fourth largest State. **Within the State's economy, the industrial sector contributes more than 36% of value added while the agricultural sector is responsible for about 13%.**

3. Rio Grande do Sul has a diverse topography and due to the variety of climates, soils and topography, the state is endowed with extremely rich ecosystems and ecoregions. **Rio Grande do Sul supports an impressive range of species from different centers of origin which meet in the Northern Atlantic Forest and the *Pampa* or Grasslands (*Campos Sulinos*).** The State's main ecosystems are: a) terrestrial ecosystems hosting mainly forest formations (Araucaria Forest, Atlantic Forest and Seasonal, Decidual and Semi-Decidual Forest) and fields; b) terrestrial and aquatic transitional areas, consisting of differential wetlands; c) continental waters represented by a wide network of rivers and streams, with a series of coastal lakes; d) estuaries; and e) the marine region, along the Atlantic coast of Rio Grande do Sul, with characteristic oceanic currents.

4. **Rio Grande do Sul is the only state in Brazil in which the Southern *Pampa* biome¹⁰ occurs and this gives rise to the high priority for its conservation.** The grasslands ecosystem is located in the southern half of the Rio Grande do Sul State and occupies 176,496 km² or 63% of the State's total area. **This biome is considered one of the global centers for endemic birds and supports high levels of biodiversity. The flora of Rio Grande do Sul includes about 5,000 species of trees, bushes and herbs, 500 species of ferns, mosses; over 2,000 species of microscopic algae; and**

⁹ Full protection (3.7%) and of sustainable use (4,1%) under the National System of Conservation Units Law.

¹⁰ Biomes are large geographic ecoregions with specific environmental conditions that determine typical plant and animal communities in that area. A fundamental classification of biomes is into aquatic and terrestrial biomes. The terrestrial Brazilian biomes are: Amazônia, Caatinga, Cerrado, Mata Atlântica, Pantanal, and Pampa (IBGE, 2004). The Pampa biome is also known as grasslands. It is a vast plain, extending from Southern Brazil to Uruguay and Argentina.

3,000 vascular plants. The area also is home to a high diversity of fauna with more than 60 mammal species, 210 birds, 30 reptiles, 20 amphibians and 40 inland waters fish. A total of 17 species of birds that live in the RS *Pampa* are globally threatened and another 11 are near threatened. Some other species are considered threatened both nationally and globally; approximately 9 mammal and 7 reptile species occurring in Rio Grande do Sul are considered by IUCN as globally threatened including migratory species covered by the Convention on Migratory Species (CMS). The rich and unique fauna and flora makes the area globally significant and RS is the only area where Brazil may contribute to the conservation of grasslands. However, even this does not present a full picture of RS's threatened biodiversity as a lack of information means that a large part of the biodiversity is still unknown and unrecorded.

5. Several of the state's regions and corresponding biodiversity are protected in "Conservation units" which are areas of the State's territory protected by the federal, state or municipal governments, and in some cases through private-sector initiatives. About 2.6% of the State's territory (704,638 ha) is protected within 73 Conservation units, though only 0.8% are of full protection. Forty-two conservation units are located within RS' *Pampa* biome comprising 540,463 hectares, of which 71% are federal, 28% are state, and 1% are municipal and private-owned reserves. **These areas are very important for conservation activities as they shelter portions of the State's main ecosystems, headwaters, rare or endangered species and natural monuments. Yet issues for consolidating the state conservation units are pending with most of the areas lacking management plans.** Conservation units also contribute to maintaining landscapes, developing environmental education activities, scientific research, leisure, maintaining *in situ* genetic diversity and supporting productive activities and economic well being of rural poor where these are appropriate for the management category. These conservation units' areas are considered, both within and outside the State, to have great importance in terms of global biodiversity. In spite of this, issues regarding conservation units are still dealt with at the state level and there does not yet exist an ecoregional vision regarding these key biodiversity areas. This is especially true in the Southern *Pampa*, represented in Brazil in RS and shared across borders with Argentina, Paraguay and Uruguay.

An active agricultural sector

6. Agriculture covers a large area of RS and intrinsically depends on sustainable management of the State's rich natural resources and ecosystems. Therefore, conservation of the State's natural resource base and its rich biodiversity needs an integrated approach that will include stakeholders involved in agricultural activities. **Management at the landscape level with sustainable productive activities in buffer zones and corridors connecting conservation units as the majority of lands are in private hands. Influencing the land holders farming practices is crucial for the conservation of biodiversity**

7. Historically, the RS economy has been based on natural resource use, especially livestock production, agriculture (rice, soy, corn, tobacco, wheat and fruits) and forestry. With the recent growth of the economy and expansion of exports, as well as population

growth, agricultural activity increased its advance into areas that are environmentally fragile. **Agriculture has been and is currently essential for maintaining the social, economic and cultural livelihoods of many farmers. However, continued uncontrolled growth in agriculture, including mechanized farms, is one of the key threats to the State's rich natural resource base, ecosystems and endemic biodiversity.**

Biodiversity: current challenges and support activities

8. Specific current challenges to biodiversity conservation include the deforestation of natural areas and loss of riparian forests due to the expansion of agriculture; the use of chemicals; the increase of exotic plantations in natural habitats used for pulp production; introduction of invasive species; erosive processes associated with the removal of natural vegetation; and livestock production. Traditional livestock practices (overgrazing, continuous grazing, conversion to non-native pasture species, use of chemicals, etc.) contribute to deterioration of grasslands and their habitats. These challenges in the rural landscape, alongside associated hunting, constitute the main pressures on Rio Grande do Sul's natural fauna and flora. **Since the sustainability of the agriculture sector, and thus, livelihood of rural poor depend on the natural resource base and biodiversity, addressing this complex issue and interaction between agriculture and conservation is a key development and conservation challenge that the government of RS is facing.** Although RS is making advances in management of natural resources in rural ecosystems, it is evident that achieving a level of biodiversity conservation that is appropriate to RS's global significance requires significant improvements based on appropriate and timely knowledge.

9. The grassland region is one of the least developed areas of Rio Grande do Sul and in part responds to the development strategy of the whole state, based on forestry, agriculture and livestock production. The key threats to the grassland biome are: a) accelerated land conversion due to agriculture, forestry production plantations, and livestock production; b) lack of knowledge and technical capacity for farmers to adopt conservation practices; and, c) deficient regulatory framework to promote sustainable practices integrated with biodiversity conservation. **The State of Rio Grande do Sul has developed a series of programs for the economic development of the grasslands; one of these programs is aimed at promoting biodiversity conservation within policies.**

10. **This habitat destruction due to rural activities and the lack of knowledge of misuse and biodiversity importance alongside associated hunting constitutes the main pressure on Rio Grande do Sul's natural fauna and flora.** Addressing the threats listed above is complicated by the complexity of the interaction between agriculture and conservation, as well as the intricacy of the interventions required to improve the situation. Indeed, a lack of knowledge of how to deal with this can be seen as one of the main impediments to conservation in the region and this project is aptly placed to overcome this knowledge barrier through using the Bank's experience gained in conducting similar biodiversity projects in neighboring Paraná State, Paraguay,

Uruguay and through taking advantage of synergies with activities following on from the Bank's Rural Poverty Alleviation Project and others occurring in Rio Grande do Sul.

11. To address this challenge, the Government of RS has developed a long-term strategy called *Rumos 2015*, which firmly established the importance of the natural resource base for economic development and identified investment opportunities in the agricultural and non-agricultural sectors of each region of the State. This strategy will enable the poorer regions to achieve their respective development potentials without deteriorating their natural resource base. In addition, the State of Rio Grande do Sul have been zoning certain areas of the State and has reinforced the application of existing laws throughout the State.

12. The Rio Grande do Sul State Government has clearly demonstrated its commitment to sustainable environmental development and biodiversity conservation throughout recent administrations. This trend has continued during the current administration. RS's public policies relating to biodiversity conservation have progressed significantly in the past decade due to the establishment of the State Secretariat of Environment (SEMA) which has been integrating the work of all bodies that deal with environmental issues in the State. In addition, the State Government has launched the SIGA-RS Project to integrate the different agencies of SEMA and its related units, such as DEFAP, DRH, FEPAM and FZB, with municipalities, municipal associations and consortia, COREDEs (Regional Development Councils), river basin committees, unions, NGOs and universities, thus contributing to increasing process of regionalization in the State.

13. However, some priority areas for biodiversity conservation will still not be addressed without the proposed project. Specifically, without this project, "business as usual" may result in further expansion of agricultural areas into many regions of great environmental fragility, further introduction of exotic species, increased use of agrochemicals, reduction of native biodiversity, destruction of natural ecosystems, disruption of traditional cultures and intensification of rural emigration.

14. In addition, in the southern *Pampa*, land tenure and a relative lack of consolidated conservation units places the federal and state governments in a difficult position in light of the stated goal of 10% conservation areas. In particular, the alternative scenario offered by this project will enable better application of laws regarding conservation and sustainable use of biodiversity.

The proposed project

15. The proposed project will assist the State government to advance towards sustainable development in rural areas and conserve globally significant biodiversity while maintaining farmers' social, economic and cultural livelihoods. The project plans to work with the productive sector (livestock and forestry) to provide sound conservation practices that can be integrated into economic activity. By the end of the project, it is expected that through demonstration, dissemination, and technical

assistance, a significant number of landowners in priority areas of the grasslands will have adopted biodiversity conservation practices.

16. It is also expected that government institutions will have developed an improved policy framework conducive to biodiversity conservation that can co-exist with sound economic development. **While this project will seek to conserve areas of the Southern Grasslands outside protected areas with GEF-funding, government will match GEF investments through the existing Biodiversity Conservation Program (*medidas compensatorias*) consolidating the protected areas in the biome.** The Compensatory Measures program is an innovative mechanism of the State of RS to generate incomes through the process of licensing¹¹ to be applied in conservation units of the *Pampa*. Decree No 4340 from August 2002 governs rules law No. 9985 about the Compensatory measure, and Article 33 defines the priorities for application of its financial resources (e.g., for land tenure and land demarcation, management plans, goods and services for the operation of the conservation units and research).

17. The Project will contribute to and complement current efforts undertaken by State agencies. Proposed activities complement the State's natural resources protection and conservation policies and will continue to promote integration among communities and agencies dealing with biodiversity as well as the adoption of conservation and participatory practices.

18. The State government of RS has requested Bank and GEF support in addressing the key threats to the state's biodiversity and natural resources. The Bank's experience in biodiversity conservation and sustainable natural resources management around the world, in general, and in Brazil, in particular, makes the Bank a strong partner for the RS government. **The Bank is expected to act as an "impartial broker" and contribute to coordinating and managing the overlapping interests of economic development and environmental conservation.**

19. This proposed biodiversity project will be closely coordinated with activities from the Bank's RS Rural Project which has also addressed incorporating biodiversity in Rio Grande do Sul's development processes. As well as taking advantage of synergies and lessons learned from the RS Rural project, this proposed project will benefit from the Bank's experience of developing and implementing integrated approaches to conservation and agricultural development in other regions of Brazil and other countries in Latin America, particularly in Paraguay, Uruguay and the Brazilian states of Parana and Santa Catarina.

¹¹ The state of Rio Grande do Sul introduced resolution CONSEMA No. 001/2007 establishing operational rules for the implementation of resolution CONAMA No. 371/2006 and federal law 9985 (July 2000) which requires an industry to obtain a license to operate in the state. As part of receiving the license, the industry has to: a) present an environmental mitigation plan with dedicated budget; and b) contribute 0.5% of the total investment to finance conservation activities. This fund finances conservation activities established by the law within protected areas including demarcation, management plans, goods and services for operation and research.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

<i>Sector issue</i>	<i>Project</i>	<i>Project ID</i>	<i>Latest Supervision Ratings</i>	
			<i>Implementation Progress (IP)</i>	<i>Development Objective (DO)</i>
Biodiversity conservation and sustainable natural resources use	Pilot Program to Conserve the Brazilian Rain Forest (PPG7)	Various	Various	Various
	Uruguay Integrated Natural Resources and Biodiversity Management Project	P070653	MS	S
	Rio de Janeiro Integrated Ecosystem Management in Production Landscapes of the North-Northwest Fluminense (GEF)	P075379	MS	MS
	Ecosystem Restoration of Riparian Forests in São Paulo (GEF)	P088009	MS	MS
	Caatinga Conservation and Management Project (GEF)	P070867	S	MS
	National Biodiversity Mainstreaming and Institutional Consolidation Project (GEF)	P094715	S	S
	Espirito Santo Biodiversity and Watershed Conservation and Restoration Project	P094233	Recently signed	Recently signed
	Sustainable Cerrado Initiative (GEF)	P091827	Under preparation	Under preparation
	Natural Resources Management & Rural Poverty Alleviation - Rio Grande do Sul	P043868	S, Closed	S, Closed
	Natural Resources Management Project.	P007918	S, Closed	S, Closed
	Parana Biodiversity Project (GEF)	P070552	S, Closed	S, Closed
	GEF - National Biodiversity Fund (PROBIO)	P006210	S, Closed	S, Closed
	GEF - Brazilian Biodiversity Fund (FUNBIO)	P044597	S, Closed	S, Closed
	GEF - Amazon Region Protected Areas Project (ARPA)	P058503	S, Closed	S, Closed

Annex 3: Results Framework and Monitoring
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Results Framework

Project Global Objective	Project Outcome Indicators	Use of Project Outcome Information
<p>To promote the conservation and restoration of biodiversity in the Rio Grande do Sul grassland ecosystem through integrating biodiversity conservation within the forestry, agriculture and livestock productive landscapes.</p>	<ul style="list-style-type: none"> • At least 500 rural properties with biodiversity conservation practices at the farm level in the <i>Pampa</i> (grasslands) biome. • State conservation unit system improved with management plans and infrastructure of 10 conservation units, totaling 72,000 ha, under protection. • State policy and regulatory framework incorporate measures to conserve biodiversity, including strategies for invasive alien species and natural resources management. 	<ul style="list-style-type: none"> • YR02-Y03: will determine if implementation strategy needs adjustment. • YR05: Assess the effectiveness of farm level management as a mechanism for biodiversity conservation. • YR05: Assess the effectiveness of the state conservation units system
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<p><i>Component 1: On-Farm Biodiversity Mainstreaming.</i> Protection and conservation actions by key productive sectors of the rural environment implemented by extension of sustainable practices in the use of biodiversity integrated to the other sectors of the local and regional development.</p>	<ul style="list-style-type: none"> • At least 12 demonstration units (DU) implemented with selected farms or group of farms. • At least 500 rural properties benefited with investments in productive activities in their farms for biodiversity conservation best practices. • At least 2,000 producers participating in the project through training events • At least 24 municipalities (80% of the municipal area) with one technician trained in natural resource management and biodiversity information. 	<ul style="list-style-type: none"> • YR03: Re-assess the strategy if less than 7 DUs were implemented. • YR03: Re-assess if trained technicians were present in less than 40% of municipalities. • YR03: Re-analyze strategy if less than 55% of estimated beneficiaries. (producers) were reached. • YR03-05: Evaluate the appreciation of local farmers to participate in training and investing activities.

<p>Component 2: Biodiversity Management. Actions towards the reduction of biodiversity loss and specific threats for conservation, implemented in identified and prioritized areas. Actions and instruments for supporting biodiversity management by means of knowledge generation, environmental control and implementation of management tools.</p>	<ul style="list-style-type: none"> • 10 conservation units with improved management capacity by management plans and/or infrastructure. • At least 6 risk prevention plans developed and/or under implementation. • Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available. • Four areas with strategies for biodiversity conservation elaborated and under implementation by the State. • 16% of priority area 1 with a conservation corridor proposed. • Development of at least 40 educational and awareness events related to biodiversity aimed at 4 areas schools and specific groups, considering the local characteristics. • 63,000 inhabitants (40% of the rural population from the four priority areas) informed about biodiversity and its importance for conservation through environmental education. • Four State institutions in charge of biodiversity conservation strengthened in equipment and capacity for policy implementation. • Proposal for incentives promoting biodiversity conservation opportunities. 	<ul style="list-style-type: none"> • Re-assess at mid term the operational strategy for the threat reduction/removal goals and use them to insert changes if needed. • Assess governmental willingness to combat invasive alien species. • Assess government interests in using knowledge to improve management. • Assess usefulness of information generated to produce biodiversity conservation actions. • YR03: the indicators will be monitored to: <ul style="list-style-type: none"> a) analyze how well the activities are being performed and provide improvement guidelines; b) the zoning and the GIS should be duly monitored in terms of their preparation and implementation to analyze if case of failing a possible solution; and c) analyze institutional commitment to biodiversity monitoring.
<p>Component 3: Project Management. Better institutional capacity for administrating and coordinating actions, monitoring impacts and disseminating experiences to achieve a better conservation management and conservation in the <i>Pampa</i>.</p>	<ul style="list-style-type: none"> • Project implementation plan prepared and annually reviewed through operational plans. • System in place for monitoring and evaluation of outputs and outcome. • System of physical and financial administration developed and working. • Objectives and outputs of the project communicated by different means (workshops, seminars, press, products). • Project Implementation Unit created and operational. • Successful annual reports. 	<ul style="list-style-type: none"> • YR02: the strategy for M&E will be reviewed to assure the system is in place and duly working. • YR03: the general strategy of the project measured in terms of 50% achievement of goals. • The behavioral aspects and attitudes of the four institutions in a consortium for better management of biodiversity.

Monitoring and evaluation of outcomes/results

1. The monitoring and evaluation (M&E) system has been devised as a participatory system to include local communities living in the priority areas of the project. The system will be developed by: a) effective participation of interested local parties to secure transparency and dynamism, b) integration and inter-institutional action that generates responsibility, strengthening, multidisciplinary and learning, c) use of information technology to secure feedback in real time for the appropriate decision-making and action management, and d) mechanism to ensure local participation, institutional commitment and on-going information flow.

2. The M&E system will be used for monitoring outputs and outcomes, including attitudes of the beneficiaries in relation to biodiversity conservation and management. Analysis will be based on a geographic database that will provide regularly updated information on the project's implementation and results. This data will be inserted into the SIGBio (GIS for biodiversity) and will be provided for external evaluations, especially a mid-term review and the final evaluation. Each project component will create data points at different scales and scopes, and these will be incorporated into the system. Project outputs and outcomes have been already identified and these indicators are those to be monitored by the system to be implemented at the PIU. In order to measure outputs and outcomes of this project, the M&E system will adopt a set of indicators derived from the result framework. There will be indicators for behavioral aspects, such as the awareness level of different sectors of society and satisfaction level of the population with the innovations introduced and promoted by the project, and environmental/biodiversity aspects. Indicators will be based on: a) soil management, b) fauna and flora terrestrial bio-indicators, c) sustainable use of biodiversity and natural resources, and d) removal of risks to biodiversity.

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Cumulative Target Values					Data Collection and Reporting		
		YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
500 rural properties with biodiversity conservation practices at the farm level in the <i>Pampa</i> biome	0	50	200	400	500	500	Annually – Project Implementation Reports (PIRs)	Database / Planning outcomes of different agencies / Physical and financial Follow Up System (PFFS); supervision missions	PIU & partnering institutions
State conservation unit system improved with management plans and infrastructure of the at least 10 conservation units, totaling 72,000ha under protection.	partially	2	5	8	10	10	Semi-annually – Project Implementation Reports (PIRs)	Database and record of participation/ Planning outcomes of different agencies & PFFS; supervision missions	PIU & partnering institutions
State policy and regulatory framework incorporate measures to conserve biodiversity, including strategies for invasive alien species and natural resources management.	0	0%	30%	70%	90%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS; supervision missions	EMATER, FEPAM-SEMA, FZB
Intermediate Outcome Indicators									
Component 1									
12 Demonstration units implemented with selected farms or group of farms	0	2	6	10	12	12	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER (AND FEPAGRO)
Around 2,000 producers participating in the project through training events	0	25%	50%	75%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER
24 Municipalities (ca. 80% of the municipal area) with at least one technician for training in natural resource management	0	20%	40%	60%	80%	80%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER

500 families benefited with investments in productive activities that incorporates biodiversity conservation based on preliminary 10 practices	0	100	200	400	500	500	Annually – Project Implementation Reports (PIRs)	Field visits / Planning outcomes of different agencies & PFFS	PIU & EMATER
Component 2									
10 state conservation units with improved management capacity by management plans and/or infrastructure	partially	2	5	8	10	10			
At least 6 risk prevention plans developed and under implementation.	0	20%	40%	60%	100%	100%	Annually – Project Implementation Reports (PIRs)	Documents available / Planning outcomes of different agencies & PFFS	PIU & FZB
Database on biodiversity, vegetation cover and other socio-environmental factors operational and widely available.	0	20%	60%	100%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
Four areas with Strategies for biodiversity conservation elaborated and under implementation by the State	0	0	1	2	4	4	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
16% of priority area 1 with a conservation corridor proposed to the State Authorities	0	0%	30%	60%	100%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & FEPAM
63,000 inhabitants (40% of the rural population from the four priority areas) informed about biodiversity and its importance for conservation through environmental education.	0	20%	40%	60%	80%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM, SEMA
Four State institutions in charge of biodiversity conservation strengthened for policy implementation.	0	5%	15%	45%	85%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM,

Proposal for incentives promoting biodiversity conservation opportunities.	0	5%	15%	45%	85%	100%	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & EMATER, SEMA. FEPAM
Component 3									
Project implementation plan prepared and annually reviewed through operational plans	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
System in place for monitoring and evaluation of outputs and outcome	0	1	0	0	0	0	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
System of physical and financial administration developed and working	0	1	0	0	0	0	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
Objectives and outputs of the project communicated by different means (workshops, seminars, press, products)	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff
Project Implementation Unit created and working Successful annual reports	0	1	2	3	4	5	Annually – Project Implementation Reports (PIRs)	Planning outcomes of different agencies & PFFS	PIU & PFFs staff

Annex 4: Detailed Project Description

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

1. **The proposed project will be funded through a GEF grant with co-financing primarily provided by the Rio Grande do Sul State Government. The planned project duration is 5 years.** The total cost is projected to be US\$ 11.10 million of which US\$ 5.00 million will be financed from the GEF, excluding US\$ 349,488 for project preparation and US\$ 500,000 for agency fee, and the remaining US\$ 6.10 million will be financed by the RS State Government. The funding from the Government will be a minimum of US\$ 2.90 million from the Compensatory Measure program as financial contribution to the conservation units within the *Pampa*, and US\$ 3.00 million from executing agencies, and US\$ 0.20 million from in-kind sources from an NGO partner. The proposed project will be broadly coordinated by SEMA in close cooperation with three other key biodiversity institutions: FZB, EMATER and FEPAM.

2. The objective of the proposed project **is to promote the conservation and restoration of biodiversity in the RS grassland ecosystem through integrating biodiversity conservation within the forestry, agriculture and livestock productive landscapes¹.** The Project objective will be achieved through:

- Promoting actions that assist farmers to restore and maintain priority areas for biodiversity conservation, where ecosystem fragility and threats to biodiversity occur;
- Conserving biodiversity by strengthening the implementation of public policies that enhance the development of improved management systems and production practices, including creating awareness and building capacity; and
- Securing the functions, dynamics and evolution of threatened ecosystems and endemic species while consolidating the network of protected² areas within the biome.

3. In Annex 3, the key indicators to monitor the project outputs and outcomes are defined.

Project Area

4. The proposed project will act within priority areas relevant for biodiversity outside current conservation units with GEF-funding, and inside conservation units with counterpart funding. These will include some areas where the Bank's RS Rural project

¹ In the present context "livestock productive landscape" is an overall concept that influences the way of rural properties management at large. The natural grassland and landscape are managed to promote or achieve livestock productive purposes, while allow natural flora and fauna to thrive in minimal competition with the productive role of the land.

² The protected area consolidation analysis is a methodology created by The Nature Conservancy which evaluates the level of protected area effective implementation according to 17 pre-defined implementation and protection indicators, including land tenure, management plan, enforcement, and biodiversity monitoring system.

has already been working and has indicated will be good potential areas for this project's activities. A participatory process which incorporated recommendations from the Federal Government established priority areas in a finer scale to maximize financial resources and search effective outputs for the project. Priority areas were defined according to particular criteria: a) areas of extreme importance for biodiversity conservation according the Brazilian Ministry of the Environment; b) occurrence of threatened ecosystems or species; c) existence of opportunities with potential incremental activities; and d) occurrence of legally protected areas. **The four priority areas selected for this project are broadly defined by the boundaries of the corresponding municipal districts and are as follows: 1) Quarta Colônia; 2) Campos da Campanha; 3) Escudo Sul-riograndense; and 4) Litoral Médio.** These four priority sites include 33 municipalities (6.7% of RS Municipalities), 1,253,118 people (11.8% of the State's population), and 63,429 km² (22.5% of its territory). In Annex 16, maps of the four priorities areas are showed. The project area involves 10 state conservation units areas with 72,204 hectares shown in the following table:

Table 1: Focal State Conservation Units.

State Conservation Units	Municipality	Area (ha)
São Donato Biological Reserve	Itaqui, Maçambará, São Borja	13,517
Do Ibirapuitã Biological Reserve	Alegrete	352
Espinilho State Park	Barra do Quaraí	1,628
Podocarpus State Park	Encruzilhada do Sul	3,895
Banhado dos Pachecos Wildlife Refuge	Viamão	2,605
Itapuã State Park	Viamão	5,876
Quarta Colonia State Park	Agudo, Ibarama	1,847
Delta do Jacuí State Park	Porto Alegre, Canoas, Nova Santa Rita, Triunfo, Eldorado do Sul	17,245
Camaqua State Park	Camaquã	7,993
Mato Grande Biological Reserve	Arroio Grande	17,245
	Total area	72,204.

Project components

Component 1: On-Farm Biodiversity Mainstreaming (US\$ 2.36 million, of which GEF: US\$ 1.85 million).

5. The objective of this component is to rationalize land conversion processes by promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. The role of EMATER in this component is crucial, in order to gain knowledge of existing technology use and those to be developed for further use in the rural extensionism at the state level. The component will be accomplished through the implementation of two sub-components:

- **Demonstration units.** This subcomponent will establish at least 12 demonstration units within the productive private sector of the grasslands, mainly livestock and forestry initiatives, which will facilitate sound management

and conservation practices on selected farms or groups of farms in project priority areas. These demonstration units will be established on properties which have volunteered to conduct demonstration practices and are willing to share their experience with neighbors and other landowners under the extension activities of EMATER. The demonstration units will focus on sustainable farming systems (Sustainable Production System - SPS), and promotion of sound, income-generating production practices in the grasslands area that also conserve biodiversity. The development and acceptance of a sustainable farming system emphasizing environmental monitoring, high-quality and low impact pasture, and landscape management is the fundamental basis of environmental sustainability. There is a strong backing from EMATER for the small farms programs and demonstration units approach. The 12 units will serve the purpose of showcasing better practices in family agriculture and grazing practices, eco-labelling and origin-certification in *Pampa* beef, and land use planning and production in native grasslands. Specific activities under this sub-component will include: i) technical and managerial training for local producers; ii) promotion of technical efficiency, organizational expertise, marketing and product quality improvement; iii) monitoring and evaluating biodiversity sustainability within each demonstration unit; iv) field days to disseminate the experiences; v) design and implementation of a certification or green labeling system; and vi) consolidation of lessons learned that will support scaling up throughout other regions of the State.

▪ ***Subprojects implementation.*** This subcomponent will be based on the experience of the demonstration units and a list of biodiversity-friendly activities prepared by EMATER, and will support subproject investments for biodiversity conservation in at least 500 properties within the 33 municipalities, and within the priority areas established by the project. Subprojects will be implemented within the influence area from demonstration units within a distance of 10 km. These sustainable practices could include integrated management of grasslands, raising of native bees, water availability and access, agroforestry systems, habitat restoration with native species, organic farming, medicinal plants, ecological farming of grains, nature tourism, native biodiversity use and processing, certification and eco-labelling, among others. Many of these activities have already been identified and developed by EMATER. While this list of activities provides a range of options, the subcomponent remains open to new initiatives which will be determined by landholders and other stakeholders in the *Pampa*.

The rural beneficiaries (producers) will be selected based on demand following certain criteria and procedures. Interested parties will direct their grant proposal to the Rural Development Municipal Council (*Conselho Municipal de Desenvolvimento Rural*) and/or SEMA. The PIU and partnering institutions, mainly EMATER, will communicate broadly and publicize investment opportunities as well as eligibility criteria. Subproject preparation is usually one of the most difficult issues for farmers; this will be done either by EMATER or other institutions duly registered in the PIU. The planned average allocation of US\$3,600 per producer will cover part of the implementation costs of innovative practices, with matching funds from the proponent. The calculation was based on particular cases developed during preparation and in consultation with EMATER, which provided an estimate of reasonable average contributions expected from farmers. Items to be financially

supported including fences, drinking devices, seeds, nurseries, equipment, small ponds, etc. EMATER will develop software to be used in subproject preparation incorporating the registration of subproject beneficiaries, practices to be implemented, and budgetary aspects among others. Technical assistance will cost 10% of budgeted cost for implementation. A subproject flow has been prepared and will be incorporated into the Operational Manual.

6. This component will finance consultancies and trainers, travel, technical assistance, limited equipment, subproject investments and the organization of events as field days, and exchanging experiences.

Component 2: Biodiversity Management (Total: US\$ 7.22 million; GEF: US\$ 2.50 million)

7. This component will strengthen the capacity of State institutions responsible for biodiversity conservation: SEMA, FEPAM, and FZB. It will also undertake activities, through resources from the state-run Biodiversity Conservation Program, for the conservation of threatened species and improving the management capacity and infrastructure within 10 conservation units in the project area.

8. More specifically, the objectives of this Component will be accomplished through the following subcomponents:

- ***Protection and conservation of species and sites*** incorporates the consolidation of the conservation unit network within the grasslands. This will initially be based on the 10 conservation units according to the needs and priorities that have been identified as necessary to strengthen the units. Consolidation will be advanced by preparing management plans for improved capacity or by investing in specific activities derived from these plans (e.g. infrastructure). Typical activities envisaged under this subcomponent are: demarcation of limits, infra-structure investment, availability of management plans and studies, staffing, awareness campaigns, and creation of management councils, to direct strategic investments. This subcomponent also proposes the implementation of restoration actions within three prepared plans: a) conservation and sustainable use of native species of cacti, orchids and foraging grasses, b) integration of activities for minimizing habitat fragmentation, and c) conservation and wise use of the *Butia* palm in the medium littoral area of the state. At the same time, because of the nature of the Compensatory Measures program, the private sector will be directly involved in identifying needs for the consolidation of the state system of protected areas.

Baseline information on biodiversity will be developed, based on four rapid ecological assessments and 6-7 action plans for relevant species/sites, technical studies and the exchange of information with other countries that share the grasslands biome with Southern Brazil. The ecological corridor Quarta Colônia, as within the Atlantic Forest Biosphere Reserve, will be delimited and an action plan will be designed and implemented. Results from this work will provide the basis for sound decision-making, supported by the introduction of a GIS-based monitoring and reporting system for the State. This activity will develop the baseline information to monitor the project implementation based on: soil management;

fauna and flora terrestrial indicators; sustainable use of biodiversity and natural resources: vegetation cover; and, removal of biodiversity at risk. The information prepared and disseminated by the project will not only provide site and species-specific knowledge, but will also contribute to the preparation of ecological-economic zoning of the grassland area. Project information will contribute to improving the process for environmental licensing and establishing an eco-certification system for biodiversity products, establishing standards, criteria and processes. The certification or eco-labeling of biodiversity methods will be widely explored as an innovative and effective method to engage farmers to biodiversity-friendly practices.

- ***Improving the State's regulatory framework and Institutional Strengthening*** for management and oversight with regards to agro-ecological zoning and licensing, development of economic incentives for biodiversity conservation, (payment for environmental services), and improved monitoring and enforcement mechanisms. The development of payments for environmental services (PES) will be studied based on analytic models for economic valuation of biodiversity management, and strategies for private land stewardship initiatives and incentives for biodiversity conservation practices will be developed. PES is one of the incentive measures to be considered; however, there is little precedent in Brazil as such payments have not been widely applied previously. Improved zoning and licensing are also part of the project and will contribute to an environment for better management and regulatory oversight. This strategy includes also activities to provide appropriate training for operational and managerial staff in the various state agencies which will help to ensure sustainability of the project's impacts after implementation. Staff will work at the macro-level to help reduce the problems of resources lacking in the biodiversity public sector, as well as to increase the capacity of each institution.

- ***Creating environmental awareness*** and educational cross-cutting themes linked to biodiversity conservation.. The subcomponent will implement activities that address specific threats to endemic, rare, or threatened species and/or those of economic, medicinal or scientific interest based on ecosystem fragility, presence of threatened species, and key sites and buffer zones of conservation units. It will also inform different segments of society about the relevance of biodiversity conservation to their livelihoods.

9. Knowledge generation is a key aspect for an improved management of the *Pampa*, the dissemination of the concept of environmental services, the management of exotic species and the preparation of management tools, specifically the implementation of a biodiversity-based GIS. Furthermore, proposed activities include definition of a monitoring system, preparation of the economic-ecological zoning, development of strategies for private land stewardship initiatives and incentives for using practices of biodiversity conservation. The project will integrate its work with actions being developed through other State Government projects, such as the Geographic Information System and the environmental monitoring network. The Ecological Assessment and the Corridor Strategy will allow the establishment of conservation guidelines to consolidate the State System of Conservation Units in the *Pampa*. Public policies will be reinforced by the availability of models for economical valuation of biodiversity and options for environmental services as well as incentive mechanisms. The GIS will allow monitoring

in real time of land use changes, and the strategy for biodiversity conservation in private lands as an outstanding tool to make compatible conservation and development in the productive systems of the *Pampa* ecosystem. Certification or eco-labeling of biodiversity products or biodiversity-friendly products is a stimulus for a better management of rural properties and this will also be addressed by this project.

10. This component will finance assessments, system design, data collection and analysis, training, workshops, and limited field data collection when necessary to assess the biome's environmental and social status. Investments in equipment, acquisition of software and hardware, training, and technical assistance will be also made to improve management and oversight with regards to agro-ecological zoning and licensing, and development of economic incentives for biodiversity conservation.

Component 3: Project Management (Total US\$ 1.21 million; GEF: US\$ 0.49 million).

11. This component includes a set of actions needed for coordination of the project's activities, including establishment of the Project Implementation Unit (PIU) with staff, operational procedures, and developing/implementing a system that allows for monitoring evaluation and follow-up.

12. The PIU unit will be in charge of purchasing supporting elements for operational and management needs and processes to ensure successful execution of the project and cooperation with partnering institutions. Communication inside the project and with World Bank team will also be established under this component.

13. This component will finance travel, training, and limited acquisition of software and computers.

Climate Change

14. Climate variability in Latin America, from inter-seasonal to long term, could be associated with extreme weather patterns, producing possibly detrimental socioeconomic and environmental consequences, exacerbated by global warming and associated climate change. Presently, there are no abnormal signals related to variability and/or change in climate conditions in the project area of Rio Grande do Sul, particularly in terms stream flow, precipitation, temperature, and extreme events that could threaten project objectives. Project implementation will need to monitor projections of potential future climate conditions, based on climate change scenarios studies developed for the grasslands region, to undertake any possible mitigation procedures. Climate change will be monitored by FZB using a pilot project currently in design by the institution, and with recent findings communicated to the public. These activities will be reported by the project.

Annex 5: Project Costs

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Components and Funding Sources	GEF		COUNTERPART		TOTAL	
	U\$\$	%	U\$\$	%	U\$\$	%
<i>1: On-Farm Biodiversity Mainstreaming</i>	1,847,716	78	509,491	22	2,357,207	100
<i>2: Biodiversity Management</i>	2,505,599	34	4,714,194	66	7,219,793	100
<i>3: Project management</i>	499,346	41	706,760	59	1,206,106	100
<i>Unallocated Resources</i>	147,339	45	177,913	55	325,252	100
Total Project Costs	5,000,000	45	6,108,358	55	11,108,358	100

1. This subproject will be funded with US\$ 5.00 million from the GEF and US\$ 6.10 million from counterpart funds, with the following distribution per source.

Source	Classification	Type	Amount (\$)	%
<u>RS State Government</u> : Environment Compensation system	Project Govt. contribution	State Fiscal Resources	2,876,923	47
<u>RS State Government</u> : Annual allocation for the agencies FZB, SEMA, EMATER, FEPAM	Project Govt. contribution	State Fiscal Resources (in kind)	2,100,000	34
<u>RS State Government</u> : Annual allocation for the EMATER	Project Govt. contribution	State Fiscal Resources	274,000	5
<u>RS State Government</u> : Annual allocation for the FEPAM	Project Govt. contribution	State Fiscal Resources	652,000	11
<u>NGO</u> : The Nature Conservancy	NGO	In kind	205,435	3
Total Co-financing			6,108,358	100

Annex 6: Implementation Arrangements

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Institutional and implementation arrangements

1. The general coordination of the project will be at the State Secretariat of Environment (SEMA) where the Project Implementation Unit (PIU) will be located. SEMA will coordinate activities through agreements and legal instruments with the three primary partnering institutions for project implementation: FEPAM, FZB and EMATER. The Nature Conservancy (TNC), FEPAGRO, and EMBRAPA will be also partners during project implementation with specific tasks in components 1 and 2. Terms of reference for each institution will be developed in the Operational Manual. The PIU will centralize and manage activities related to the general coordination, financial administration and monitoring, and coordination with partnering institutions. This PIU will be the coordinating agency among the implementing institutions, acting as the focal point for reporting purposes with the World Bank.
2. A Steering Committee will be created for the implementation of the project. The Steering Committee will have representatives from executing agencies, municipalities, universities, COREDEs, FAMURS, FETAG, FARSUL, MMA, IBAMA and APEDEMA, with the objective of monitoring project implementation progress. Local committees will be created in each of the four priority areas, to include representatives of the public sector and civil society organizations. These local committees will supervise local implementation of the project. Where these committees exist and are focus on to environmental issues or regional development, they will be linked to this project and will be asked to undertake the appropriate local role in order to better facilitate project implementation.
3. Implementing agencies will each nominate a representative to act as the institutional coordinator and as an advisor to the General Manager of the PIU.
4. The PIU will be the financial and administrative manager of the project, and each executing agency will have clear tasks for project implementation. The main task of the PIU will be to manage the proposed work plan, including oversight of technical and scientific standards, while disseminating relevant communication and information. The PIU will also establish procedures, norms, plans, agreements, contracts, procurements plans, control mechanisms for delivery of goods and services, and other mechanisms to respond to the needs of the executing agencies. The PIU will also produce manuals and all other reference materials for the implementation and control of activities at the administrative, technical and financial levels. It will also be in charge of M&E.

Partnership arrangements

5. Project implementation will be managed by a partnership among four institutions that was established during project preparation. The four institutions are SEMA, FEPAM, FZB and EMATER. Other institutions with specific roles in project implementation will

collaborate with this partnership at the state level, such as FEPAGRO and EMBRAPA. The Nature Conservancy will also be a partner in implementation of the RS Biodiversity project. Rural communities, municipal authorities, existing working groups and general RS society will be also in partnership for project implementation and evaluation. Consultations with local stakeholders constitute a major part of the project during the design and implementation phases. Rural communities living in close proximity to protected areas and within the four priority areas will actively participate in the planning and implementation of strategies and conservation efforts, and they will receive direct benefits from the results of the planned activities. This project will also create synergy with institutions working in the conservation and sustainable use of the *Pampa* in the neighboring countries (Argentina, Paraguay and Uruguay).

Table 1. Partners and Responsibilities

Executing agencies	Responsibilities
SEMA/PIU	Designation of the General Coordinator for the project and PIU staff; Executing technical cooperation agreements with EMATER FEPAM and FZB; Coordination of activities with EMATER, FEPAM, FZB; Implementation of Components 1, 2 and 3; Development and implementation of the project monitoring system; Coordination of activities with other partners; Preparation of progress reports; Financial execution of GEF funds; Procurement for SEMA, FZB, EMATER, and FEPAM.
EMATER	Designation of staff for project; Preparation of progress reports; Coordination of activities with other executing agencies and partners; Community mobilization; Select and implement demonstration units; Select and support subprojects; Monitor and evaluate the subprojects; Provide training for rural producers.
FEPAM	Designation of staff for project; Coordination of activities with other executing agencies and partners; Preparation of progress reports; Implement management activities for PA; Development and operation of a biodiversity monitoring system.
FZB	Designation of staff for project; Preparation of progress reports; Coordination of activities with other executing agencies and partners; Preparation and implementation of the Action Plans; Definition of biodiversity monitoring indicators.
TNC	Designation of staff for project; Preparation of progress reports; Implementation in partnership with EMA of the private areas strategy

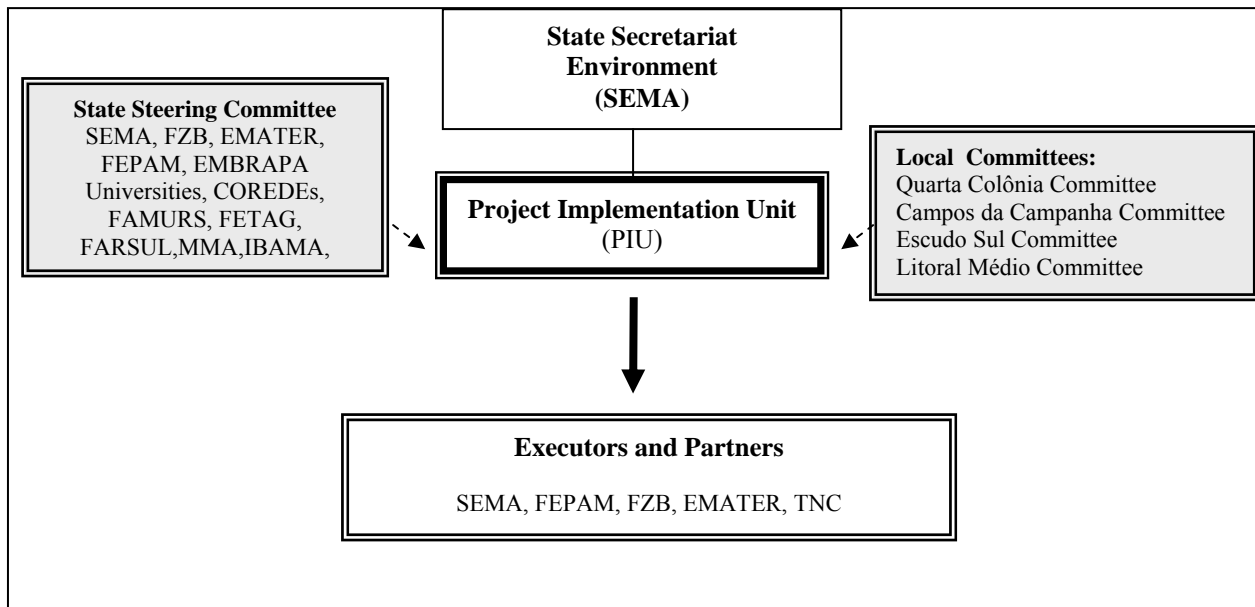
Coordination with other projects

6. Given that the Bank's engagement with the region involves other lending and non-lending initiatives, the RS Biodiversity will seek and ensure adequate coordination

between the proposed project and other Bank operations, especially biodiversity projects in the Brazilian State of Paraná and in Paraguay and Uruguay. The Pampa Grassland Initiative, being developed by Paraguay and Uruguay, includes potential for joint ventures to maintain and increase environmentally responsible production. This initiative's subject areas overlap with many in the proposed project.

Institutional and Project Team Coordination

7. Building in the strong, high level commitment demonstrated during project preparation by the other participating institutions, the PIU will ensure continued commitment for the successful coordination of the four main institutions that will be involved in the implementation of this project.



Annex 7: Financial Management and Disbursement Arrangements

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

1. A financial management assessment of the RS Biodiversity Project was carried out for *Secretaria Estadual do Meio Ambiente - SEMA*, in accordance with OP/BP 10.02 and the Financial Management Practices in World Bank Financed Investment, dated November 3, 2005. The purpose of the assessment was to determine whether the implementing agency, SEMA, have acceptable financial management and disbursements arrangements in place to adequately control, manage, account and report about the funds to be allocated to this project.

2. These arrangements include, but are not limited to its capacity to: (a) properly manage and account for all Project's proceeds, expenditures and transactions, (b) produce timely, accurate and reliable financial statements and reports, including unaudited Interim Financial Reports (IFR's) for project management and monitoring purposes, (c) safeguard the project's assets, and (d) disburse Bank funds in the most efficient way, in accordance with applicable Bank rules and procedures.

3. This assessment was completed based on the last FM Mission to SEMA and included discussions with the coordinators and staff of the implementing agency on: (i) review of staffing requirements; (ii) review of the flow of funds arrangements and disbursement methodology; (iii) review of internal control mechanisms in place; (iv) discussion in regard to reporting requirements, including the format and content of IFRs; and (v) review of internal and external audit arrangements.

4. Based on the assessment of the implementing agency (SEMA), the conclusion of the assessment is that the financial management arrangements as set out for this project satisfy the Bank's minimum fiduciary requirements and that the project can rely on and utilize the State Administrative and Financial Management Systems (*Administração Financeira do Estado - AFE*).

5. The overall financial management risk associated with this project is considered **Moderate** mainly due to: (a) the PIU has to be formally established by a State Government decree, and a Portaria has to be issued naming PIU's staff; (b) MIS needs to be implemented, and (c) Counterpart funding represents about 55% of total project costs.

Risk Assessment Matrix

<i>Risk³</i>	<i>Risk rating</i>	<i>Risk issues/measures</i>
Inherent Risk		
Country-level	L	
Entity-/project-specific	M	The legal and institutional arrangements are adequate. However, the PIU has to be formally established by a State Government decree, and a Portaria has to be issued naming PIUs staff.
Control Risk		
Budget preparation	L	Budget will be clearly defined, reflected in yearly annual budgetary authorization, and approved by the Bank.
FM system	M	Financial Management System needs to be implemented.
Reporting/monitoring	H	Manually via Excel. On Excel—manually prepared reports.
Funds flow	M	All funds will flow through Banco do Brasil. Current arrangements are appropriate.
Counterpart funds	M	Counterpart funding represents about 55% of total project costs, of which about 50% (or 26% of project costs) will be borne by the private sector. No delays in budget approvals are envisaged; the direct (and indirect) State Government contribution is rather small (21%). Private sector funding via <i>medidas compensatórias</i> will depend on the amount of private investments that require state environmental licensing.
Staffing	M	Single FM staff is a professional with prior experience in Bank and IDB project requirements; one additional FM staff required.
Accounting procedures and system	L	Accounting procedures are adequate. However, system is manually maintained.
Internal audits	L	The <i>Contadoria e Auditoria Geral do Estado</i> (CAGE) pre-examines all budgetary transactions and payments.

H-High S-Substantial M-Moderate L-Low

A. General Considerations

6. The objective of RS Biodiversity Project is to promote biodiversity conservation and recuperation through integrated management of ecosystems and creating opportunities for sustainable use of natural resources with a focus on regional development. It is part of state policies to integrate nature conservation and State sustainable development with an

eco-regional perspective. The intention of the proposal is to promote biodiversity conservation in rural environments by integrating with agricultural activities and livestock within a holistic context of ecosystems and natural resources management, which contributes to strengthening the structure of protected areas.

7. The synthesis of the components, subcomponents, and source of resources was thus distributed:

Components and Funding Sources	GEF		COUNTERPART		TOTAL	
	U\$S	%	U\$S	%	U\$S	%
1: On-Farm Biodiversity Mainstreaming	1,847,716	78.39	509,491	21.61	2,357,207	100
Demonstration units	236,451	45.41	284,281	55.59	520,732	100
Subprojects implementation	1,611,265	88.74	225,210	12	1,836,475	100
2: Biodiversity Management	2,505,599	34.70	4,714,194	65.30	7,219,793	100
Production and conservation of species and sites	795,431	19.74	3,234,246	80.26	4,029,677	100
Improving the State's regulatory framework and institutional strengthening	1,056,564		1,115,069		2,171,633	100
Environmental awareness	653,604	64.17	364,879	35.83	1,018,483	100
3: Project management	499,346	41.40	706,760	58.6	1,206,106	100
Organization Structure	442,389	48.99	460,717	51.01	903,106	100
Monitoring and Evaluation	56,957	18.80	246,043	81.20	303,000	100
Unallocated	147,339	45.30	177,913	54.70	325,252	100
Total Project Implementation	5,000,000	45.01	6,108,358	54.99	11,108,358	100

B. Implementation Arrangements

8. The SEMA PIU will be directly responsible for all fiduciary and legal aspects of the grant, including the following: (a) preparing the project's budget proposal, (b) implementing and maintaining an adequate Financial Management Information/Software System; (c) reviewing documentation supporting project expenditures and ensuring that the expenditures to be financed by the grant are eligible and within the percentages established under the Grant Agreement; (d) keeping all project documentation properly filed/archived; (e) preparing and forwarding to the Bank⁴ quarterly interim unaudited financial management reports (IFR's); (f) regularly reconciling information that was entered in the Financial Management System and AFE on project expenditures, and assuring timely follow-up on any discrepancies; (g) preparing and forwarding to the Bank in a timely manner grant disbursement applications supported by SOE's, Summary Sheets and Records; (h) reconciling SEMA's grant designated account and the operating account; and (i) preparing and providing all financial documentation and reports requested by external auditors and Bank/GEF staff. The PIU will also be responsible for monitoring and reporting on in-kind contributions by FZB (Fundação Zoobotânica do RS) , FEPAM (Fundação Estadual de Proteção Ambiental), EMATER (Empresa de

⁴ In Brasilia, unless otherwise officially informed by the Bank.

Assistência Técnica e Extensão Rural), SEMA(Secretaria do Meio Ambiente), DEFAP (Departamento de Florestas e Áreas Protegidas), DRH (Departamento de Recursos Hídricos), FEPAGRO Fundação Estadual de Pesquisa Agropecuária), SE (Secretaria da Educação), EMBRAPA (Empresa Brasileira de Pesquisa Agropecuária) e TNC (The Nature Conservancy) and extra-budgetary allocations from the private sector under *medidas compensatórias*.

9. The UPP's FM functions under the project preparation grant are currently carried out by one employee, a competent and experienced professional who has been associated with IBRD and IDB lending operations since 1995. However, the FM workload will increase significantly under the proposed project. Multiple project implementing agencies will provide support to about 1,500 beneficiaries in the execution of approximately 500 rural properties (*itens de fomento*). The proposed PIU will need to strengthen its financial management staffing by bringing in one additional employee to handle this increased workload and to improve the segregation of duties which is fundamental to a strong internal control framework. The new FM staff should have an accounting-financial background, as well as solid experience in financial information systems.

C. Internal Control

11. SEMA has no Financial Management Information/Software System in place capable of ensuring the schedules of payments to be made and schedules of future payments, linked to the special accounts related to the two separate sources of payments, including the control of its flow of resources.

12. The segregation of FM functions in the State is as follows: (a) SEMA authorizes the use of approved and allocated budgetary resources; (b) SEFAZ makes the authorized payments (after examination by the *Contadoria e Auditoria Geral do Estado*, or CAGE) and records the corresponding accounting transactions; and (c) Each project participating entity carries out asset management.

D. Budget process

13. Every year the PIU will prepare a budget proposal for the RS-BIODIVERSITY project, which will be sent to SEMA for approval and inclusion into the State budget proposal that is launched in the State Financial Administration (AFE) system.

14. All goods shall be purchased by the PIU and stipulated in the SEMA budget. The goods destined to the Executing Agencies and Subproject Beneficiaries will be transferred via Use Transfer (Concession Agreement) document according to Bank norms and according to the agreements.

15. The State Foundations that will participate in the state budget will enter expected expenses using Bank funds in their budgets, with the approval of the PIU. The Foundations will follow normal procedures of expense allocation and liquidation, always with PIU approval. The PIU will authorize the Finance Department to make all the necessary payments.

E. Accounting

16. SEMA follows the Brazilian Accounting Rules (NBC), law 4320/64, which is AFE the State's budgetary and accounting system, is used by all State institutions that receive Governmental funds. Payments of budgetary commitments and the related State accounting management is under the responsibility of the *Secretaria da Fazenda* (SEFAZ), which maintains all records electronically and reconciles them with budget and procurement reports figures on a monthly basis. Grant implementation will be on a cash accounting basis. The accounting procedures that have been in place for the GEF project preparation grant (TF-053952) will continue to be used for the proposed new grant. Supporting AFE, administrative procedures have been established to ensure that financial transactions are made with consideration to safeguarding project assets and ensuring proper entry in the accounting/monitoring systems.

F. Financial Information Management System

17. PIU-SEMA does not have a Financial Management Information System in place. The PIU will implement the Financial Management System to satisfy the FM requirements, by effectiveness.

G. Arrangements Related to Flow of Funds and Disbursement

18. A Financial Management System will be used for the financial management of RS Biodiversity Project. The Financial Management System will have been previously identified and configured in order to meet all the specifications of the Project. Both specifications and functions will be described in the Operations Manual of the Project. The PIU will be responsible to generate all the financial reports required by the Bank through the Financial Management System.

19. The State of Rio Grande do Sul will open an overseas account at the Banco do Brasil S/A in American dollars, in New York, in order to receive the resources from the Grant Agreement. This is to be used exclusively by the RS-BIODIVERSITY Project. This account shall be called "Designated Account."

20. Another account will be opened in Brazilian Reais at the Banco do Brasil S/A, branch number 3798-2, in Porto Alegre, to receive the Reais brought in from selling dollars. This account shall be called "Operations Account." The PIU will be responsible for the financial activities of the Project.

21. The Project will adopt the Advance method as primary disbursement method. The inflow of resources will be done directly by the PIU – whether to request dollars for the Designated Account or to sell the dollars to the account in Brazilian Reais. Funds disbursement will be done by the Finance Department through payments authorized by the PIU. All financial activities will be registered in the State Financial Administration System –AFE. The PIU will authorize the Finance Department to make necessary

payments. Other disbursement methods to be use include Direct Payments and Reimbursements. The Minimum Application Size will be US\$200,000 and the Ceiling of the Designated Account will be US\$1,000,000.

22. After expenses are entered in the budget, the payment process will go the PIU, which will authorize the Finance Department to make the payments. Advancements to Project executors have not been anticipated. The intention is to compensate expenses incurred by each executor according to the many agreements that will be part of the project.

23. The disbursements for the Project will be based on Withdrawal applications supported by SOE's, Summary Sheets and Records.

24. The financial flow is as follows:



H. FM reports and project monitoring

25. As mentioned earlier, PIU does not have a Financial Management Information/Software System in place; it uses Excel to manually prepare project FM and monitoring reports - some regularly and some on demand. The IFRs that the PIU provided (those that refer to the preparation grant TF-053952). The Bank provided PIU with model IFR's (on paper as well as electronically) that have been recently agreed with other Brazilian entities. Once the Financial Management System is in place, automated financial reporting will be able to produce the IFR's according to the model outline that was agreed with PIU. The PIU will need to forward to the Bank unaudited interim financial reports (IFR's), prepared on a cash accounting basis, in US dollars as well as in Reais, not later than 45 days after each quarter. The IFR's should incorporate and reflect all budgetary direct and indirect counterpart participation (contributions to the project's activities), as well as extra-budgetary counterpart funding, including those of NGOs and SEMA/DEFAP's *medidas compensatórias*. The IFR's should state the total expenditures by quarter, by year, and the accumulated total since the start of project implementation. In addition, a reconciliation of the designated bank account (Special Account) and the reconciliation with the Bank's Client Connection disbursement information should also be prepared and forwarded to the Bank. In summary, PIU will prepare and forward to the Bank the following IFRs:

- IFR - No. 1-A: Sources and Applications of Funds by Disbursement Category as per Grant Agreement.
- IFR – No. 1-B: Statement of Investments by Project Components and Activities.
- IFR – No. 1-C: Designated Bank Account (Special Account) Reconciliation.
- IFR – No. 1-D: Disbursement Reconciliation with Bank's Client Connection.

26. In addition, the year-end IFR's need to be audited by independent external auditors, and the audit furnished to the Bank within six months after the end of the calendar year.

27. The operational manual should be ready by the time of grant effectiveness and should include a financial procedures chapter providing guidance on all financial and administrative procedures to be followed by any of the entities involved in project activities.

I. Counterpart funding arrangements

28. The largest amount of counterpart funding for the project comes from the private sector (not from official direct or indirect budgetary contributions). These contributions originate from a resolution recently (January 2007) introduced by the State of Rio Grande do Sul establishing the operational rules for the implementation of a Federal law (No. 9985 of July 2000) that requires all industries to obtain a license to operate in any State where they intend to invest. To receive the license, an industry has to (a) present an environmental mitigation plan with a dedicated budget, and (b) contribute a minimum of 0.5% of the total investment it plans to make in the State for environmental conservation.

Conservation activities, which are established by law and managed, monitored, and controlled by SEMA/DEFAP, are within protected areas (some of which are part of this project). The private sector's environmental conservation investments—*medidas compensatórias*—cover such things as demarcation of protected lands, management plans, and goods and services for operation and research.⁵ Under this rather innovative approach, the State government is not directly involved in the procurement and expenditure processes, which are much more efficient in the private sector. Hence, the State benefits both from the private sector's efficiency and from the environmental protection and mitigating investments it makes.

29. DEFAP keeps rigorous track of the investments financed by the *medidas compensatórias*. In fact, the wealth of information, reporting, and supporting documentation for expenditures (*prestações de contas*) is highly satisfactory. Copies⁶ of the *notas fiscais* for all the procurement for the “mitigating investments” are filed and were readily available. DEFAP agreed to inform PIU-SEMA of all the funding that is being made available to finance project activities and welcomed a request to make their records available to PIU's independent auditors so that the auditors can verify that *medidas compensatórias* counterpart funds were in fact applied to the project “units” (áreas) that were agreed under the grant.

30. All purchases made with resources of the *medidas compensatórias*, such as land,⁷ machinery and equipment, and permanent goods, are inventoried (*cadastradas*) in the State register of fixed assets. The *nota fiscal*, with the acknowledgement on the back that the goods have been received—which also indicates the location of the goods—is the document that is used to start the inventory registration process. The Bank has reviewed the financial monitoring and asset controls that SEMA/DEFAP manages and found them to be fully adequate. It is estimated that during the five-year implementation period the private sector will invest the equivalent of US\$ 2.90 through the *medidas compensatórias*.

31. Among the various components of the proposed RS-Biodiversity project are subprojects that are promoted and managed by EMATER and partially financed by the grant. These subprojects, which are called *itens de fomento*, seek to promote and implement productive activities that are compatible with the sustainable use and conservation of the native biodiversity, with a target of about 1,500 rural beneficiaries.

⁵ The monies—0.5% of the industry's investments—are not collected from the industry by the State Government and therefore are not deposited in the State's treasury. DEFAP, a unit under SEMA (the State environmental protection agency) keeps stringent controls over the agreements made with the industry at the environmental licensing stage, including coordinating and implementing the environmental mitigating investments. SEMA generally carries out the investments, although the industry is welcome to participate in the implementation of these investments. However, the procurement procedures followed are those of the private sector, and the private sector foots the “bill” for the investments made. This is not a donation from the industry to the state, but rather a tax/fee, because it is an obligation that was established at the environmental licensing stage. It is called a *Dação*.

⁶ The original copy stays with the industry.

⁷ The purchase of land is not envisaged for “units” that are included in the project.

Box 1. Environment Compensatory Measures Program

Under Brazil's Constitution, the federal government and the states have the power to legislate on (i) the protection of the natural environment; (ii) the protection of cultural environment; and (iii) liabilities for damages to the environment. The National Environment Policy Act, Federal law 6938/81, established the national environmental policy, which introduced the "polluter pays" principle, according to which the burden of preserving the environment and repairing environmental damages falls upon the party responsible for carrying out the pollution/damage activities. The legal instruments to implement this include: the National System of Nature Conservation Units (Law No 9985 of July 18, 2000); Decree No. 4340, of August 22, 2002 which regulated Law 9985; Resolution CONAMA No. 371/2006.

Federal Law No. 9985, of July 18, 2000, which established the National System of Nature Conservation Areas, requires project proponents to pay not less than 0.5% of the total cost of a project into the environmental compensation measures, whenever that project is expected to cause significant environmental impacts. The environmental office in charge of managing the particular area (or areas) determines which conservation area(s) is able to receive compensation as a result of the project's impacts. If compensation is warranted, the office also decides the exact amount of the compensation, based on the degree of impact.

According to Federal Decree No. 4340, of August 22, 2002, which complements Federal Law No. 9985, the compensation that is paid must be invested according to the following order of priority (highest priority first):

- Fixing the boundaries of the conservation area and other activities related to regularizing the lands;
- Elaboration, revision, or implementation of the management plan;
- Paying for equipment and facilities necessary to implement, manage, monitor, and protect the area and its buffer zones;
- Development of studies necessary to create a new conservation area; and
- Development of research necessary to manage the conservation area and its buffer zones.

At State level, Resolution CONSEMA No. 001/2000 establishes rules for the application of compensatory measures, defining deadlines for the application of resources associated to the stages of environmental licensing:

- Art. 9 - In the issuance of the LP (preliminary license), SEMA will define the amount and the format of the application of resources for the compensatory measures.
- Art. 11- For the issuance of an Installation License (LI, in Portuguese), an agreement must be signed among the parties, containing the Application of Resources Project that deals with the application of resources for the compensatory measures. The application of resources in conservation units, new or existing, must be created simultaneously with the installation of the enterprise:
- Art. 12. For the issuance of an Operational License (LO in Portuguese), the licensing entity must confirm the total cost for the implementation of the enterprise, through a cost table verifying the application of at least 0.5%, according to Art. 4 of the Resolution. If the value applied is less than 0.5%, the licensing entity, in joint consent with the managing entity in SEUC, must indicate complementary measures to be

implemented by the entrepreneur.

On March 14, 2005, a State Chamber for Environmental Compensation (CECA) was created, through governmental decree SEMA No. 018/2005, with the objective to “evaluate and offer an application for resources for environmental compensation which is dealt with in Article 36 of the Federal Law No. 9985/2000, in conservation units, new or existing, following the precept in Articles 32 and 33 of the Federal Decree No. 4340/2002, with the approval of due authority, according to environmental studies performed and percentages defined by the licensing environmental entity.” CECA is comprised of the following departments and/or institutions in SEMA: DEFAP, DRH, FEPAM and FZB.

Under this rather innovative approach, the State government is not directly involved in the expenditure process. The approach is based on two concepts: improving the efficiency of investing in order to genuinely benefit conservation areas, and facilitating the implementation of the law. All purchases made with resources of the compensatory measures will be applied to the creation, management, and implementation of Parks, Reserves, and other protected areas be recorded in the State register of fixed assets.

J. External Auditing Arrangements

32. An independent auditing firm should be hired, under ToR that are satisfactory to the Bank, to carry out the annual external audit of the project, including the project accounts. The yearly audit reports for the proposed project should be sent to be Bank within six months after the closing of each calendar year. The Bank should include the cost of this external audit as an eligible expenditure to be fully financed by grant proceeds.

33. The auditors should issue a single opinion on (a) the financial statements; (b) *demonstrativos de despesas*—that is, (c) grant contractual agreements; and (d) the project designated account. The auditors’ opinion should cover all sources and applications of funds for the project, including direct and indirect official—budgetary—counterpart participation and extra-budgetary counterpart funds from NGOs and the private sector’s *medidas compensatórias*. In addition, the auditor should issue a management letter on the project accounts and internal controls.

Summary of FM actions to be taken

<i>Action</i>	<i>Responsible party</i>	<i>Deadline</i>
Create PIU and name PIU staff	SEMA	Grant Agreement signing
Implement a Financial Management Information/Software System, and train staff to use it.	PIU-SEMA	Grant Agreement effectiveness
Hire one additional employee with an accounting-financial background and solid EDP experience.	PIU-SEMA	Grant Agreement effectiveness
Financial Management Information/Software System should have the capability to automatically issue IFR’s and SOE’s.	PIU-SEMA	Grant Agreement effectiveness

Open designated (special) account and operational account.	SEMA	Grant Agreement effectiveness
Operational manual reviewed by FM staff.	PIU-SEMA	Prior to Loan negotiations
Finalize operational manual.	PIU-SEMA	Grant Agreement effectiveness

Supervision Plan.

34. The Bank will undertake supervision missions two times per year to monitor the implementation and performance of the Project and confirm that the financial management, disbursement and audit arrangements included in the project design are being adhered to and continue to be valid, to review the performance of the MIS, the implementation of subproject *itens de fomento*, and private sector counterpart funding (*medidas compensatórias*).

Allocation of Grant Proceeds.

35. Expenditures for the following items and activities may be financed out of the proceeds of the Grant and shall be used exclusively for carrying out the Activities:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed inclusive of Taxes
(1) Goods, works, non-consultants' services, consultants' services, workshops and training	4,500,654	100%
(2) Operating costs for the Project Implementation Unit	499,346	100%
Total Amount	5,000,000	

Annex 8: Procurement Arrangements
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

A. General

1. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004 and revised October 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 and revised October 2006, and the provisions stipulated in the Legal Agreement. The various items under different expenditure categories are described in general below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.
2. The PIU will be located at SEMA (State Secretary of Environment). Small procurement for amounts below USD 5,000 will be processed in-house, by SEMA's Administration Sector. Procurement of goods and services above USD 5,000 will take place at CELIC (Central Bidding Office), following Bank's Guidelines and using one of the procurement methods allowed in the grant agreement, most likely *pregao eletronico* through ComprasRS system.
3. TNC (The Nature Conservancy) will participate in project implementation by contracting consultants, following Bank's Guidelines. Emater (RS Rural Technical Assistance Agency) will implement component 1, procuring small services and goods for farmers. Emater's operational costs incurred during the preparation of subprojects under component 1 will be covered as operational costs.
4. Procurement of Works: Small renovations are expected under component 2. They will be contracted through shopping.
5. **Procurement of Goods:** Procurement of vehicles computers and other IT equipment, laboratory materials, books and furniture are expected under the project and procurement methods for those goods will be Bank's shopping procedures, NCB or *pregao eletronico* through ComprasRS or ComprasNet system or any other e-procurement system approved by the Bank. No ICBs are expected. All contracts estimated to cost more than US\$ 500,000 equivalent per contract will be subject to prior review by the Bank.
6. Emater will procure goods for farmers either through decentralized shopping procedures at their regional offices - up to USD 5,000 - or through *pregao eletronico* at their central office. All procurement files will be available at the central office for post-review.
7. **Procurement of non-consulting services:** Institutional publicity of the project, in the estimated amount of USD 341,000, will be contracted with Agência Matriz, the agency

currently servicing SEMA, contracted through *pregao eletronico*. In case of a new bidding for these services, this contract will need Bank's no objection.

8. Airline tickets, in the estimated amount of USD 4,500 will be contracted with Shopping Tour, the agency currently serving the entire State Government, contracted through *concorrenca* under de 8666 law. Expenditures with airline tickets, up to USD 100,000, are allowed to be contracted through SEMA's current contracting procedures, i.e. the major State Government agency contract. Such procedures are acceptable to the Bank and will be subject to post-review.

9. Procurement of satellite images is anticipated and will be procured through shopping. A contract with a company for logistics for events, to manage all training events under the project, is anticipated and will be bid at CELIC, through NCB or *pregao eletronico*, to encompass all events needed through out the 5 years of the project. Such contract will be for one year, extendable for another 4 years, subject to its performance.

10. Emater will procure services for farmers, either through decentralized shopping procedures at their regional offices - up to USD 5,000 - or through *pregao eletronico* at their central office. All procurement files will be available at the central office.

11. **Operational Costs:** 21% of GEF's funds are allocated for Project operational costs (such as fuel, salary, field supplies and sundries, office supplies and telecom costs, etc.). Those costs are either already contracted through major contracts at the State level or will be contracted through the 8666 law "*dispensa de licitacao*", what means, in practical terms, the comparison of 3 prices, for the maximum amount of BRL 8,000. Up to USD 5,000 the project will keep using their current procurement procedures, conducted by SEMA's Administration Sector, considering that the 3 quotations requirement fulfils Bank's shopping procedures requirement.

12. Above USD 5,000 and up to USD 100,000 Bank's shopping procedures will be followed, or procurement will take place at CELIC using *pregao eletronico*, keeping specific procurement files at the PIU for Bank's post review. The PIU already have the capability of listing all contracts financed with grant's funds, what will be enhanced through the implementation of a SAFF (Sistema de Administracao Fisico Financeira).

13. **Selection of Consultants:** Throughout the project, these services will be contracted using Quality and Cost Based Selection (QCBS), Selection Based on Consultants Qualification (CQS), Least Cost Selection (LCS), Single Source Selection (SSS – with due Bank's No-objection on a case by case basis) and Individual Consultants (IC). Short lists of consultants for services estimated to cost less than \$500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

14. TNC (The Nature Conservancy) will contract consultants for this project in the estimated amount of USD 225,000, following Bank's guidelines. The PIU will review those processes, paying for the products. A separated procurement plan is required from TNC.

15. The procurement procedures and SBDs (Standard Bidding Documents) to be used for each procurement method, as well as model contracts for works and goods procured, will be part of the Project Operational Manual. Bidding documents including those for *pregao eletronico* must be approved by the Bank and all bidding documents and contracts must include the anticorruption clause.

Summary:

<i>Expenditure category</i>	<i>Contract value threshold a (US\$ thousands)</i>	<i>Procurement method</i>	<i>Contracts subject to prior review</i>
Goods	>500	ICB	All processes
	$500 \geq \leq 100$	NCB or pregão eletrônico	First process under each procurement method
	< 100	Shopping	First process under each procurement method
Non-consulting services (incl. training, communication)	>500	ICB	All processes
	$500 \geq < 100$	NCB or pregão eletrônico	First process under each procurement method
	≤ 100	Shopping	First process under each procurement method
Consulting (firms)	>200	QCBS/LCS	All processes
	≤ 200	QCBS/CQS/LCS	First process under each selection method
Consulting (individual)		Section V in the Guidelines	All processes post review
Direct contracting			All cases regardless of the amounts involved

B. Assessment of the agency’s capacity to implement procurement

16. Although a recent decision shifted the PIU from SEPLAG to SEMA, two members of the SEPLAG’s former PIU, which satisfactorily implemented the PHRD for the project preparation, will be at the new SEMA’s PIU, therefore assuring that Bank’s Guidelines will be followed. CELIC had their capacity assessed during the preparation of a Bank’s project with the Rio Grande do Sul State Bank, Bannisul, which ended up not being implemented. The ComprasRS *pregao eletronico* system has just been assed by the Bank and considered suitable. Emater had their capacity assessed and is well equipped and organized to handle the small amounts involved.

B. Procurement Action Plan

17. As agreed with the PIU, they need to:

Action	Timeframe
1 Prepare the Project Operational Manual	By effectiveness
2 Prepare a Procurement Plan for TNC	By Negotiations

18. The procurement project risk rate is AVERAGE, as a result of (i) previous procurement experience of PIU (ii) small procurement amounts involved, and (iii) good controls of the implementation agencies.

C. Procurement Plan

19. The PIU already has a comprehensive procurement plan for 24 months approved by the Bank. A procurement plan for TNC is required by negotiations.

D. Frequency of Procurement Supervision

20. In addition to the prior reviews to be carried out from Bank offices, annual supervision missions to visit the field and carry out post review of procurement actions are recommended.

21. The procurement documents for the first procedure under each acquisition method, though out the project, irrespective of its estimated amount, will be subject to prior review, therefore assuring quality and consistency for subsequent procurement activities.

22. The first NCB or pregão eletrônico and all of them costing above \$250,000 will be subject to Bank's prior review.

23. Contracts for consultant firms estimated to cost above \$100,000 will be subject to prior review by the Bank. The Bank's review of selection of consultants will be in accordance with Appendix 1 of the Guidelines for Selection and Employment of Consultants and the provisions stipulated in the Grant Agreement. Consultants' contract documents to be reviewed will include TORs, shortlists, evaluation reports, and contract forms.

E. Details of the Procurement Arrangements Involving International Competition

Goods, Works, and Non Consulting Services

(a) List of contract packages to be procured following ICB and direct contracting:

1	2	3	4	5	6	7
Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	Review by Bank (Prior / Post)	Expected Bid-Opening Date	Comments
1	Not anticipated					

(b) All ICB and all direct contracting will be subject to prior review by the Bank.

Consulting Services

(a) List of consulting assignments with short-list of international firms: not anticipated.

(b) Consultancy services estimated to cost above \$100,000 per contract and single source selection of consultants for firms will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than \$500,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex 9: Economic and Financial Analysis

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

1. For the determined project activities estimating the real value of biodiversity conservation in monetary terms, especially when done at larger scale and across sectors, is difficult. It is therefore not possible to determine in advance an estimated economic rate of return or internal rate of return for the project as a whole, as doing so for those that have been determined would be prohibitively expensive. It is even more difficult to measure the monetary value of conservation policies, which have an indirect and dispersed impact over a long period of time. Thus, any such evaluation must rely on proxies for biodiversity conservation, including the deforestation rate; soil, water, and air conservation; and changes in indicator species. The project approach focuses on changes in policies that will have a direct impact on biodiversity, and on increasing human capacities in sectors that have a direct impact on biodiversity, as a means to creating positive trends in conservation with minimal costs. Accordingly, an assessment of the cost-effectiveness of the proposed project design and strategy was determined to be the most appropriate for the proposed project.

2. The project has been designed specifically to maximize sustainability and efficiency, and to this end, it funds investments in activities that seek to have an optimal combination of immediate and long-term conservation benefits. The Bank will be utilizing its many years of experience of conducting such projects, and this project represents the latest thinking on how to achieve biodiversity conservation in the most effective manner possible.

3. Project preparation included extensive discussions and evaluations regarding the development of strategies to ensure the long-term sustainability of project-financed activities, including implementation and institutional arrangements, as well as the strategic design of project components. An explanation of the alternatives considered and rejected is given in the main text of this PAD (Section B5) and explains why a combination of the three components developed for this project – On-Farm Biodiversity Mainstreaming, Biodiversity Management, and Institutional Strengthening/Project Management – is the most effective way to achieve the conservation of the Grasslands biome's biodiversity in Rio Grande do Sul. In particular, all activities have been designed to promote optimal outcomes through coordinating local and regional activities in order to take advantage of synergies, thus catalyzing conservation efforts both within Rio Grande do Sul's grasslands biome and the surrounding areas in Paraguay, Argentina, Uruguay, and other areas of Brazil.

4. In addition, cost-effectiveness in achieving environmental effectiveness will drive activities during project implementation, building on the Bank's experienced gained during similar projects, particularly Paraná Biodiversity in Brazil. The approach seeks to maximize the conservation outcomes of current investments, to create an enabling environment for further effective investment, and to provide lessons learned and improvements that will lead to wide replication throughout Brazil. A full Incremental Cost Analysis (presented in Annex 15) of the proposed project analyzes the incremental

benefit provided by the GEF grant to transform the project from one that has domestic benefits to one that also has global benefits. This analysis follows GEF guidance and provides the quantitative analysis, when possible, to complement the more in-depth qualitative analysis.

Economic Benefits

5. The project has been designed to maximize the benefits received per dollar spent, via several methods built into project activities. First, the project is working through established partners, and with existing supply chains. Collaborating with current stakeholders helps minimize the expenditures necessary to achieve identified objectives, as compared to establishing new programs and initiatives. For example, rather than creating and training a new cadre of environmental extension agents to promote biodiversity-friendly techniques on small farms, the project will provide additional training to current agricultural extension agents, in order to allow them to incorporate biodiversity conservation-related practices into their services. This same strategy applies to biodiversity information. Rather than creating a series of new institutions, the project will link existing centers and institutions, allowing them to share information and build synergies much more effectively, and at a much lower cost.

6. The types of interventions the project will support have also been carefully selected to maximize impact while minimizing cost. A strong focus has been placed on influencing policy and practice guidelines, which affect a broad number of sectoral actors while costing relatively little. The project has also chosen to work through subprojects that will test proposed solutions to identified problems. These subprojects, most of which will be large (landscape) in scale, will serve as demonstration areas. The lessons learned through their application (funded through the project), and the successful approach they validate, will then be able to be applied throughout Brazil at a much lower risk, making their extensive application more attractive. This approach both minimizes project costs and, in the long term, risks, while increasing impact.

7. A sample of seven Demonstration areas, representing the most common production systems present in the project area, was developed during project preparation by EMATER to assess the economic and financial viability of the natural resources and biodiversity management, as well as conservation activities that will be promoted under the project. The assessment was done utilizing an extensive model measuring the Internal Rate of Return (IRR) of the projected cash flows and costs and the full report defines by category all costs and project incremental income for each of the Demonstration Units. Preliminary results indicate that the proposed activities will have not only the expected benefits from the viewpoint of sustainability of natural resources and biodiversity in the project area, but will also represent incremental financial returns to participating farmers. As well as the benefits indicated, the returns (IRR) on farmers' investment in these sample areas would be larger than the opportunity cost of capital. Furthermore, these results should be considered conservative estimates as they do not incorporate the overall long-term externalities of biodiversity conservation, the value of which was too difficult to estimate. The summary results from this economic and

financial analysis of sample demonstration projects carried out during project preparation are found in the following table:

	Grasslands Demonstration Unit	Area (Ha)	Investment (R\$)	Total Costs	Internal Rate of Return (%)
1	Santa da Boa Vista	10	5,000	17,000	18.07
2	Sao Borja	10	5,000	14,525	59.62
3	Santana do Livramento	10	5,000	16,245	54.73
4	Pinheiro Machado	10	5,000	23,018	31.73
5	Cacapava do Sul	10	5,000	24,083	4.13
6	Alegrete	20	5,000	18,210	35.04
7	Low Density Forest Plantation	870 p/ha	-	-	9.46

8. Regarding project activities in the forestry sector for improved forestry management and biodiversity conservation (including lower density planting), a regional financial and economic analysis was undertaken in which the comparison between the lower density model and the traditional model demonstrated the advantages. As shown in Example 7 of the table above, the low-density forest plantation area had an IRR of 9.46% (greater than the 9.16% from the traditional model) which enabled more space for native understory vegetation and wildlife – providing for increased biodiversity conservation as well as increased financial returns.

Project Beneficiaries

9. **Component 1** seeks to rationalize land conversion processes by promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. Specifically, the project will support implementation of conservation practices and experiences in 12 demonstration units in selected farms or groups of farms in priority areas. Activities under this component will focus on stimulating the adoption of biodiversity-friendly practices by the private sector, and works on a large-landscape scale.

10. The *direct economic benefits* from these activities will accrue to the beneficiaries of the subprojects financed, who will receive partial financing for the adoption of biodiversity conservation practices within productive landscapes with high biodiversity value. While the recipients will vary from subproject to subproject, they will include both representatives of the dominant economic sector in the selected area and those working with secondary sectors, nongovernmental organizations (NGOs), and local civil society organizations. *Indirect economic beneficiaries* include the government, additional NGOs, and other producers in the sectors involved in the subproject, which will benefit from lessons learned and techniques adopted in these demonstration units, resulting in cost savings in later replication efforts. Other indirect beneficiaries will be local residents, who will benefit from improved ecosystem services such as water quality and quantity, reduced presence of agrochemicals, soil conservation, and availability of additional natural resources.

11. The Component will invest about US\$ 0.5 million in support of 12 demonstrations units, and US\$ 1.8 million in support of 500 rural proprietries, covering circa 26,300 ha,

and training activities, totaling US\$ 2.4 million. This represents an average investment of US\$3,600 per producer over the five years (US\$68 per hectare).

12. **Component 2** will identify opportunities for mainstreaming biodiversity conservation into governmental policies in different sectors, including policy work and field testing of proposed solutions. This will be done through the generation, organization, and dissemination of information; effective monitoring; and an increase in training focused on conservation. *Direct economic beneficiaries* of this component will include the government staff, especially those in institutions not traditionally involved with biodiversity conservation, who will receive technical training to allow them to promote the objectives of this project. The institutions themselves will benefit from increased resources and structures dedicated to conservation. *Indirect economic benefits* will be received by organizations such as NGOs, donors, and private sector firms that request services or products related to conservation, and residents of biodiversity-rich areas of Brazil, who will benefit from the increased capacity of extension agents and other government staff, increased resources and technical knowledge for conservation, and eventually greater environmental benefits from improved local ecosystems.

13. This component will also support the implementation of plans and activities to address endemic, rare, or threatened species and/or those of economic, medical or scientific interest based on ecosystem fragility, key sites, and/or buffer zones of conservation units. Results from these studies will provide the basis for sound decision-making, supported by the introduction of a GIS-based monitoring and reporting system for the State. This activity will develop the baseline information to monitor the project implementation results and to quantify the biodiversity and landscape gains.

14. The GEF resources allocated to this component (US\$ 2.5 million) will leverage counterpart fund (US\$ 4.7 million) from the Environment Compensation System (ECS). Thus the GEF fund will ensure that ECS financial resources will be applied to the selected protected areas of the Pampa biome.

15. **Component 3** will effectively manage and coordinate project activities of the project, with the goal of ensuring long-term sustainability by strengthening the capacity of governmental institutions to promote biodiversity conservation in Brazil. The *direct economic benefits* from the proposed activities will include the adoption of policies promoting biodiversity conservation in different sectors. This in turn is expected to lead to greater resources being dedicated to biodiversity conservation, including both research and fieldwork, across governmental sectors. The *indirect economic benefits* will accrue to a wide range of stakeholders, including family farmers, ranchers, organic producers, and disadvantaged groups who adopt biodiversity-friendly activities, because they will receive increased economic benefit from governmental policies favorable to biodiversity conservation, and additional technical assistance for the adoption of positive measures. Other indirect beneficiaries will include people living in pilot areas not directly involved in field activities, who will enjoy greater ecosystem benefits stemming from improved local practices.

16. Other trans-boundary and exogenous global benefits that will arise through conservation of Brazil's biodiversity are carbon storage, reduction of atmospheric emissions, and support to water cycling. Brazil's public and private sectors have significant impacts on this biodiversity. In particular, managing the policy and regulatory environment that the public sector provides for private enterprises, and managing the private sector's response, has great potential to reduce pressures on Brazil's globally significant biodiversity.

Annex 10: Safeguard Policy Issues
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Overview

1. This project aims to support biodiversity conservation a variety of methods, all aimed at supporting private land owners to move towards environmental sustainability while supporting technological innovations for production. The project will also support local governments to improve their environmental management in order to ensure development is more sustainable. As such, no significant negative environmental impacts from project activities are envisaged because the project's components and activities will all be oriented towards supporting sustainable production systems, capacity building and environmental management. In fact, the project is expected to have significant positive environmental impacts. Furthermore, improved capacity for environmental management at both private and public sector will have a positive impact on the environment in general and on undeveloped areas in particular.
2. The institutions from the government of Rio Grande do Sul involved in this project are the institutions in charge of environmental and biodiversity management in the State. Both federal and State laws regarding environmental management are sound, as are management practices within the State as the RS Rural Project has demonstrated. The Secretariat of the Environment (SEMA) is an integral part of the project implementation team. Activities to be implemented by EMATER in rural properties will be supported by SEMA, especially in Component 1. SEMA has proposed creation of a special agreement for environmental licensing of project activities when working with natural resources. This project does not involve any dams, international waterways or disputed areas.
3. Key stakeholders associated with this project, both governmental and private sector, were involved in project preparation, and they will become active players during different phases of project implementation. Involvement of primary stakeholders during project preparation took many different forms, including consultations and workshops in different areas of the state. Activities included a final consensus-building workshop in the capital Porto Alegre. The first workshop was attended by 120 participants and the second one by 150. All stakeholder recommendations were incorporated in project documents, the details of which are in the Project Files. The final version of the proposal was validated in the last workshop held in Porto Alegre.
4. During project implementation, stakeholders will participate in different ways, including on consultative committees. Partnerships with universities, research institutions, and civil society will be created or strengthened. Participation of local stakeholders and beneficiaries will include involvement in the planning, implementation and monitoring of demonstration activities, and inclusion of their demands for training in biodiversity conservation.
5. This project's beneficiaries are mainly small and medium-sized farmers. Activities to be developed in priority areas of the *Pampa* will either be selected as demonstration sites

with the willing participation of landowners, or will be generated by resident demand. All inhabitants in the rural landscape of the four priority areas will have the same level of eligibility for receiving project grants to improve their land management practices and incorporate biodiversity into their production systems.

Compliance with Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/BP 4.01)	[x]	[]
Natural Habitats (OP/BP 4.04)	[x]	[]
Pest Management (OP 4.09)	[x]	[]
Physical Cultural Resources (OP/BP 4.11)	[x]	[]
Involuntary Resettlement (OP/BP 4.12)	[]	[x]
Indigenous Peoples (OD 4.20/BP 4.10)	[x]	[]
Forests (OP/BP 4.36)	[]	[x]
Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[]	[x]
Projects on International Waterways (OP/BP/GP 7.50)	[]	[x]

Environmental Assessment

6. **This project is classified as Environmental Category: B - Assessment.** The Government of Rio Grande do Sul has prepared an Environmental Assessment (Document E2010; public disclosure in November, 2007). All activities are designed to improve the ecosystem and the habitat conditions of the RS *Pampa* while working at the rural property level to generate benefits for *Pampa* inhabitants while supporting biodiversity in productive systems. Potential adverse environmental or social impacts will be minor or will not exist at all, as they be avoided or minimized through appropriate preventive actions and mitigation measures. Some of the interventions and activities to be carried out under the “On-Farm Biodiversity Mainstreaming” (Component 1) could potentially have a negative impact on the environment. As recommended by the EA, these potential impacts will be detected prior to implementation and specified in the terms of reference of any of the activities proposed under the component. Subprojects assessed as having potential negative environmental impacts will not be financially supported by this project.

7. All project activities need to obtain an official environmental license which is granted by SEMA through FEPAM (State Foundation for Environmental Protection) in cooperation with DEFAP (State Department of Forests and Protected Areas) and DRH (Department of Water Resources). Both SEMA and FEPAM are implementing partners of this project. A full evaluation of FEPAM’s licensing process has been carried out, and it concluded that FEPAM provides adequate initial screening for the Bank’s environmental requirements. Activities within protected areas will be supported by the

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

Compensatory Measure program and be guided by FEPAM, thus complying with the state and national laws, and incorporated into the management plans for each protected area.

8. Each demand-driven subproject financed by Component 1 will first be analyzed by DEFAP and EMATER in terms of its potential environmental impact. Proposals with potential environmental risk will be submitted directly to FEPAM for further assessment prior to licensing, according to the agency's current legal framework. The Operational Manual will build upon the above process. Annual evaluations will be carried out, and assess the effectiveness of this process.

9. The finalized Operational Manual will include the necessary checklists to screen subprojects and identify potential problems, and will include detailed provisions of required actions in order to ensure compliance with the Bank's safeguards.

Natural habitats

10. Threats to Brazilian biodiversity are primarily due to human occupation and activities, especially in the rural landscape. These threats include expansion of agriculture, livestock husbandry and forest exploitation, with accompanying changes in land use patterns. The southernmost part of Brazil, especially Rio Grande do Sul State, has been historically occupied by extensive livestock production systems, which have changed the physiognomy of the region and have introduced non-native species to produce better pastures for cattle grazing. The proposed project, through its focus on awareness building, knowledge generation, sustainable productive activities and incorporation of biodiversity conservation into key development activities, will contribute to the development of strategies and demonstration sites that permit the co-existence of economic development and biodiversity use and conservation. No conversion of critical natural habitats will be either promoted or permitted under new initiatives in this project. All sub-projects and demonstration units in Component 1 will ensure that proposed actions are consistent with existing policy and will specifically address the issue of natural habitats.

Pest Management

11. Component 1 plans to integrate biodiversity into the rural landscape and to work with farmers towards a better land management. While working at the farm level, the use of biological or environmental control methods may be considered, but the project will be not involve the use of synthetic chemical pesticides. EMATER is at present using special policies and assessing pest management at the state level for the safe use of agricultural pesticides. This project will consider IPM if found to be needed for the biological control, cultural practices, and the development and use of crop varieties that are resistant or tolerant to the pest, if it is thought appropriate. The Operation Manual will include necessary checklists to screen and highlight such subprojects and will include details of the steps such subprojects will need to go through in order to ensure compliance with the Bank's safeguard.

Physical Cultural Resources

12. The assessment of this project indicated that it is highly unlikely that any activity will have any impact, negative or positive, on objects, sites, structures, natural features or landscapes with archeological, paleontological, historical or any other aspect of cultural significance. However, in the very unlikely event that project activities were to have such a potential impact, these will be immediately stopped until a protection plan is put in place in accordance with OP 4.11 and OPN 11.03.

Involuntary Resettlement

13. This project does not involve involuntary resettlement. The resettlement concept is understood by RS officials involved in the project, according to Bank criteria, as including both the economic and social impact of any investment sub-project which may have the effect of involuntarily taking land (relocation or loss of shelter, loss of assets or access to assets, or loss of income sources) or the involuntary restriction of access to conservation areas. This definition has been agreed with the client and will be incorporated into the project manual.

Indigenous Peoples

14. Rio Grande do Sul has a small population of Indigenous People (totaling 23,924 people in 3,665 families mainly of the Guarani and Kaingang ethnicities). The project has developed an Indigenous Peoples Framework that will facilitate engagement of indigenous people to the degree that they are present in the municipalities of the project area. Indigenous people are therefore potential beneficiaries provided that they meet eligibility criteria.

15. Although the project does not specifically target activities for indigenous groups, there are 80 indigenous families in the four project priority areas. Project implementation and monitoring procedures have developed specific tools for early detection of any potential impact on indigenous people and their territories as a result of biodiversity sub-projects and provide guidelines for indigenous consultation during the phases of preparation and implementation of sub-projects. The basis for these procedures and the monitoring of its implementation is included in the Indigenous People's Framework.

16. The finalized Operational Manual will provide details of all potential beneficiaries' participation, the actions plans to be developed and other related issues such as developing materials in Guarani language for awareness building. Should an indigenous group apply for, and be selected to implement, a sub-project under component 1, the Operational Manual procedures for subproject selection, implementation and monitoring and evaluation will be applied to ensure compliance with safeguard OP 4.10. These procedures under an Indigenous People's Framework include: a) institutional arrangements including identification and technical approval of proposals; b) social assessments which will carry out a free, prior, and informed consultation with the proposed recipient to identify their views; c) indigenous peoples plan; d) institutional arrangements for clearance of subprojects; e) granting of subprojects involving

indigenous groups; and f) institutional arrangements for monitoring sub-projects. Project implementation will facilitate cooperation and partnerships with local and regional governments and with NGOs that work in the area and have experience working with indigenous communities.

17. Needs and concerns regarding indigenous groups identified during project preparation include: i) land tenure problems within indigenous communities; ii) strengthening the food security of communities through improvement of subsistence farming; iii) technical assistance in agricultural production, project administration and management, recovery and conservation of communities' natural resources; iv) development of income-generating activities; v) improvement of housing and environmental protection in communities; vi) ensuring appropriate mechanisms for indigenous representation in the general public arena and within the project; and vii) the need to strengthen indigenous organizations, ensuring that their demands are heard in the public arena and are duly met.

Annex 11: Project Preparation and Supervision
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

	Planned	Actual
PCN review	August 6, 2007	August 6, 2007
Initial PID to PIC		October 25, 2007
Initial ISDS to PIC		November 12, 2007
Appraisal	May 05-06, 2009	May 14-20, 2009
Negotiations	June 29-30, 2009	
Board/RVP approval	July 30, 2009	
Planned date of effectiveness	September, 2009	
Planned date of mid-term review	August, 2012	
Planned closing date	August, 2014	

Key institutions responsible for preparation of the project:

Secretaria de Planejamento e Gestão and Secretaria Estadual de Meio Ambiente/
 Government of the Rio Grande do Sul State

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Bernadete Lange	Environmental Specialist	LCSSD
Michael G. Carroll	Lead Natural Resources Management Specialist	LCSAR
Isabella Micali Drossos	Senior Counsel	LEGLA
Jeannette Ramirez	Operations Officer	LCSAR
Cristina Oliveira Roriz	Operations Analyst	LCSSD
Paula Freitas	Operations Officer	LCSSD
Daniella Arruda	Team Assistant	LCSRU
Dinesh Aryal	Operations Officer	LCSAR
Karen J. Ravenelle-Smith	Language Program Assistant	LCSAR
Roberto Mosse	Financial Management Specialist/Consultant	LCSFM
Frederico Rabello T. Costa	Procurement Specialist	LCSPT
Edgardo Floto	Senior Economist/Consultant	LCSAR
Joao Vicente	Financial Management Specialist	LCSFM
Timothy Valentiner	Junior Professional Associate	LCSAR
Alberto Yanosky	Biodiversity Conservation/Consultant	LCSAR
Luiz Noronha	Institution Specialist/Consultant	LCSAR
Vittorio Silvestri	Financial Analyst/Consultant	LCSAR

Bank funds expended to date on project preparation:

1. Bank resources: US\$ 178,583
2. Trust funds (GEF TF53952): US\$ 349,488
3. Total: 528,071

Estimated Approval and Supervision costs:

Remaining costs to approval: US\$ 3,600.
 Estimated annual supervision cost: US\$ 60,000.

Annex 12: Documents in the Project File
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Projeto Conservação da Biodiversidade Como Fator de Contribuição ao Desenvolvimento do Estado do Rio Grande do Sul - Porto Alegre/Rs-Brasil - Maio 2007

Apêndice I - Relatório das Viagens e Reuniões Preparatórias das Oficinas com a Comunidade – Março e Abril de 2005

Apêndice II - Relatório do 1º Workshop de Preparação do Projeto RS Biodiversidade

Apêndice III - Relatório dos Workshops Locais de Preparação do Projeto RS Biodiversidade – Dezembro de 2005/Janeiro e Fevereiro de 2006

Apêndice IV - Relatório do 2º Workshop de Preparação do Projeto RS Biodiversidade

Apêndice V - Preparação e Implantação de Experiências e Práticas

Apêndice VI - Apoio à Utilização de Práticas para Conservação da Biodiversidade

Apêndice VII - Conservação da Biodiversidade em Áreas de Alta Importância Biológica

Apêndice VIII - Promoção e Difusão do Tema Valoração Econômica dos Serviços Ambientais Prestados pela Biodiversidade no Estado do Rio Grande do Sul

Apêndice IX - Definição de Estratégias para Influir nas Políticas Públicas de Manejo de Espécies Exóticas Invasoras

Apêndice X - Implantação de Sistema de Informação Geográfica sobre a Biodiversidade (SIGBIO)

Apêndice XI - Definição e Implantação de Sistema de Indicadores Biológicos e Socioeconômicos, a ser Inserido nos Programas Institucionais de Monitoramento da Biodiversidade

Apêndice XII - Implantação de Zoneamento Ecológico-Econômico

Apêndice XIII - Estratégia de Conservação da Biodiversidade em Propriedades Privadas

Apêndice XIV - Aplicação de Instrumentos de Incentivo à Utilização de Práticas de Conservação da Biodiversidade

Apêndice XV - Sistema de Certificação de Produtos da Biodiversidade do Estado

Apêndice XVI - Elaboração de Planos de Ação Porto

Apêndice XVII - Implementação de Ações de Recuperação

Apêndice XVIII - Educação Dirigida às Instituições de Ensino e Educação Dirigida a Grupos Específicos

Apêndice XIX - Divulgação da Biodiversidade

Apêndice XX - Capacitação de Recursos Humanos, Capacitação Institucional e Estrutura Organizacional do Projeto

Apêndice XXI - Sistema de Monitoramento e Avaliação M & A

Manual Operativo do Projeto: Conservação da Biodiversidade Como Fator de Contribuição ao Desenvolvimento do Estado do Rio Grande do Sul (Rs Biodiversidade) – Março de 2008

Avaliação Social

Avaliação Ambiental

Plano de Aquisições

SAFF Termos de Referência

Annex 13: Statement of Loans and Credits
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P089929	2008	BR RGN State Integrated Water Res Mgmt	35.90	0.00	0.00	0.00	0.00	35.90	0.00	0.00
P094199	2008	BR-(APL1) RS Integrated Mun Dev Pelotas	18.90	0.00	0.00	0.00	0.00	18.90	0.00	0.00
P089013	2008	BR Municipal APL: Recife	32.76	0.00	0.00	0.00	0.00	32.76	0.00	0.00
P088966	2008	BR Municipal APL3: Teresina	31.13	0.00	0.00	0.00	0.00	31.13	0.00	0.00
P083997	2008	BR Alto Solimoes Basic Services and Sust	24.25	0.00	0.00	0.00	0.00	24.25	0.00	0.00
P082651	2007	BR APL 1 Para Integrated Rural Dev	60.00	0.00	0.00	0.00	0.00	56.14	20.14	0.00
P089011	2007	BR Municipal APL1: Uberaba	17.27	0.00	0.00	0.00	0.00	17.27	0.00	0.00
P089793	2007	BR State Pension Reform TAL II	5.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00
P095460	2007	BR-Bahia Integr.Hway Mngmt.	100.00	0.00	0.00	0.00	0.00	100.00	1.70	0.00
P089440	2006	BR-Brasilia Environmentally Sustainable	57.64	0.00	0.00	0.00	0.00	53.69	26.31	0.00
P095675	2006	BR-2nd Progr. Sustn.& Equit Growth	601.50	0.00	0.00	0.00	0.00	150.00	601.51	0.00
P093787	2006	BR Bahia State Integ Proj Rur Pov	54.35	0.00	0.00	0.00	0.00	6.02	-11.95	0.00
P092990	2006	BR - Road Transport Project	501.25	0.00	0.00	0.00	0.00	500.00	224.75	93.75
P082523	2006	BR HD Technical Assistance Loan	8.00	0.00	0.00	0.00	0.00	7.09	6.43	0.00
P090041	2006	BR ENVIRONMENTAL SUST. AGENDA TAL	8.00	0.00	0.00	0.00	0.00	6.06	5.33	0.00
P081436	2006	BR-Bahia Poor Urban Areas Integrated Dev	49.30	0.00	0.00	0.00	0.00	42.66	31.95	0.00
P052256	2006	BR-MG Rural Poverty Reduction	35.00	0.00	0.00	0.00	0.00	11.20	-4.10	0.00
P050761	2006	BR-Housing Sector TAL	4.00	0.00	0.00	0.00	0.00	3.99	2.24	0.00
P083533	2005	BR TA-Sustain. & Equit Growth	12.12	0.00	0.00	0.00	0.00	9.66	7.14	0.00
P076924	2005	BR- Amapa Sustainable Communities	4.80	0.00	0.00	0.00	0.00	3.98	3.59	0.00
P069934	2005	BR-PERNAMBUCO INTEG DEVT: EDUC QUAL IMPR	31.50	0.00	0.00	0.00	0.00	20.50	17.28	0.00
P087711	2005	BR Espirito Santo Wtr & Coastal Pollu	36.00	0.00	0.00	0.00	0.00	13.68	13.41	0.00
P082328	2005	BR-Integ.Munic.Proj.-Betim Municipality	24.08	0.00	0.00	0.00	0.00	2.37	-3.48	0.00
P087713	2004	BR Bolsa Familia 1st APL	572.20	0.00	0.00	0.00	2.86	11.22	14.08	0.00
P060573	2004	BR Tocantins Sustainable Regional Dev	60.00	0.00	0.00	0.00	0.00	45.58	39.08	23.08
P083013	2004	BR Disease Surveillance & Control APL 2	100.00	0.00	0.00	0.00	0.00	45.70	42.43	0.00
P080830	2004	BR Maranhao Integrated: Rural Dev	30.00	0.00	0.00	0.00	0.00	15.13	15.13	0.00
P049265	2003	BR-RECIFE URBAN UPGRADING PROJECT	46.00	0.00	0.00	0.00	0.00	32.89	27.01	23.31
P074777	2003	BR-Municipal Pension Reform TAL	5.00	0.00	0.00	0.00	0.00	2.92	2.92	2.92
P076977	2003	BR-Energy Sector TA Project	12.12	0.00	0.00	0.00	0.00	7.68	7.68	0.00
P054119	2003	BR BAHIA DEVT (HEALTH)	30.00	0.00	0.00	0.00	0.00	11.88	11.88	0.00
P043869	2002	BR SANTA CATARINA NATURAL RESOURC & POV.	62.80	0.00	0.00	0.00	0.00	9.58	9.58	0.00
P051696	2002	BR SÃO PAULO METRO LINE 4 PROJECT	209.00	0.00	0.00	0.00	0.00	19.24	19.24	19.24
P057653	2002	BR- FUNDESCOLA IIIA	160.00	0.00	0.00	0.00	0.00	8.45	-59.25	0.00
P060221	2002	BR FORTALEZA METROPOLITAN TRANSPORT PROJ	85.00	0.00	0.00	0.00	62.60	19.86	81.09	29.38

P073192	2002	BR TA Financial Sector	14.50	0.00	0.00	0.00	4.57	3.95	8.52	0.54
P066170	2002	BR-RGN Rural Poverty Reduction	22.50	0.00	0.00	0.00	0.00	22.50	0.00	0.00
P073294	2001	BR Fiscal & Fin. Mgmt. TAL	8.88	0.00	0.00	0.00	0.00	4.86	4.56	4.86
P050772	2001	BR LAND-BASED POVRTY ALLEVIATION I (SIM)	202.10	0.00	0.00	0.00	44.23	39.64	45.86	-12.27
P050875	2001	BR Ceara Rural Poverty Reduction Project	37.50	0.00	0.00	0.00	0.00	10.98	-26.52	-26.52
P050880	2001	BR Pernambuco Rural Poverty Reduction	30.10	0.00	0.00	0.00	0.63	23.00	-6.37	1.63
P050881	2001	BR BR-PIAUI RURAL POVERTY REDUCTION	22.50	0.00	0.00	0.00	0.00	18.80	-3.70	-3.70
P059566	2001	BR- CEARA BASIC EDUCATION	90.00	0.00	0.00	0.00	0.00	1.34	1.34	1.34
P006449	2000	BR CEARA WTR MGT PROGERIRH SIM	136.00	0.00	0.00	0.00	0.00	9.61	9.61	9.61
P043420	1998	BR WATER S.MOD.2	150.00	0.00	0.00	0.00	125.00	6.54	131.51	-0.06
P043421	1998	BR RJ M.TRANSIT PRJ.	186.00	0.00	0.00	0.00	0.00	44.00	0.00	0.00
P038895	1998	BR FED.WTR MGT	198.00	0.00	0.00	0.00	40.00	48.16	38.16	5.66
Total:			4,222.95	0.00	0.00	0.00	279.89	1,615.76	1,356.09	172.77

BRAZIL
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2005									
2005	ABN AMRO REAL	98.00	0.00	0.00	0.00	15.77	0.00	0.00	0.00
2001	AG Concession	0.00	30.00	0.00	0.00	0.00	30.00	0.00	0.00
2002	Amaggi	17.14	0.00	0.00	0.00	17.14	0.00	0.00	0.00
2005	Amaggi	30.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00
2002	Andrade G. SA	22.00	0.00	10.00	12.12	22.00	0.00	10.00	12.12
2001	Apolo	6.04	0.00	0.00	0.00	3.54	0.00	0.00	0.00
1998	Arteb	20.00	0.00	0.00	18.33	20.00	0.00	0.00	18.33
2006	BBM	49.40	0.00	0.00	0.00	49.40	0.00	0.00	0.00
2001	Brazil CGFund	0.00	19.75	0.00	0.00	0.00	18.15	0.00	0.00
2004	CGTF	54.01	0.00	7.00	65.12	54.01	0.00	7.00	65.12
1994	CHAPECO	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1996	CHAPECO	1.50	0.00	0.00	5.26	1.50	0.00	0.00	5.26
2003	CPFL Energia	0.00	40.00	0.00	0.00	0.00	40.00	0.00	0.00
1996	CTBC Telecom	3.00	8.00	0.00	0.00	3.00	8.00	0.00	0.00
1997	CTBC Telecom	0.00	6.54	0.00	0.00	0.00	6.54	0.00	0.00
1999	Cibrasec	0.00	3.27	0.00	0.00	0.00	3.27	0.00	0.00
2004	Comgas	11.90	0.00	0.00	11.54	11.90	0.00	0.00	11.54
2005	Cosan S.A.	50.00	5.00	15.00	0.00	50.00	5.00	15.00	0.00
	Coteminas	0.00	1.84	0.00	0.00	0.00	1.84	0.00	0.00
1997	Coteminas	1.85	1.25	0.00	0.00	1.85	1.25	0.00	0.00

2000	Coteminas	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1980	DENPASA	0.00	0.52	0.00	0.00	0.00	0.48	0.00	0.00
1992	DENPASA	0.00	0.06	0.00	0.00	0.00	0.06	0.00	0.00
	Dixie Toga	0.00	0.34	0.00	0.00	0.00	0.34	0.00	0.00
1998	Dixie Toga	0.00	10.03	0.00	0.00	0.00	10.03	0.00	0.00
1997	Duratex	1.36	0.00	3.00	0.57	1.36	0.00	3.00	0.57
2005	EMBRAER	35.00	0.00	0.00	145.00	35.00	0.00	0.00	145.00
1999	Eliane	14.93	0.00	13.00	0.00	14.93	0.00	13.00	0.00
1998	Empesca	1.33	0.00	2.67	0.00	1.33	0.00	2.67	0.00
2006	Endesa Brasil	0.00	50.00	0.00	0.00	0.00	50.00	0.00	0.00
2006	Enerbrasil Ltda	0.00	5.50	0.00	0.00	0.00	0.00	0.00	0.00
2006	FEBR	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
2000	Fleury	0.00	0.00	6.00	0.00	0.00	0.00	6.00	0.00
1998	Fras-le	4.00	0.00	9.34	0.00	4.00	0.00	6.04	0.00
2006	GOL	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005	GP Capital III	0.00	14.00	0.00	0.00	0.00	0.14	0.00	0.00
	GP Cptl Rstrctd	0.00	2.22	0.00	0.00	0.00	2.16	0.00	0.00
2001	GPC	0.00	0.00	9.00	0.00	0.00	0.00	9.00	0.00
	GTFP BIC Banco	44.91	0.00	0.00	0.00	44.91	0.00	0.00	0.00
	GTFP BM Brazil	4.22	0.00	0.00	0.00	4.22	0.00	0.00	0.00
	GTFP Indusval	5.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
1997	Guilman-Amorim	18.08	0.00	0.00	14.37	18.08	0.00	0.00	14.37
1998	Icatu Equity	0.00	5.46	0.00	0.00	0.00	4.16	0.00	0.00
1999	Innova SA	0.00	5.00	0.00	0.00	0.00	5.00	0.00	0.00
1980	Ipiranga	0.00	2.87	0.00	0.00	0.00	2.87	0.00	0.00
1987	Ipiranga	0.00	0.54	0.00	0.00	0.00	0.54	0.00	0.00
2006	Ipiranga	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Itambe	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2000	Itau-BBA	12.86	0.00	0.00	0.00	12.86	0.00	0.00	0.00
2002	Itau-BBA	70.61	0.00	0.00	0.00	38.47	0.00	0.00	0.00
1999	JOSAPAR	7.57	0.00	7.00	0.00	2.57	0.00	7.00	0.00
2005	Lojas Americana	35.00	0.00	0.00	0.00	35.00	0.00	0.00	0.00
1992	MBR	0.00	0.00	10.00	0.00	0.00	0.00	10.00	0.00
2006	MRS	50.00	0.00	0.00	50.00	0.00	0.00	0.00	0.00
2002	Microinvest	0.00	1.25	0.00	0.00	0.00	0.82	0.00	0.00
	Net Servicos	0.00	10.93	0.00	0.00	0.00	10.93	0.00	0.00
2002	Net Servicos	0.00	1.60	0.00	0.00	0.00	1.60	0.00	0.00
2005	Net Servicos	0.00	5.08	0.00	0.00	0.00	5.08	0.00	0.00
1994	Para Pigmentos	2.15	0.00	9.00	0.00	2.15	0.00	9.00	0.00
1994	Portobello	0.00	0.59	0.00	0.00	0.00	0.59	0.00	0.00
2000	Portobello	4.28	0.00	7.00	0.00	4.28	0.00	7.00	0.00
2002	Portobello	0.00	0.90	0.00	0.00	0.00	0.90	0.00	0.00
2000	Puras	0.00	0.00	1.00	0.00	0.00	0.00	1.00	0.00
2003	Queiroz Galvao	26.67	0.00	10.00	0.00	26.67	0.00	10.00	0.00
2004	Queiroz Galvao	0.60	0.00	0.00	0.00	0.08	0.00	0.00	0.00
2006	RBSec	22.83	1.51	0.00	0.00	0.00	1.51	0.00	0.00
	Randon Impl Part	2.33	0.00	3.00	0.00	2.33	0.00	3.00	0.00
1997	Sadia	2.55	0.00	2.33	3.28	2.55	0.00	2.33	3.28
1997	Samarco	3.60	0.00	0.00	0.00	3.60	0.00	0.00	0.00

1998	Saraiva	0.00	1.24	0.00	0.00	0.00	1.24	0.00	0.00
2000	Sepetiba	26.24	0.00	5.00	0.00	11.24	0.00	5.00	0.00
2002	Suafe ICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
1999	Sudamerica	0.00	7.35	0.00	0.00	0.00	7.35	0.00	0.00
2006	Suzano petroq	50.00	0.00	10.00	140.00	39.50	0.00	10.00	110.50
2001	Synteko	11.57	0.00	0.00	0.00	11.57	0.00	0.00	0.00
2006	TAM	50.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
1998	Tecon Rio Grande	3.55	0.00	5.50	3.71	3.55	0.00	5.50	3.71
2004	Tecon Rio Grande	7.87	0.00	0.00	7.76	7.59	0.00	0.00	7.48
2001	Tecon Salvador	2.95	1.00	0.00	3.10	2.95	0.77	0.00	3.10
2003	Tecon Salvador	0.00	0.55	0.00	0.00	0.00	0.55	0.00	0.00
2004	TriBanco	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
2006	TriBanco	0.35	0.00	0.00	0.00	0.35	0.00	0.00	0.00
2002	UP Offshore	9.01	9.51	0.00	23.29	0.00	2.51	0.00	0.00
2002	Unibanco	16.89	0.00	0.00	0.00	16.89	0.00	0.00	0.00
Total portfolio:		1,164.15	253.88	144.84	503.45	703.91	223.86	141.54	400.38

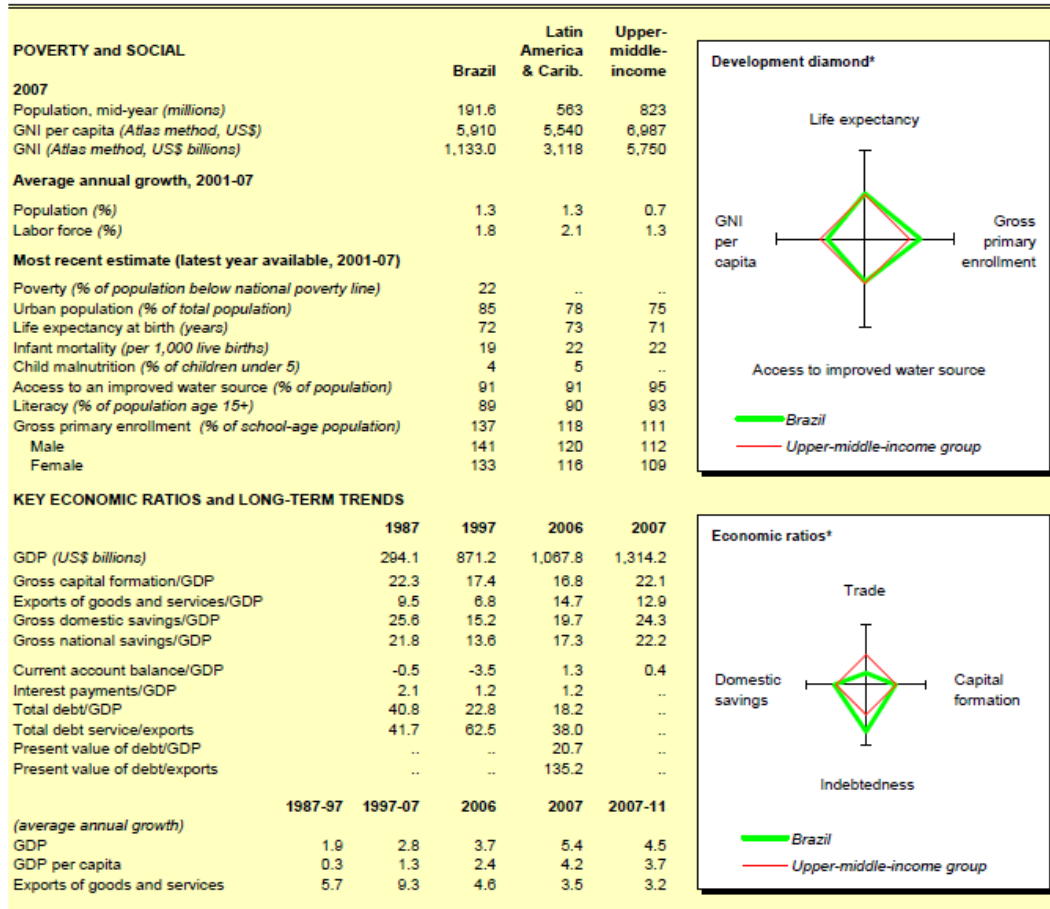
		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
2000	BBA	0.01	0.00	0.00	0.00
1999	Cibrasec	0.00	0.00	0.00	0.00
2006	Ipiranga II	0.00	0.00	0.00	0.10
2002	Banco Itau-BBA	0.00	0.00	0.00	0.10
Total pending commitment:		0.01	0.00	0.00	0.20

Annex 14: Country at a Glance

BRAZIL: BR GEF Rio Grande do Sul Biodiversity

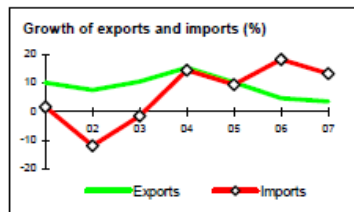
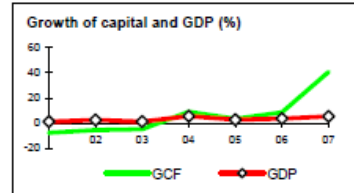
Brazil at a glance

9/24/08



STRUCTURE of the ECONOMY

	1987	1997	2006	2007
<i>(% of GDP)</i>				
Agriculture	10.0	5.4	5.1	4.9
Industry	45.9	26.1	30.9	30.6
Manufacturing	32.0	16.7	18.4	17.5
Services	44.1	68.5	64.0	64.5
Household final consumption expenditure	62.3	64.9	60.4	47.7
General gov't final consumption expenditure	12.2	19.9	19.9	28.0
Imports of goods and services	6.2	9.0	11.7	10.7
	1987-97	1997-07	2006	2007
<i>(average annual growth)</i>				
Agriculture	2.1	4.2	4.1	1.5
Industry	0.9	2.3	2.7	5.5
Manufacturing	3.2	2.4	1.6	5.5
Services	3.1	3.7	4.1	6.7
Household final consumption expenditure	3.6	1.9	4.7	-2.9
General gov't final consumption expenditure	0.8	2.5	3.8	2.2
Gross capital formation	1.8	2.1	8.7	40.7
Imports of goods and services	14.0	2.7	18.1	13.2



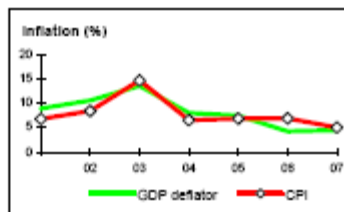
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

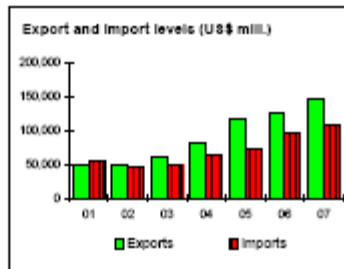
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
(% change)				
Consumer prices	228.3	5.2	6.9	5.1
Implicit GDP deflator	204.1	7.7	4.3	4.5
Government finance				
(% of GDP, includes current grants)				
Current revenue	10.4	17.1	..	36.5
Current budget balance	-1.4	0.1	..	-3.2
Overall surplus/deficit	-2.8	2.4	..	-2.8



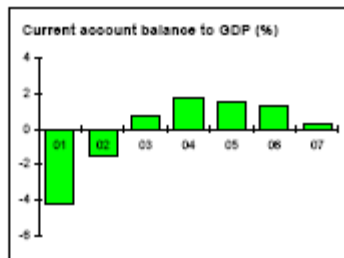
TRADE

(US\$ millions)	1987	1997	2006	2007
Total exports (fob)	26,225	43,674	127,305	148,324
Iron ore, manganese	1,718	2,846	..	11,629
Soybeans	2,325	2,452	..	8,030
Manufactures	14,331	29,199	79,904	75,323
Total imports (cif)	15,053	59,747	96,835	107,941
Food	500	2,463	..	2,055
Fuel and energy	4,674	5,597	..	16,345
Capital goods	3,958	16,098	49,003	28,179
Export price index (2000=100)	82	113	106	110
Import price index (2000=100)	42	113	89	91
Terms of trade (2000=100)	193	100	120	121



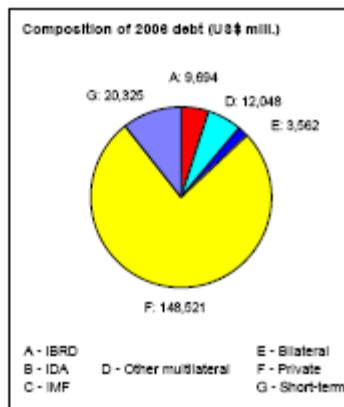
BALANCE of PAYMENTS

(US\$ millions)	1987	1997	2006	2007
Exports of goods and services	26,073	59,870	156,908	168,002
Imports of goods and services	17,749	77,269	120,243	139,394
Resource balance	10,324	-17,399	36,665	28,608
Net income	-11,699	-14,876	-27,489	-23,812
Net current transfers	-43	1,823	4,307	-135
Current account balance	-1,418	-30,452	13,621	4,661
Financing items (net)	3,583	22,201	18,419	78,199
Changes in net reserves	-2,165	8,251	-32,040	-82,860
Memo:				
Reserves including gold (US\$ millions)	7,458	52,173	85,839	169,445
Conversion rate (DEC, local/US\$)	1.43E-8	1.1	2.2	1.9



EXTERNAL DEBT and RESOURCE FLOWS

(US\$ millions)	1987	1997	2006	2007
Total debt outstanding and disbursed	119,842	198,457	194,150	..
IBRD	9,384	5,743	9,694	9,676
IDA	0	0	0	0
Total debt service	11,957	41,243	62,145	..
IBRD	1,555	1,428	1,174	1,353
IDA	0	0	0	0
Composition of net resource flows				
Official grants	35	83	93	..
Official creditors	36	-1,186	-401	..
Private creditors	-705	16,415	6,197	..
Foreign direct Investment (net inflows)	1,169	19,650	18,782	..
Portfolio equity (net inflows)	61	5,099	7,716	..
World Bank program				
Commitments	1,394	1,104	1,557	1,365
Disbursements	915	1,416	2,203	606
Principal repayments	667	1,049	743	605
Net flows	48	368	1,460	-199
Interest payments	688	380	432	548
Net transfers	-641	-12	1,028	-747



Annex 15: Incremental Cost Analysis
BRAZIL: BR GEF Rio Grande do Sul Biodiversity

“Business-as-Usual” Scenario

1. The importance of biodiversity in the *Pampa* biome of Rio Grande do Sul is recognized, both within and outside the country, and some of biodiversity conservation efforts have already taken place or are currently ongoing. However, many of these initiatives have been or are carried out in isolation, with little coordination. There still remain many large and important gaps in knowledge and information on biodiversity, such as a lack of productive resource management practices and key weaknesses in environmental institutions that are responsible for biodiversity. There is no consistent, coordinated and consolidated portfolio of biodiversity activities that has been agreed upon by actors from different sectors. Success stories and lessons learned are at best not shared, and at worst, lost. New initiatives do not benefit from knowledge generated through past activities, and possible synergies between projects and programs are not identified and thus are not utilized. If most biodiversity activities are carried out without the full benefit of coordination with related activities, most efforts at mainstreaming biodiversity conservation are even more sporadic and isolated.

2. It is expected that very little would change in the context of biodiversity mainstreaming, information, and institutional capacity. Some public-sector mainstreaming efforts would likely be carried out, largely in high-profile contexts, and limited positive impacts would be gained. Some forward-thinking, private-sector entities would probably begin to incorporate biodiversity-friendly criteria, but largely on their own initiative and on a small scale. Governmental institutions and NGOs would almost certainly continue to promote biodiversity conservation, but would continue to lack the strong institutions needed to achieve the full scope of integrated, sustainable positive results, as well as the information network needed to share knowledge and innovations among different actors.

3. Under the business as usual, only limited and uncoordinated interventions would be implemented by the State to mitigate environmental impacts of economic activities especially areas of environmental fragility. In addition, the international protocols for monitoring protected areas being developed by IUCN World Commission on Protected Areas framework for management effectiveness would not be implemented in Pampa.

Global Environmental Benefits and Strategic Fit

4. The Pampa biome is considered one of the global centers for endemic birds and supports high levels of biodiversity. A total of 17 species of birds that live in the RS *Pampa* are globally threatened and another 11 are near threatened. Some other species are considered threatened both nationally and globally; approximately 9 mammal and 7 reptile species occurring in Rio Grande do Sul are considered by IUCN as globally threatened including migratory species covered by the Convention on Migratory Species

(CMS). The rich and unique fauna and flora makes the area globally significant and RS is the only area where Brazil may contribute to the conservation of grasslands.

5. The proposed project is fully consistent with biodiversity strategic objectives and biodiversity strategic programs for GEF-4 (BD/SP). Specifically, the project proposes to strengthened protected areas network (BD-1/SP#3); strengthened the policy and regulatory framework, (DB-2/SP#4); building local capacity to control and management of invasive alien species (BD-3/SP#7); and, fostering markets for biodiversity goods (BD-2/SP#5).

6. The project's objectives are also consistent with guidelines and decisions of the Conference of the Parties (COP) of the Biodiversity Convention regarding conservation and sustainable use of biological diversity.

7. Other expected global benefits include carbon sequestration, reductions of atmospheric emissions, building local capacity to control and management of invasive alien species, and support to sustainable water and watershed use. Global benefits of the proposed project also include enhanced monitoring and information exchange, the generation of new capacity for biodiversity conservation, and an increased awareness of the importance of environmental services.

GEF Alternative

8. The Rio Grande do Sul Biodiversity project seeks to harness the interaction between agriculture and the environment to help the State government advance towards sustainable development in the rural landscape and conserve globally significant biodiversity, while maintaining farmers' social, economic and cultural livelihoods.

9. GEF support for this proposed project will go towards financing the incremental costs needed to ensure that activities will promote global environmental benefits in addition to national and state benefits. Such activities will encourage the adoption of globally beneficial conservation practices by local communities and municipal administrations and contribute to integrating management of biodiversity into key institutions which are promoting conservation and sustainable use – in particular, agricultural institutions and biodiversity conservation organizations.

10. The proposed project will develop and implement public policy approaches that mainstream biodiversity, conservation, and sustainable use throughout key government sectors. The result will be an environment where both the public and private sectors are encouraged to adopt biodiversity-friendly products and activities. The elevation of the issue of biodiversity throughout the work of the public sector is expected to lead to tangible changes in economic incentives and regulatory frameworks, hopefully influencing public opinion in favor of biodiversity conservation.

11. To optimize the effects of these policy changes within the private sector, the proposed project will establish demonstration units that are public-private partnerships made up of consortia of public agencies and research centers, NGOs, and private enterprises. These

demonstration units will test mainstreaming activities and produce biodiversity-friendly technical innovations, best practice advice, and incentives across leading productive sectors. Following this testing, the project will ensure that the knowledge gained will be disseminated throughout Brazil.

12. This proposed will also strengthen the RS government's institutional capacity to generate relevant information about mainstreaming biodiversity concerns within the public and private sectors by strengthening a network of thematic centers for biodiversity conservation and sustainable use associated with economic sectors. Institutional capacity for monitoring the effects of development activities on biodiversity will also be enhanced.

13. This project aims at providing the basis for removing the causes of biodiversity loss and specific threats to ecosystems in the state's productive areas. Threats will also be reduced by actively disseminating information to different segments of society about the relevance of biodiversity conservation to their livelihoods.

14. This project will strengthen institutions and provide appropriate training for operational and managerial staff in numerous state agencies, both to ensure proper project implementation and to guarantee sustainability of the project's impacts after project end. Proposed activities will work at the macro-level to address the lack of resources in the public sector devoted to biodiversity. A project management unit for implementing this project will be established and roles for coordination and management will be delineated. This unit will be in charge of purchasing elements for operational and management needs and processes.

Incremental Costs and Role of Co finance

15. The difference between the cost of the Business as usual Scenario (US\$6.1 million) and the cost of the GEF Alternative (US\$11.1 million) is estimated at US\$5 million. This represents the incremental cost for achieving global environmental benefits, and is the amount requested from the GEF. The remaining US\$ 6.10 million has been leveraged from three other sources: (i) the RS State-run Biodiversity Compensatory Measures System; (ii) The Nature Conservancy; and, (iii) executing agencies.

16. It is possible that the activities proposed under this initiative will leverage additional funding from other donors, NGOs, or private-sector institutions for related activities. However, this potential funding has not been included as co-financing in the GEF alternative calculations.

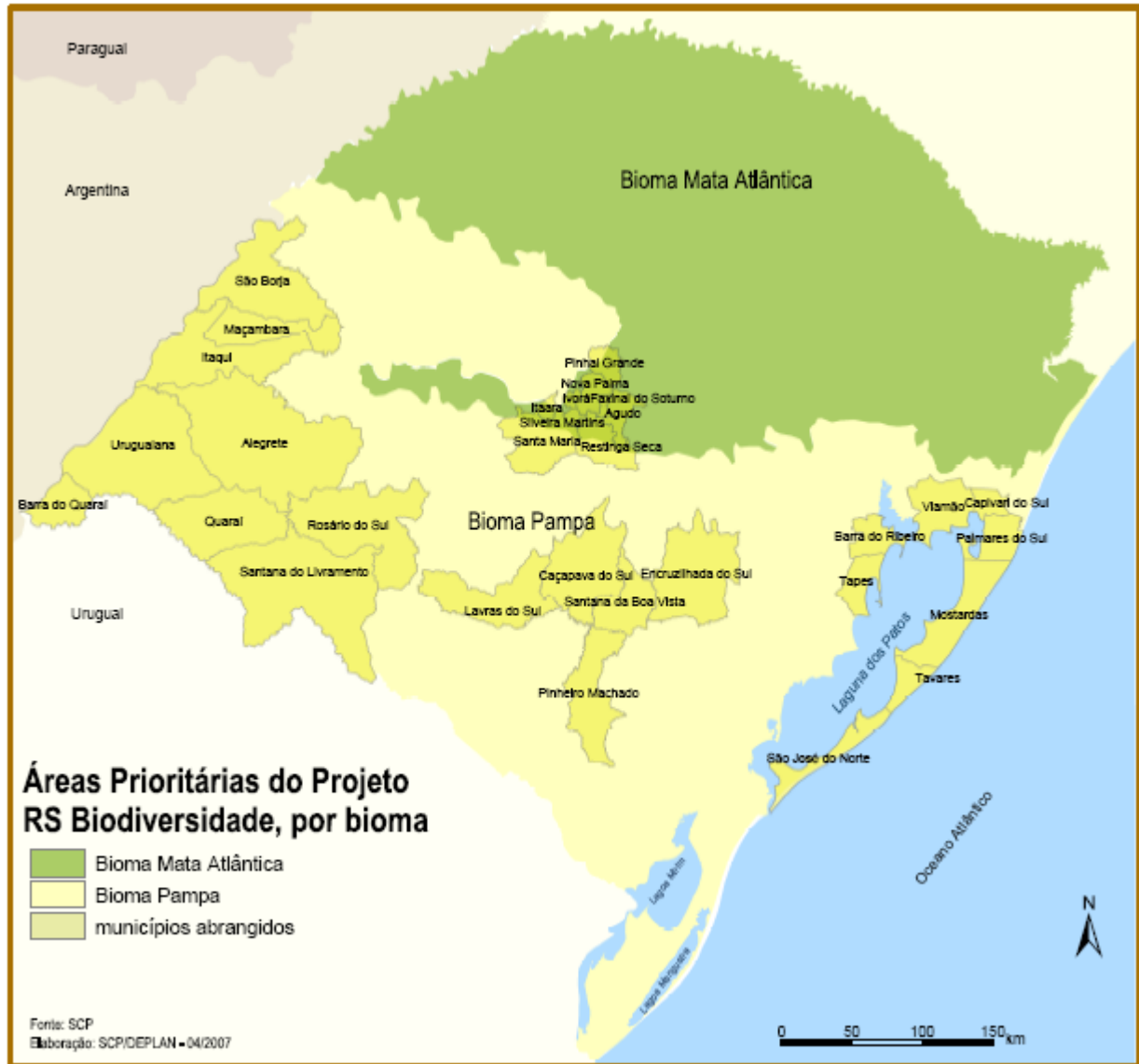
Result-Based Framework

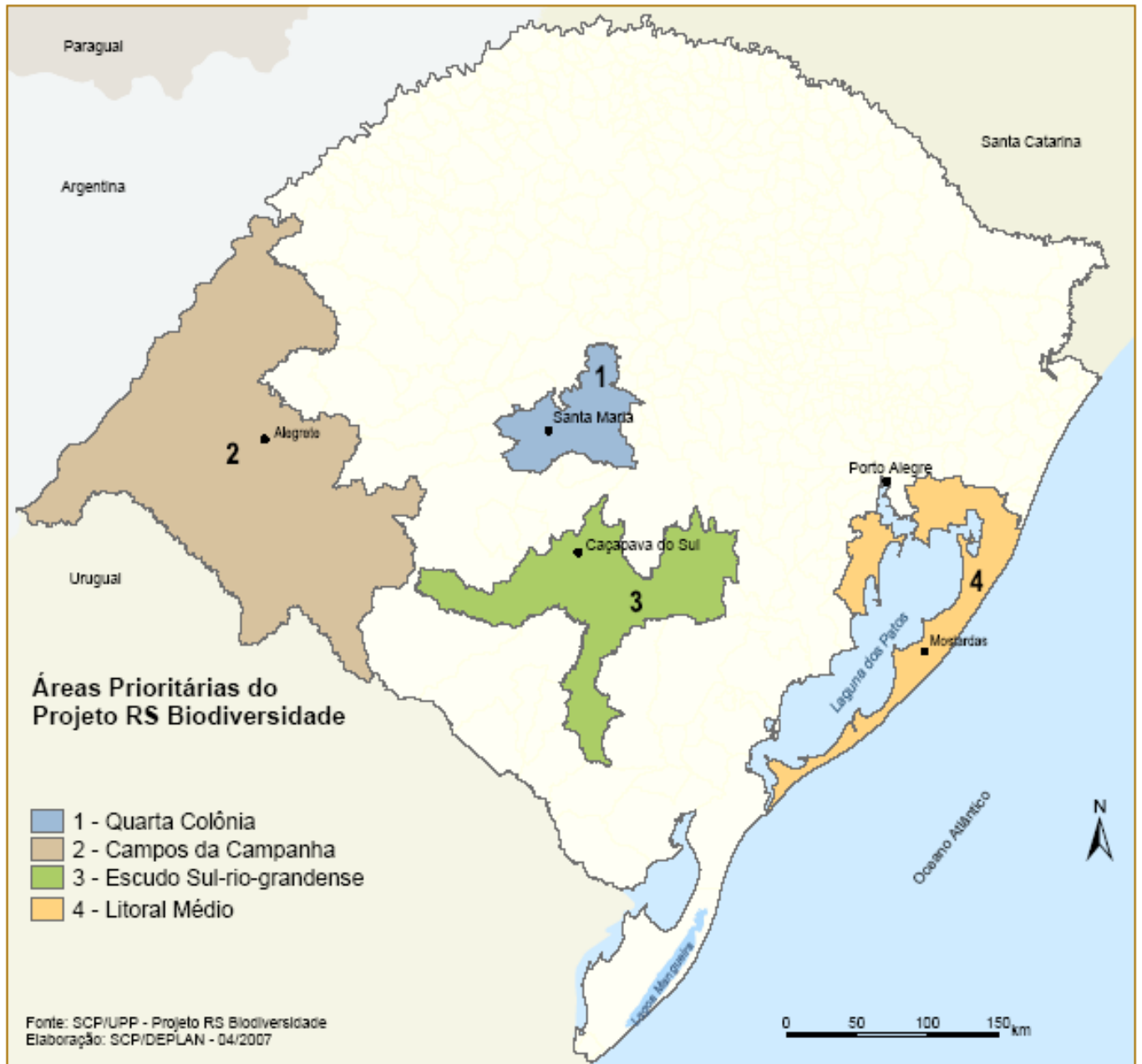
17. The Table below provides the expected investment in biodiversity mainstreaming and information management over the next five years under the Business as usual Scenario. This analysis has not included every small project carried out by public, private, or nongovernmental actors. However, it does include estimates of all major sources of significant sustained funding.

Cost Category	US\$ Million	Domestic Benefit	Global Benefit
Component 1: On-Farm Biodiversity Mainstreaming			
Business as usual	0.50 M	Very limited help to biodiversity-related industries including agriculture, tourism, local communities, and exports of biodiversity-related products, through isolated activities such as safeguards on provision of rural credit, determination of impact of natural resource-based industries, and specific mitigation of environmental damage caused by certain development programs. The result: limited benefits in terms of biodiversity conservation.	<ul style="list-style-type: none"> •Some reduction of deforestation and destruction of ecosystems provides limited contribution to globally significant species and ecosystems and global cycles.
With GEF	2.40 M	Component designed to incorporate biodiversity protection into the main productive sectors of Rio Grande do Sul's economy and to ensure sustainability of interventions by integrating them with broader development of local communities living in areas of relevance for biodiversity conservation, while investing in securing protection of conservation units in the <i>Pampa</i> . The component is composed of a) preparing and implementing conservation practices and experiences; b) implementing subprojects of biodiversity conservation and use.	<ul style="list-style-type: none"> •Significant increases in biodiversity-friendly economic processes, leading to significant global environmental benefits. •Decreased loss of globally significant biodiversity.. •Increased private sector interest in, and capacity for, biodiversity conservation. Role of demonstration units contribute to widespread dissemination of biodiversity conservation practices. •Increased the number of hectares in production landscapes under sustainable management. •Building local capacity to control and management of invasive alien species,
<i>Incremental:US\$ 1.9 M</i>			
Component 2: Biodiversity Management			
Business as usual	4.70M	Limited benefits to domestic productivity and livelihoods, and to scientific knowledge, through information generated by current research activities. Existing institutional biodiversity conservation capacity promotes mainstreaming, though not in all sectors and not to the maximum degree possible. Activities carried out by a limited number of institutions such as <i>Fundacao Zoobotanica</i> and NGOs provide focused biodiversity information rarely implemented by the biodiversity-conservation institutions.	<ul style="list-style-type: none"> •Limited benefits to the conservation of globally important species through applications of biodiversity information in specific public and private sector activities. •Globally significant species and ecosystems are given priority because of lack of knowledge.
WithGEF	7.20 M	Activities under this component involve actions to remove causes of biodiversity loss and the specific threats to the ecosystems and natural communities occurring in the productive areas of the state. This will be accomplished through the preparation and implementation of actions plans, with a focus in education and dissemination of biodiversity conservation. Of utmost importance is the improvement of the	<ul style="list-style-type: none"> •Significant increase in the protection of ecosystem of global importance: Pampa. •72,204 ha PA management effectiveness as measured by IUCN World Commission on PA framework (tracking tools). •Protection of endangered, critical endangered and migratory species under protection as part of terrestrial PA network. •Coordination of different public and private sector actors, dissemination of

Cost Category	US\$ Million	Domestic Benefit	Global Benefit
		<p>infrastructure of conservation units by using resources of the Biodiversity Conservation Fund Research and knowledge generation to enable improved biodiversity management. This includes the generation of knowledge in important biodiversity areas, the dissemination of the concept of environmental services, the management of alien exotic species and the preparation of management tools, specifically the implementation of a biodiversity-based GIS. Other activities under this component include definition of a monitoring system, preparation of economic-ecological zoning, development of strategies for private land stewardship initiatives and incentives for using practices of biodiversity conservation (<i>medidas compensatorias</i>).</p>	<p>information, and lessons learned will increase the impact of efforts designed to conserve globally critical biodiversity.</p> <ul style="list-style-type: none"> •Production, coordination, and full dissemination of efficient and targeted information about biodiversity will allow the public and private sectors to contribute important biodiversity information to global monitoring and information networks, •Contributes to long-term reductions to deforestation and destruction of ecosystems, which provide critical global benefits including carbon storage, reduction of harmful atmospheric emissions, and support to international water cycling.
<i>Incremental : US\$ 2.5 M</i>			
Component 3: Project Management			
Business as usual	0.70 M	The institutions within the RS State government have begun to undertake limited biodiversity tasks, however there is much room for improvement and need to coordinate better within the different agencies.	<ul style="list-style-type: none"> • No global benefits.
With GEF	1.3 M	Strengthen institutions and provide appropriate training for operational and managerial staff in the various state agencies to ensure proper project implementation and to guarantee sustainability of the project's impacts after the end of implementation. Done through two components: a) <i>Institutional Strengthening</i> to increase the capacity of each institution to consider biodiversity conservation within its activities; and b) <i>Project Management</i> , which includes the set of actions needed for coordination of the project's activities, including establishing the Project Unit with staff and operational procedures and developing and implementing a system that allows monitoring evaluation and follow-up.	<ul style="list-style-type: none"> •Increased promotion and coordination of mainstreaming policies and practices contributes to increased biodiversity conservation within existing institutions. •Increased awareness of the importance of environmental services among government institutions and contributes to long-term reductions to deforestation and destruction of ecosystems, this will directly support progress toward the global 2010 CBD targets.
<i>Incremental: US\$ 0.6</i>			
Total Baseline Scenario: US\$ 6,1 million			
GEF Alternative US\$ 11.1 million of which US\$ 5.00 million is being requested from the GEF			

Annex 16: Maps
BRAZIL: BR GEF Rio Grande do Sul Biodiversity







I. Project General Information

1. Project Name: Rio Grande do Sul Biodiversity Conservation Project
2. Project Type : FSP
3. Project ID (GEF): 2450
4. Project ID : P086341
5. Implementing Agency: World Bank
6. Country: Brazil

Name of reviewers completing tracking tool and completion dates:

	Name	Title	Agency
Work Program Inclusion	Margareth Vasata	Diretora Adjunta	Departamento de Captação de Recursos e Preparação de Projetos/ Secretaria do Planejamento e Gestão - Governo do Estado do Rio Grande do Sul
Project Mid-term			
Final Evaluation/project completion			

7. Project duration: *Planned* ____05__ years *Actual* __0__ years

8. Lead Project Executing Agency: State of Rio Grande do Sul, Secretaria de Meio Ambiente

9. GEF Strategic Program: Strengthening the policy and regulatory framework for mainstreaming biodiversity (SP 4)

10. Production sectors and/or ecosystem services directly targeted by project:

10. a. Please identify the main production sectors involved in the project. Please put “P” for sectors that are primarily and directly targeted by the project, and “S” for those that are secondary or incidentally affected by the project.

Agriculture __P__(cattle ranching)

Fisheries __n/a__

Forestry __S__

Tourism __S__

Mining __n/a__

Oil __n/a__

Transportation __n/a__

II. Project Landscape Coverage

11. a. What is the extent (in hectares) of the landscape where the project will directly or indirectly contribute to biodiversity conservation or sustainable use of its components?

Targets and Timeframe	Foreseen at project start	Achievement at Mid-term Evaluation of Project	Achievement at Final Evaluation of Project
Project Coverage			
Landscape area <u>directly</u>¹ covered by the project (ha)	1,373,609		
Landscape area <u>indirectly</u> covered by the project (ha)	6,342.900		

Explanation for indirect coverage numbers:

The grasslands biome is located in the southern half of Rio Grande do Sul and occupies 17,649,600 ha or 63% of the state's total area. Four priority areas have been selected for the project. The four priority areas selected for this project are broadly defined by the boundaries of nearby municipal districts: 1) Quarta Colônia; 2) Campos da Campanha; 3) Escudo Sul-rio-grandense; and 4) Litoral Médio. These four priority sites include 33 municipalities (6.7% of RS Municipalities), 11.8 % of the State's population (1,253,118), and 22.5% of its territory (63,429km²).

11.b. Protected Areas within the landscape covered by the project

	Name of Protected Areas	IUCN and/or national category of PA	Extent in hectares of PA
1.	São Donato	Biological Reserve	13,517
2.	Do Ibirapuitã	Biological Reserve	352
3.	Espinilho	State Park	1,628
4...	Podocarpus	State Park	3,895
5.	Banhado dos Pachecos	Wildlife Refuge	2,605
6.	Itapuã	State Park	5,876
7	Quarta Colonia	State Park	1,848
8.	Delta do Jacuí	State Park	17,245
9.	Camaquã	State Park	7,993
10.	Mato Grande	Biological Reserve	17,245
	Total Area		72,204

11. c. Within the landscape covered by the project, is the project implementing payment for environmental service schemes? **Not applicable**

Targets and Timeframe	Foreseen at Project Start		Achievement at Mid-term Evaluation		Achievement at Final Evaluation	

¹ Direct coverage refers to the area that is targeted by the project's site intervention, including: (i) 10 state conservation units totaling 72,204 hectares; (ii) 500 properties represent circa 26,300ha; (iii) four rapid ecological assessment, totalizing 187,661 ha; (iv) ecological-economic zoning of the 809,830 ha; (v) 77,603 ha of Ecological Corridor; and (vi) 200, 000 ha of private properties managed.

GEF-4 Tracking Tool for GEF Biodiversity Focal Area Strategic Objective Two:
Mainstreaming Biodiversity Conservation in Production Landscapes/Seascapes and Sectors

			of Project		of Project	
Coverage	Extent in hectares	Payments generated (US\$)	Extent in hectares	Payments generated (US\$)	Extent in hectares	Payments generated (US\$)
Environmental Service						
N/A						

III. Management Practices Applied

12.a. Within the scope and objectives of the project, please identify in the table below the management practices employed by project beneficiaries that integrate biodiversity considerations and the area of coverage of these management practices.

Specific management practices that integrate BD	Name of certification system being used (insert NA if no certification system is being applied)	Area of coverage foreseen at start of project ²	Achievement at Mid-term Evaluation of Project	Achievement at Final Evaluation of Project
Agriculture management (cattle ranching, grass)	N/A	18,500 ha or 350 properties		
Natural Resources and Forest management (native bees, fruits)	N/A	3,975 ha or 75 properties		
Ecotourism and rural tourism and others sustainable practices	N/A	3,975 ha or 75 properties		

²The objective is promoting the adoption of biodiversity conservation practices in the main productive systems of the grasslands. The management practices will emerge from the experiences of the demonstration units and biodiversity-friendly activities suggested by EMATER, and will be implemented on properties within the priority areas established by the project. The sustainable practices to be supported by these subproject investments will include activities such as integrated management of grasslands, raising of native bees, water availability and access, agroforestry systems, habitat restoration with native species, organic farming, medicinal plants, ecological farming of grains, nature tourism, native biodiversity use and processing, among others., At least 500 rural properties will be supported over the life of the project, representing circa 26,300ha, and 2% of the rural properties with less than 200ha within the four priority areas.

V. Policy and Regulatory frameworks

14. a. **CEO endorsement stage.**

Sector	Agriculture Focus: P	Fisheries	Forestry Focus: S	Tourism Focus: S	Economic-ecological zoning	
Statement: Please answer YES or NO for each sector that is a focus of the project.						
Biodiversity considerations are mentioned in sector policy	YES		YES	YES	YES	
Biodiversity considerations are mentioned in sector policy through specific legislation	YES		YES		YES	
Regulations are in place to implement the legislation	YES		YES ³	NO	YES	
The regulations are under implementation	NO		NO	NO	NO ⁴	
The implementation of regulations is enforced	NO		NO ⁵	NO	NO	
Enforcement of regulations is monitored	NO		NO	NO	NO	

14. b . Please complete this table at **the project mid-term for each sector** that is a primary or a secondary focus of the project. Please answer YES or NO to each statement under the sectors that are a focus of the project. **To be completed at mid-term review**

Sector	Agriculture	Fisheries	Forestry	Tourism	Other (please specify)	Other (please specify)
Statement: Please answer YES or NO for each sector that is a focus of the project.						
Biodiversity considerations are mentioned in sector policy						
Biodiversity considerations are mentioned in sector policy through specific legislation						

³ Improved licensing system is part of the project activities.

⁴ Improved zoning is part of the project and will contribute to an environment for better management and regulatory oversight

⁵ The development of payments for environmental services (PES) will be studied during project implementation and will analyze models for economic valuation of biodiversity management, and the development of strategies for private land stewardship initiatives and incentives for biodiversity conservation practices

GEF-4 Tracking Tool for GEF Biodiversity Focal Area Strategic Objective Two:
Mainstreaming Biodiversity Conservation in Production Landscapes/Seascapes and Sectors

Regulations are in place to implement the legislation						
The regulations are under implementation						
The implementation of regulations is enforced						
Enforcement of regulations is monitored						

14. c. Please complete this table at **project closure for each sector** that is a primary or a secondary focus of the project. Please answer YES or NO to each statement under the sectors that are a focus of the project. [To be completed at project closure.](#)

Sector	Agriculture	Fisheries	Forestry	Tourism	Other (please specify)	Other (please specify)
Statement: Please answer YES or NO for each sector that is a focus of the project.						
Biodiversity considerations are mentioned in sector policy						
Biodiversity considerations are mentioned in sector policy through specific legislation						
Regulations are in place to implement the legislation						
The regulations are under implementation						
The implementation of regulations is enforced						
Enforcement of regulations is monitored						

All projects please complete this question at the project mid-term evaluation and at the final evaluation, if relevant: To be completed at Mid-Term evaluation

14. d. Within the scope and objectives of the project, has the private sector undertaken **voluntary** measures to incorporate biodiversity considerations in production? If yes, please provide brief explanation and specifically mention the sectors involved.

VI. Other Impacts

15. Please briefly summarize other impacts that the project has had on mainstreaming biodiversity that have not been recorded above.

Results from this project will provide the basis for sound decision-making, supported by the introduction of a GIS-based monitoring and reporting system for the State. This activity will develop the baseline information to monitor the project implementation based on: soil management; fauna and flora terrestrial indicators; sustainable use of biodiversity and natural resources: vegetation cover; and, removal of biodiversity at risk.