



Inter-American Development Bank

## **BRAZIL**

### **FIP/IDB “FOREST INFORMATION TO SUPPORT PUBLIC AND PRIVATE SECTORS IN MANAGEMENT INITIATIVES”**

IDB PUBLIC SECTOR  
FIP PROPOSAL

**CONTENT**  
**PROPOSAL FOR SUBMISSION TO THE FIP SUB-COMMITTEE**

PROJECT SUMMARY

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### Abbreviations

|                 |   |
|-----------------|---|
| ABC Plan        | Sectoral Plan for Mitigation and Adaptation to Climate Change for the Consolidation of a Low Carbon Agriculture   |
| BFS             | Brazilian Forest Service  |
| CAR             | Rural Environmental Registry  |
| CGU             | Office of the Comptroller General   |
| CIF             | Climate Investment Fund   |
| CO <sub>2</sub> | Carbon Dioxide  |
| COF             | IDB Country Offices   |
| CONACER         | National Commission of the Sustainable Cerrado Program  |
| GHG             | Greenhouse Gases  |
| GoB             | Brazilian Government  |
| IP              | Investment Plan   |
| LR              | Legal Reserve   |
| M&E             | Monitoring and Evaluation   |
| MMA             | Ministry of Environment, Water Resources and the Legal Amazon   |
| NFI             | National Forest Inventory   |
| NFIS            | National Forest Information System  |
| OEMAs           | States Environment Organizations  |
| FIP             | Forest Investment Program   |
| PPA             | Permanent Preservation Areas  |
| REDD            | Reduction of Emissions from Degradation and Deforestation   |
| REDD+           | Reducing Emissions for Deforestation and Forest Degradation, plus the role of conservation, sustainable management of forests and enhancement of forest carbon stocks |
| SCF             | Strategic Climate Fund  |
| TC              | Technical Cooperation   |
| ToR             | Terms of Reference  |
| UECT            | Execution Unit of the Technical Cooperation   |

PROJECT SUMMARY  
**BRAZIL**  
**FOREST INFORMATION TO SUPPORT PUBLIC AND PRIVATE SECTORS IN  
MANAGEMENT INITIATIVES**  
**BR-T1277**

| <b>Financial Terms and Conditions</b>   |                                 |                      |         |
|---|---------------------------------|----------------------|---------|
| <b>Source</b>   | <b>Amount</b><br>(US\$ million) | Disbursement period: | 4 years |
| Project Execution Grant*<br>BR-T1277<br>Forest Investment Program Fund  | 16.45                           | Currency:            | US\$    |
| Counterpart funding   | 8.00                            |                      |         |
| Total   | 24.45                           |                      |         |
| <b>Project at a Glance</b>  |                                 |                      |         |
| <b>Program objective and description:</b>   |                                 |                      |         |
| Contribute to the promotion of sustainable programs aimed at mitigating GHG emissions in the Cerrado biome with the implementation of the NFI in the Cerrado biome and consolidation of the NFIS as policy instruments for decision makers in the public and private sectors on forest resources and their use. |                                 |                      |         |
| <b>Special conditions prior to first disbursements of the financing of BR-T1277:</b>  |                                 |                      |         |
| The Executing Agency will provide evidence, to the Bank's satisfaction, of: (i) the formal designation of a Program Manager; and (ii) the entry into effect of the Operational Regulations agreed with the Bank.  |                                 |                      |         |
| <b>Exceptions to Bank policies:</b>   |                                 |                      |         |
| The two exceptions to IDB policies in this operation refer to the direct hiring of the company responsible for activities related to information technology and the purchase of satellite images.   |                                 |                      |         |
| <b>The project is in line with the country strategy:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>  |                                 |                      |         |

## I. DESCRIPTION AND EXPECTED RESULTS

### A. Background, problem addressed and justification

#### 1. Background and problem addressed

- 1.1 The Cerrado is the second largest biome in Brazil and South America. It occurs in eleven states of the country<sup>1</sup> and is strategic for the environment, the economy, and food security, covering a large area with significant stocks of carbon, water resources and an impressive biodiversity.
- 1.2 This Technical Cooperation (TC) is part of Brazil's Investment Plan (IP) for the Forest Investment Program (FIP), which seeks to promote the sustainable use of land and the improvement of forest management in the Cerrado Biome, thus helping to reduce pressure on remaining forests, decrease greenhouse gas (GHG) emissions and increase carbon sequestration. It finances the generation and dissemination of forest information to support public and private sectors in management initiatives aimed at the conservation and enhancement of forest resources in the Cerrado biome.
- 1.3 Brazil's Investment Plan uses a strategy for the Cerrado biome that explores mainly the following FIP investment areas: areas outside the forest sector necessary to reduce pressure on forests; and institutional capacity, information on forest management, and other related information. In a complementary manner, the Plan also supports the third area through mitigation measures related to forests, such as forest plantations and restoration of Legal Reserves (LR) and Permanent Preservation Areas (PPA) required by law in each private rural property.
- 1.4 Specifically, the Investment Plan includes two thematic areas and four projects as follows: Theme 1 - Management and Stewardship areas already disturbed: 1.1-Environmental regularization of rural properties (based on the Rural Environmental Registry (CAR)); and 1.2-Sustainable production in areas already converted to agricultural use (based on the ABC Plan). And Theme 2 - Generation and Management of Forest Information: 2.1- Forest Information to Support Public and Private Sectors in Management Initiatives; and 2.2-Implementation of an early warning system for forest fire prevention and of a vegetation cover monitoring system.
- 1.5 In Brazil, there is a need to improve the generation of adequate and sufficient information on forest resources, such as: (i) extent and conditions; (ii) forms of management; (iii) supply chains involved; and (iv) other aspects of their use (the local role of timber and non-timber forest resources and marketing thereof). There is also the challenge of improving the generation of

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<sup>1</sup> Bahia, Goiás, Mato Grosso, Mato Grosso do Sul, Paraná, Minas Gerais, São Paulo, Tocantins, Maranhão, Piauí and Federal District.

information on carbon density in the main forest types, both above and below ground, through the use of more advanced methodologies and primary data for each biome.

- 1.6 The generation of standardized and systematic forest information represents a key input for more careful decision making by the public and private sectors in relation to the sustainable use of forest resources and the consequent reduction of deforestation and forest degradation.

2. Justification

- 1.7 The implementation of the National Forest Inventory (NFI), the wide availability and dissemination of information on forest resources and its use through the National Forest Information System (NFIS) are permanent programs under the legal jurisdiction of the Brazilian Forest Service, established to solve some of the aforementioned problems. However, neither the NFI nor the NFIS have been implemented in the Cerrado biome yet. Considering the biodiversity in natural Cerrado ecosystems as well as their carbon stocks, it is imperative to implement a mechanism of production and promotion of timely, accurate and quality information in the Cerrado that can contribute to the enhancement of forest resources in their environmental, economic and social role.

## **B. Objectives**

1. Specific objective

- 1.8 The objective of the TC is to implement the NFI in the Cerrado biome and consolidate the NFIS as policy instruments capable of producing timely and quality information for decision makers in the public and private sectors on forest resources and their use, thus contributing to the promotion of sustainable programs aimed at mitigating GHG emissions in the Cerrado.
- 1.9 The project also aims at promoting partnerships with States and other institutions in the region to promote information exchange and dissemination.

2. Description of activities/components

- 1.9 The TC has three components. The first component will finance the implementation of the NFI in the Cerrado biome and the second will finance the consolidation of the NFIS. The third component will finance the appropriate implementation as well as the monitoring and evaluation of the TC.
- 1.10 Component 1: NFI implemented in the Cerrado biome. US\$21,821,419.00 (US\$14,582,598 with FIP resources and US\$7,238,821 with local counterpart resources). This component will finance:
  - a) sampling and field collection of biophysical and socio-environmental data on forest resources and land use in the Cerrado biome;
  - b) analysis of landscape samples for the study of forest fragmentation and land use in the Cerrado biome;
  - and c) the integration of these data in the

mapping of vegetation in the Cerrado biome and the dissemination of information. At the end of the project, decision makers and society in general will have accurate estimates of the area of forest cover and land use; forest degradation; regenerating forests; occurrence of endangered or threatened species; forest (volume and biomass) and carbon stocks above and below ground; diversity of forest tree species; forest management; forest dynamics; health and vitality of forests; characteristics of under-forest soil; forest fragmentation; proportion of other vegetation cover and classes of land use; trees outside the forests; and socioeconomic data such as local use of forest products and services by rural populations (whether traditional or not) and their perception of the importance of these resources in the Cerrado biome.

1.11 Component 2: NFIS consolidated. US\$1,264,652.00 (US\$1,079,902 with FIP resources and US\$184,750 with local counterpart resources). This component will finance the NFIS, which is the main platform for the analysis and dissemination of information and management of knowledge about the country's forest resources and their use in promoting activities to mitigate climate change. While supporting the NFIS structure as a whole and therefore contributing to information dissemination for the entire country, the TC emphasizes the provision of information on the Cerrado biome, ensuring consistency with other biomes in Brazil. Upon its implementation in the Cerrado biome, the NFIS will be strengthened in its national themes (forest resources, forest management by the State, forest production, teaching and research, etc.) and serve as a management and reference instrument for society. The NFIS will also develop and establish modules that encourage the sale of forest products, thus facilitating business in supply chains of timber and non-timber forest products, as well as the measurement and appraisal of ecosystem services in the biome. At the end of the project, decision makers and society in general will have a single information platform fed by various institutions, which will allow easy access and proper formatting by various stakeholders, on different scales (biome, states, municipalities, watersheds, etc.) and applications. The NFIS will provide information produced by other IP projects such as: environmental regularization of rural properties (based on the CAR); sustainable production in areas already converted to agricultural use (based on the ABC Plan); and implementation of an early warning system for forest fire prevention and a vegetation cover monitoring system. Additionally, the information produced by the NFI and disseminated by the NFIS will be used to support Brazilian communications, as well as the definition, management and evaluation of national policies related to the sector.

1.12 Component 3: Execution Management of the TC. US\$636,429.00 (US\$60,000 with FIP resources and US\$576,429 with local counterpart resources). The third component will finance the implementation of the TC and seeks the following results: (i) procurement, contract

management and payments managed so that goods and services (including consultancy) are properly and timely contracted and managed; (ii) reports timely prepared and delivered, filing conducted in accordance with the IDB and Brazilian Forest Service(BFS) information requirements and needs; and (iii) monitoring and evaluation carried out so that the TC progress of implementation can be overseen, verified and audited; corrective action taken timely as needed, and best practices and lessons identified and described. The component includes the establishment and operation of a TC Executing Unit within the BFS structure. The establishment of the Executing Unit is a prerequisite for the first disbursement.

### **C. Expected results**

- 1.13 The implementation of the NFI in the Cerrado biome seeks four main results: i) establishment of institutional partnerships, including State Environmental Agencies (OEMA) and institutions that will participate in the NFI (universities, herbaria, etc.); ii) strengthening of the capacity to implement the NFI in the Cerrado, including updating data collection methodologies, making possible adjustments to meet specificities of the biome, establishing training mechanisms and training quality control field teams and NFI stakeholders; iii) collection, processing and analysis of data and information on forest resources in the Cerrado, following the protocol defined for the National Forest Inventory; and iv) dissemination of information on the NFI in the Cerrado and use of such information by the stakeholders, including a specific communication plan to inform the population living in the biome about the project; organization of technical and scientific events to discuss results; preparation of thematic reports on forests in the Cerrado biome; and wide dissemination of the results achieved.
- 1.14 The consolidation of the NFIS seeks three main results: i) demands for priority information and respective sources identified, and arrangements for the provision of information established; ii) information system managed and in operation; and iii) information collected, processed, stored, analyzed and disseminated to stakeholders. The first result comes from identifying priority information for NFIS stakeholders, their sources, and defining protocols for its systematic collection, establishing formal arrangements for the provision of this priority information with its generating sources, supporting these institutional partners and training the parties involved in implementing information collection protocols. The second result will be achieved upon the design, implementation and operation of the NFIS Management System, so as to ensure its proper operation. The third result includes five groups of activities to be achieved: a) establishing and operating a database (including information technology systems and upgrading and operation of the NFIS Portal); b) designing, implementing and operating



information technology systems; c) collecting and processing information; d) upgrading and operating the NFIS Portal; and e) preparing and disseminating specific studies for the production of information and strategic analysis to support dialogue on problems, opportunities, or the effectiveness of forest policies for the Cerrado biome, or to support investments and other private sector strategic activities related to sustainable forest business in this biome.

## II. FINANCING STRUCTURE AND MAIN RISKS

### D. Financing structure

2.1 The program will be funded entirely with Strategic Climate Fund (SCX) resources of the FIP Program, through a grant for an amount of US\$16.45 million (BR-T1277).

| Program BR-T1277  | Funding sources   |                          | Total (US\$)      | %          |
|---|-------------------|--------------------------|-------------------|------------|
|   | IDB- FIP (US\$)   | Local Counterpart (US\$) |                   |            |
| Component 1. National Forest Inventory implemented in the Cerrado biome | 14,582,598        | 7,238,821                | 21,821,419        | 89.2       |
| Component 2. National Forest Information System consolidated            | 1,079,902         | 184,750                  | 1,264,652         | 5.2        |
| Component 3. Project Execution and Management                           | 60,000            | 576,429                  | 636,429           | 2.6        |
| Total Costs minus contingencies   | <u>15,722,500</u> | <u>8,000,000</u>         | <u>23,722,500</u> |            |
| Contingencies   | <u>727,500</u>    | =                        | <u>727,500</u>    | <u>3.0</u> |
| TOTAL COST  | 16,450,000        | 8,000,000                | 24,450,000        | 100        |
|   | 67.3%             | 32.7%                    | 100%              |            |

### E. Main Risks

2.2 **Fiduciary risks.** For the preparation of this project, the Bank performed an Institutional Capacity Evaluation Report which concludes that the BFS has a satisfactory level of fiduciary capacity and represents a low risk for project execution.

2.3 **Other risks.** The [Risk Matrix](#) provides a detailed view of the risk profile of the TC. The high identified risks are: (i) that producers of forest data demanded do not exist, or are not identified, or do not produce data in a systematic way, or have no interest in participating in the NFIS through information supply arrangements; (ii) that data and information generated/ produced by the TC are not of the expected quality and scope; and (iii) that for the NFI, BFS had difficulty in

hiring companies to develop activities within the specifications and deadlines. The high risks of this TC will be mitigated through: (i) an initial assessment to identify sources of priority information, which should indicate the existing information and entities willing to participate as well as meetings with various groups of stakeholders to identify the demand for priority information, which will help identify data sources. The TC design phase promoted public consultation addressing the theme, which were taken into consideration; (ii) the careful selection of suppliers, elaborating draft Terms of References for contracting with the highest degree of technical detail as possible and the consideration of appropriate timelines for preparing the forest inventory; and (iii) the implementation of an NFI Quality Assessment and Control Program, which will include a specific activity of data analysis and production of strategic information.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### F. Implementation summary

- 2.4 The beneficiary and executing agency of the operation is the Ministry of Environment, represented by the BFS. The BFS has considerable and remarkable experience in project management, which will contribute to achieving the results sought by the TC. As detailed in the TC Operating Manual, the BFS will establish a TC Executing Unit (UECT), with staff and professionals to operate at its main office in Brasilia. As the executing agency, the BFS will be responsible for all project aspects related to procurement, accounting, filing, administrative activities, financial management, and monitoring and evaluation of its effectiveness. In this regard, it will apply the policies and procedures agreed with the IDB as well as best practices in project management, in order to achieve the objectives of the TC. The IDB is the Multilateral Development Bank responsible for overseeing the execution.
- 2.5 To facilitate collaboration and guidance of the main stakeholders in promoting the efficiency of execution, the TC will be supported by three advisory committees. First, the Interministerial Executive Committee for the FIP, which will be established by the Brazilian government (GoB) to support the implementation of the IP in the FIP of the Climate Investment Fund (CIF). This Committee will monitor the execution of the TC, seeking to provide general guidance on the vision of the FIP, promote synergy and synchronicity among other projects under the Program, and recommend that its members adopt measures that can contribute to the success of these projects. Second, a Regional Advisory Committee for the Cerrado, with the main purpose of involving the participating states, their agencies, and other stakeholders from the public and private sectors, academia and civil society. This Committee will be dedicated to promoting and

supporting the state coordination of the parties involved in the effective execution of the TC. A communication plan to reach different stakeholders and evaluations of the use of generated information over time will also allow greater interaction with stakeholders. Finally, the BFS and the IDB will participate in a Monitoring Committee to monitor and support the operational, technical and financial aspects of the TC execution and take any appropriate timely measures, in accordance with their respective competences, to ensure the success of the TC. From a technical standpoint, the BFS has other mechanisms in place for the collaboration and participation of the parties involved, which will also be used to ensure the quality of the technical aspects of the operation.

2.6 The procurement of goods and services for the TC will follow the IDB policies and the provisions of its [Procurement Plan](#). For contracts with consulting firms; the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9) will apply, for contracts with individual consultants, human resource standards (AM-650) will apply; and for the dissemination expenses and other services, corporate procurement policies will apply until the new Bank's policies in this area become effective. The TC also has a plan of activities for the first disbursement and the first 18 months of execution. The approval of the final version of the procurement plan for the first 18 months of execution is a prerequisite for the first disbursement. The Procurement Plan will be updated annually or when so required by significant changes. Contract revisions will also be conducted as provided for in the Procurement Plan.

## **G. Monitoring and Evaluation**

2.7 The TC monitoring and evaluation plan seeks to ensure the success of the timely implementation of TC activities and assess their effectiveness in the long-term. Therefore, the plan is structured to: (i) monitor the execution of TC activities, with attention to the contracting dates scheduled and met, control of delivery of goods and services, and other aspects related to project management; (ii) inform monthly and cumulatively on a semi-annual and annual basis, identifying the performance of execution, potential problems, and possible corrective measures; and (iii) conduct intermediate evaluations independently from the TC execution to identify any major adjustments, and a final evaluation to assess the main impacts produced by the TC. The UECT will have an employee from the BFS responsible for the routine collection and analysis of data and the compilation of follow-up reports. These reports will help the BFS also to inform the institutions responsible for the implementation and oversight of the FIP. In addition to this

system, the TC includes activities that ensure the quality of the information generated by the forest inventory as well as of the information disseminated by the NFIS. The financial statements of the TC will be presented at the end of the second and fourth years and will be audited by auditors from the Comptroller General's Office (CGU), based on terms of reference already agreed between the IDB and the GoB.