Document of

The World Bank

Report No: PAD1067

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED STRATEGIC CLIMATE FUND – FOREST INVESTMENT PROGRAM (SCF/FIP) GRANT

IN THE AMOUNT OF US$6.5 MILLION

TO THE

CENTRO DE AGRICULTURA ALTERNATIVA DO NORTE DE MINAS (CAA/NM)

FOR A

DEDICATED GRANT MECHANISM FOR INDIGENOUS PEOPLES PROJECT

January 27, 2015

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 2014)

Currency Unit	=	Brazilian Reais
BRL 2.3	=	US$1.0
US$0.43	=	BRL1.0

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BIP	Brazil Investment Plan
BIP–CU	BIP's Coordination Unit
BIP–EC	BIP's Executive Committee
CAA/NM	*Centro de Agricultura Alternativa do Norte de Minas* (Center of Alternative Agriculture from the North of Minas)
CBA	Community-Based Adaptation
CDD	Community-Driven Development
CIF	Climate Investment Funds
CNPCT	*Comissão Nacional de Desenvolvimento Sustentável dos Povos e Comunidades Tradicionais* (National Commission on Sustainable Development for Traditional Peoples and Communities)
CNPI	*Comissão Nacional de Política Indigenista* (National Indigenous Policy Commission)
CONACER	*Comissão Nacional do Programa Cerrado Sustentável* (National Commission for the Sustainable Cerrado Program)
CPS	Country Partnership Strategy
CSOs	Civil Society Organizations
DGM	Dedicated Grant Mechanism
EIRR	Economic Internal Rate of Return
ENPV	Expected Net Present Value
ESMF	Environmental and Social Management Framework
FIP	Forest Investment Program
FM	Financial Management
FMA	Financial Management Assessment
FOG	DGM Framework Operational Guidelines
FUNAI	*Fundação Nacional do Índio* (National Indigenous Peoples Foundation)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoB	Government of Brazil
GRM	Grievance Redress Mechanism
IBAMA	*Instituto Brasileiro de Meio Ambiente e dos Recursos Naturais Renováveis* (Brazilian Institute for the Environment and Renewable Natural Resources)
IBGE	*Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics)
IBRD	International Bank for Reconstruction and Development/ The World Bank

ILs	Indigenous Lands
INCRA	*Instituto Nacional de Colonização e Reforma Agrária* (National Institute for Colonization and Land Reform)
IPs	Indigenous Peoples
IPOs	Indigenous Peoples Organizations
IPTCs	Indigenous Peoples and Traditional Local Communities
IPP	Indigenous Peoples Plan
IPPF	Indigenous Peoples Policy Framework
IRR	Internal Rate of Return
IT	Information Technology
M&E	Monitoring and Evaluation
MAPA	*Ministério da Agricultura, Pecuária e Abastecimento* (Ministry of Agriculture, Livestock and Supply)
MCTI	*Ministério da Ciência, Tecnologia e Inovação* (Ministry of Science, Technology and Innovation)
MDB	Multilateral Development Bank
MMA	*Ministério do Meio Ambiente* (Ministry of Environment)
NEA	National Executing Agency
NGO	Nongovernmental Organization
NPV	Net Present Value
NRM	Natural Resources Management
NSC	National Steering Committee
PA	Protected Area
PDO	Program Development Objective
P-ESMF	Programmatic Environmental and Social Management Framework
PNGATI	*Política Nacional de Gestão Territorial e Ambiental de Terras Indígenas* (National Policy for Environmental and Territorial Management of Indigenous Lands)
PNPCT	*Política Nacional de Desenvolvimento Sustentável dos Povos e Comunidades Tradicionais* (National Policy for Sustainable Development of Traditional Populations and Communities)
POM	Project Operational Manual
PPG7	Pilot Program to Conserve the Brazilian Rain Forest
REDD+	Reducing emissions from deforestation and forest degradation; and the role of conservation, sustainable forest management and enhancement of forest carbon stocks
RFT	Rain Forest Trust Fund
SCF	Strategic Climate Fund
SEDR	*Secretaria de Extrativismo e Desenvolvimento Rural Sustentável* (Secretariat of Extractivism and Sustainable Rural Development, under MMA)
SNUC	*Sistema Nacional de Unidades de Conservação* (National System of Conservation Units)
$TgCO_2$	Teragrams of Carbon Dioxide
TORs	Terms of Reference

Regional Vice President:	Jorge Familiar
Country Director:	Deborah L. Wetzel
Global Practice Senior Director:	Paula Caballero
Practice Manager:	Emilia Battaglini
Task Team Leader:	Alberto Coelho Gomes Costa

BRAZIL

Brazil Dedicated Grant Mechanism for Indigenous Peoples Project

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PAD DATA SHEET

Brazil

Dedicated Grant Mechanism for Indigenous Peoples Project (P143492)

PROJECT APPRAISAL DOCUMENT

LATIN AMERICA AND CARIBBEAN

Environment and Natural Resources Global Practice

Report No.: PAD1067

Basic Information			
Project ID P143492	EA Category B - Partial Assessment		Team Leader Alberto Coelho Gomes Costa
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ] Financial Intermediaries [ ] Series of Projects [x]		
Project Implementation Start Date 27-Apr-2015	Project Implementation End Date 30-Sept-2019		
Expected Effectiveness Date 13-Apr-2015	Expected Closing Date 30-Mar-2020		
Joint IFC No			
Practice Manager/Manager Emilia Battaglini	Senior Global Practice Director Paula Caballero	Country Director Deborah L. Wetzel	Regional Vice President Jorge Familiar

Approval Authority
Approval Authority Board/AOB Decision

Borrower: Centro de Agricultura Alternativa do Norte de Minas (CAA/NM)			
Responsible Agency: Centro de Agricultura Alternativa do Norte de Minas (CAA/NM)			
Contact:	Braulino Caetano dos Santos	Title:	Director General
Telephone No.:	+553832212150	Email:	secretaria@caa.org.br

Project Financing Data(in USD Million)					
[ ]	Loan	[ ]	IDA Grant	[ ]	Guarantee

[ ]	Credit	[X]	Grant	[ ]	Other

Total Project Cost:	6.50	Total Bank Financing:	0.00
Financing Gap:	0.00		

Financing Source	**Amount**
Borrower	0.00
Strategic Climate Fund Grant	6.50
Total	6.50

Expected Disbursements (in USD Million)

Fiscal Year	2015	2016	2017	2018	2019	2020	0000	0000	0000	0000
Annual	0.65	1.50	2.25	1.50	0.50	0.10	0.00	0.00	0.00	0.00
Cumulative	0.65	2.15	4.40	5.90	6.40	6.50	0.00	0.00	0.00	0.00

Institutional Data

Practice Area / Cross Cutting Solution Area

Environment & Natural Resources

Cross Cutting Areas

[X] Climate Change
[ ] Fragile, Conflict & Violence
[ ] Gender
[ ] Jobs
[ ] Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	50	65	15
Agriculture, fishing, and forestry	Forestry	50	65	15
Total		100		

☐ I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%

Social dev/gender/inclusion	Social Inclusion	40
Environment and natural resources management	Other environment and natural resources management	30
Environment and natural resources management	Climate change	30
Total		100

Proposed Development Objective(s)

The objectives of the Project are: (i) to strengthen the engagement of Cerrado Biome's indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, and (ii) to contribute toward improving livelihoods, land use and sustainable forest management in their territories.

Components

Component Name	**Cost (USD Millions)**
Component 1: Sustainable and Adaptive Community Initiatives	4.00
Component 2: Capacity Building and Institutional Strengthening	1.30
Component 3: Project Management, Monitoring and Evaluation	1.20

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	**X**	
Natural Habitats OP/BP 4.04	**X**	
Forests OP/BP 4.36	**X**	
Pest Management OP 4.09	**X**	
Physical Cultural Resources OP/BP 4.11	**X**	
Indigenous Peoples OP/BP 4.10	**X**	
Involuntary Resettlement OP/BP 4.12		**X**
Safety of Dams OP/BP 4.37		**X**

Projects on International Waterways OP/BP 7.50		**X**
Projects in Disputed Areas OP/BP 7.60		**X**

Legal Covenants

Name	Recurrent	Due Date	Frequency
Grievance Redress Mechanism and Complaints Procedures		15-Jun-2015	

Description of Covenant

The Grievance Redress Mechanism and Complaints Procedures put in place 60 days after effectiveness, as stated in the Legal Agreement Schedule 2, Section I.E.1.

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Conditions

Source Of Fund	Name	Type
CSCF	Operational Manual finalized, approved and adopted by the Recipient.	Effectiveness

Description of Condition

This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Operational Manual has been adopted by the Recipient, as stated in the Legal Agreement Art IV 4.01 (a).

Source Of Fund	Name	Type
CSCF	Retroactive financing	Disbursement

Description of Condition

No withdrawal shall be made for payments made prior to the date of the signed Legal Agreement, except that withdrawals up to an aggregate amount not to exceed $65,000 equivalent may be made for payments made prior to this date but on or after November 12, 2014, for Eligible Expenditures under Category (3) of the Project, as stated in the Legal Agreement Schedule 2 Section 4, B.1.

Team Composition

Bank Staff

Name	Title	Specialization	Unit
Alberto Coelho Gomes Costa	Senior Social Development Specialist	Team Lead	GSURR
Frederico Rabello T. Costa	Senior Procurement Specialist	Senior Procurement Specialist	GGODR
Thiago De Oliveira Teodoro	E T Consultant	E T Consultant	GGODR
Yoichiro Ikeda		Operations Officer	OPSRE
Maria Joao Pagarim Ribei Kaizeler	Financial Management Specialist	E T Consultant	GGODR
Daniella Ziller Arruda Karagiannis	Operations Analyst	Program Assistant	GENDR

Maria Bernadete Ribas Lange	Senior Environmental Specialist	Senior Environmental Specialist	GENDR
Mariana Margarita Montiel	Senior Counsel	Senior Counsel	LEGLE
Miguel-Santiago da Silva Oliveira	Sr Financial Management Specialist	Sr Financial Management Specialist	GGODR
Madhavi M. Pillai	Sr Natural Resources Mgmt. Spec.	Natural Resources Mgmt. Spec.	GCCPT
Tatiana Cristina O. de Abreu Souza	Finance Officer	Finance Officer	WFALN
Veronica Yolanda Jarrin	Operations Analyst	Operations Analyst	GENDR

Non-Bank Staff

Name	Title	City
Karina Bugarin	Consultant	
Magno Castelo Branco	Consultant	
Júlia Miras Costa	Consultant	
Luiz Carlos Pinage	Consultant	

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Brazil	Piaui	Piaui	X		Cerrado Biome
Brazil	Maranhao	Maranhao	X		Cerrado Biome
Brazil	Sao Paulo	Sao Paulo	X		Cerrado Biome
Brazil	Parana	Parana	X		Cerrado Biome
Brazil	Minas Gerais	Minas Gerais	X		Cerrado Biome
Brazil	Mato Grosso do Sul	Mato Grosso do Sul	X		Cerrado Biome
Brazil	Mato Grosso	Mato Grosso	X		Cerrado Biome
Brazil	Goias	Goias	X		Cerrado Biome
Brazil	Federal District	Distrito Federal	X		Cerrado Biome
Brazil	Bahia	Bahia	X		Cerrado Biome
Brazil	Tocantins	Tocantins	X		Cerrado Biome

I. STRATEGIC CONTEXT

A. Country Context

1. Brazil is identified as a megadiverse country with extremely rich flora and fauna. Brazil's territory contains six continental biomes. The original cover of the three forest biomes represents 80 percent of Brazil's territory (8.5 million km^2) and constitutes 12 percent of the world's forest area.[1] These forests are responsible for a significant portion of global land-based biodiversity and most of them are found in indigenous lands and traditional territories. The Cerrado Biome covers nearly 24 percent of the country (2.04 million km^2) and is a strategic biome for economic, food security and environmental reasons. The rapid expansion of agriculture has had high environmental costs. It has caused natural vegetation to be converted to cropland and pasture. Planted pasture (54 million hectares) is now by far the most important form of land use and the conversion to agriculture and livestock is the main reason for the Cerrado's increasing relative contribution to the country's net annual anthropogenic greenhouse gas (GHG) emissions.[2] The biome lost about 48 percent of its forest cover by 2010. On average, 1.4 million hectares are deforested each year.[3]

2. In 2013, Brazil was the world's seventh largest economy in terms of gross domestic product (GDP) (US$2.24 trillion).[4] The Brazilian economy remains partly anchored in the export of primary products, including agricultural commodities. Agriculture accounts for 19.3 percent of the Brazilian labor force (nearly 19 million people). Between 2003 and 2013, the value of agribusiness exports more than tripled, up to US$99.97 billion and counting for 41.3 percent of Brazil`s exports.[5] Much of this recent agricultural boom has occurred in Central Brazil's Cerrado, where agriculture occupies around 22 million hectares and there are around 50 million head of cattle.

3. Strong progresses have been made in poverty reduction and shared prosperity in Brazil. Extreme poverty and poverty rates have dropped to 6.6 percent and 15.2 percent. However, extreme poverty rate is estimated at 21 percent among the rural population, 38 percent among Indigenous People, and 76 percent among Quilombola communities and they are overrepresented

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[1] Source: Serviço Florestal Brasileiro, "Florestas do Brasil em Resumo 2010", available at: http://www.mma.gov.br/estruturas/sfb/_arquivos/livro_de_bolso___sfb_mma_2010_web_95.pdf.

[2] Agriculture, land use change and deforestation accounted for an overwhelming 77.9 percent of Brazil's carbon dioxide (CO_2) emissions in 2005 and 57.5 percent in 2010. The Cerrado contributed 23.8 percent of net anthropogenic emissions of CO_2 in 2005 and 39.1 percent in 2010. Sources: Second National Communication to the UNFCCC. Available at: www.mct.gov.br/index.php/content/view/326984.html#lista; Estimativas anuais de emissões de gases de efeito estufa no Brasil. Ministério da Ciência, Tecnologia e Inovação, 2013, available at: http://www.mct.gov.br/index.php/content/view/347281.html; and Bustamante, M.C et al., Estimating Greenhouse Gas Emissions from Cattle Raising in Brazil, *Climatic Change*, 2012.

[3] Nepstad et al., Why is Amazon deforestation rising? (2013). Available at: mongabay.com. Data on the Cerrado biome were available only up to 2010.

[4] Source: Banco Central do Brasil, "Indicadores Econômicos Consolidados", available at: http://www.bcb.gov.br/?INDECO.

[5] Sources: "Balança Comercial Brasileira 2013", Ministry of Development, Industry and Commerce, available at: http://www.mdic.gov.br/arquivo/dwnl_1388692200.pdf. "Exportações do agronegócio atingem quase US$ 100 bilhões em 2013", available at: http://www.agricultura.gov.br/comunicacao/noticias/2014/01/exportacoes-do-agronegocio-atingem-quase-uss-100-bilhoes-em-2013.

among the poor and extremely poor people.[6]

4. In the Cerrado, Indigenous Peoples and Traditional Local Communities (IPTCs)[7] have contributed to the conservation of their living habitats (an area that encompasses about 15 percent of the biome). However, their traditional forest/land use management systems, livelihoods and cultures are under increasing threat due to externally and internally driven pressures, which are eroding their adaptive capacity and social resilience. Externally, the economic development model in the Cerrado Biome has caused environmental degradation and increased IPTC social vulnerability (poverty, food insecurity, social conflicts over scarce resources, migration of young people, weakened social ties, etc.) as a consequence of the reduction of the stock of open lands traditionally used by IPTCs as well as of the resulting habitat change and fragmentation. The extraction of resources by encroachers has also affected IPTC territories and ways of life. Internal threats arise from the overexploitation of some resources by the local inhabitants themselves and are due to the demographic growth of IPTCs and to the social exclusion processes they usually face.[8]

5. The impact of these threats varies depending on the size of the lands, demographics and capacity to adapt livelihood and coping strategies to new circumstances. Overall these threats generate a vicious cycle that makes the forest and land use management systems traditionally pursued by IPTCs increasingly ineffective to ensure their physical and cultural survival and forces them to increasingly rely on coping strategies that may intensify the environmental footprint of their livelihoods and are maladaptive to climate change in the medium and long term.

6. As agricultural activity is set to continue, manmade and climate-related pressures on the lands, forests and biodiversity on which IPTC livelihoods, ethno-development, cultures and social resilience rely may increase, eroding the effectiveness and adaptive capacity of their traditional ways of life as well as the global benefits for forest conservation and for climate change adaptation and mitigation that their lands continue to provide (including as carbon sinks).

B. Sectoral and Institutional Context

7. The Forest Investment Program (FIP) provides financing for REDD+ efforts in developing countries in order to address key drivers of deforestation and forest degradation with a focus on transformational change. The FIP is one of the three programs under the Strategic Climate Fund (SCF), a multidonor Trust Fund established in 2009 under the Climate Investment Funds (CIF) partnership to provide fast-track climate financing to reduce deforestation and forest degradation in tropical countries (FIP Design Document link).

8. The Global Dedicated Grant Mechanism (DGM) is a special initiative under the FIP. It was

[6] The available data also show that illiteracy and child mortality rates also run high among Indigenous Peoples: 22.5 percent of the population 10 years and older are illiterate and the child mortality rate reaches 50.1/000. Among Quilombola Communities, illiteracy rates reaches 23.5%; about 62% of them lack access to piped water, 76% lack access to sanitation and only 78% have access to electricity. Source: Census 2010 (IBGE).

[7] As defined by the National Policy for Traditional Communities and Peoples (Decree 6040/2007).

[8] Including: the constraints to translate traditional sustainable forest and land use practices into economic returns and to obtain a fair price for their products, their limited opportunities to diversify their livelihoods and to meet their economic needs without undermining the forest and natural resource base, and their limited access to decision-making processes related to forest management, REDD+ mechanisms, and climate change adaptation

established at the request of Indigenous Peoples and Local Communities (IPLCs) to support their participation in the FIP and other REDD+ strategies and programs. The DGM's design was defined by IPLC representatives from all current eight FIP pilot countries (Brazil, Burkina Faso, Democratic Republic of Congo, Ghana, Indonesia, Lao PDR, Mexico and Peru) during a two-year participatory design and consultation process. The DGM's overall objective is to enhance the capacity and support the effective initiatives of IPLCs in the FIP pilot countries to strengthen their participation in FIP and other REDD+ processes at the local, national and global levels. The program has two components: (i) a country component in each of the FIP pilot countries; and (ii) a global component for knowledge sharing, capacity building, and strengthening of networks and partnerships among IPLCs.

9. An Investment Plan for Brazil (BIP) was developed under the FIP. The BIP seeks to promote sustainable land use and forest management improvement in the Cerrado in order to reduce pressure on remaining forests and greenhouse gas (GHG) emissions and to increase CO2 sequestration. The BIP has two thematic areas and comprises four projects and two special windows, to be implemented as a coordinated set. One of the special windows is the Dedicated Grant Mechanism for Indigenous Peoples Program. This Program encompasses country projects in the eight FIP pilot countries, including the DGM for Brazil (BR-DGM).

C. Rationale for Bank Involvement

10. The rationale for the proposed Project is based on the premise that inclusion and participation of IPTCs in the implementation of the BIP and REDD+ processes would lead to better results and better development outcomes in the long term. The Project is aligned with the WBG Strategy and the twin goals of ending extreme poverty and promoting shared prosperity that cannot be achieved without addressing climate change and securing ecosystem integrity. The Project builds on the Bank's past and ongoing engagement with IPTCs in Brazil and draws on the Bank's experience in community-driven development and capacity building programs, which place the Bank in a unique position of strength to undertake this Project. The Project will also help advance the WBG's recent initiative of mainstreaming citizen engagement in operations with direct engagement of IPTCs in design and implementation, as well as governance. The Bank has a comparative advantage as a key player in REDD+ through the FIP and FCPF, and is in a favorable position to convene key stakeholders (governments, communities and other development partners) and facilitate constructive engagement on critical issues in the forests and climate change arena. In the context of the BIP, the Bank is already playing a leading role.

D. Higher-Level Objectives to which the Project Contributes

11. The objectives of the proposed Project are in line with the objectives established by the Global DGM and the BIP. The proposed Project aims to:

(i) Strengthen the capacities of IPTCs in Brazil's Cerrado Biome so that they can participate more effectively in FIP and other REDD+ processes at local, national and global levels as well as in planning and implementing sustainable forest and climate adaptation, natural resources management, ethno-development; and

(ii) Help reduce deforestation and forest degradation pressures within Indigenous and Traditional Territories in the Cerrado, increase IPTCs' coping and adaptive capacity and social resilience to deal with the manmade pressures and climate change risks that they face and that threaten their livelihoods and cultures, and consequently protect and promote biodiversity and sociocultural diversity within this biome.

12. These objectives will be achieved through the Project's participatory strategy for the empowerment of IPTCs, capacity-building programs for IPTC organizations, and the implementation of on-the-ground activities of the IPTCs' choice that will promote *no regrets*[9] community-based adaptation (CBA). These *no regrets* interventions must fall under two broad thematic areas that are aligned with the objectives of DGM in the FIP pilot countries: (i) the promotion of economic activities and rural livelihoods that enhance climate change mitigation and adaptation and are consistent with the values of IPTCs; and (ii) investments in sustainable management of forest landscapes that maintain high carbon stocks and conserve biodiversity.

13. The Project's objectives are also aligned with the World Bank's current Country Partnership Strategy (CPS 2012–2015) with Brazil, discussed by the Executive Directors on November 1, 2011 (Report No. 63731-BR), under Strategic Objective 4: Improving sustainable natural resources management (NRM) and climate resilience. The engagement in the country (and specifically in the Cerrado) seeks to: (i) combine conservation with the promotion of local and regional economic development; (ii) support increased sustainability of agricultural production and forestry; (iii) focus on long-term solutions to further capitalize on its natural resource assets (a vast quantity of biodiversity content and the world's largest forest carbon stocks) in a sustainable manner; and (iv) improve the sustainable management of natural resources and enhance resilience to climate shocks, while maximizing contributions to local economic development and enabling local communities, civil society and the private sector to participate actively in policy formulation and implementation.

14. These objectives are aligned with Brazil's policies for IPTCs as well as for environmental protection and climate change adaptation and mitigation in the Cerrado Biome**.** [10] These policies aim the promotion of ethno-development, and the conservation and sustainable use of natural resources to ensure improvements in the quality of life and the physical, social and cultural survival IPTCs. They have been established in the last three decades on the basis of: (i) IPTCs' rights to collective self-identification and sociocultural diversity; (ii) their rights to secure land tenure on the territories they traditionally occupy and access to natural resources that they traditionally use for their physical, cultural and economic survival; (iii) compliance with IPTCs' rights to informed, prior and free consultation; and, (iv) representation of IPTCs in all decision-making processes and policies that directly affect them.

15. Improving livelihoods for vulnerable communities and enhancing their social resilience and adaptive capacity to climate change, the proposed Project will reduce poverty and contribute to shared prosperity.

[9] *No regrets* adaptation refers to measures for climate change adaptation that are justified under all plausible future climate scenarios, because they address the underlying drivers of poverty and vulnerability, manmade and climate challenges to sustainable socioeconomic development in a manner that is culturally adequate, environmentally sound and economically feasible (http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=292).

[10] Since the enactment of the 1988 Federal Constitution, Brazil has issued a significant set of legislation in support of IPTCs, including the National Policy for Environmental and Territorial Management of Indigenous Lands (PNGATI; Decree 7747/2012) and the National Policy for Sustainable Development of Traditional Populations and Communities (PNPCT; Decree 6040/2007). Policies related with environmental protection and climate change adaptation and mitigation at the Cerrado Biome include the National Policy on Climate Change (Law 12,187/2009) and the Plan to Prevent and Control Deforestation and Fires in the Cerrado (Decree of September 15, 2010).

II. PROJECT DEVELOPMENT OBJECTIVES (PDOs)

A. PDOs

16. The PDO is (i) to strengthen the engagement of Cerrado Biome's indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, and (ii) to contribute towards improving livelihoods, land use and sustainable forest management in their territories.

17. The proposed Project's PDO is aligned with the DGM Program Development Objective, which aim is to strengthen the capacity of Indigenous Peoples and Local Communities (IPLCs) to participate in the Forest Investment Program and other REDD+ programs at local, national and global levels. This objective will be achieved through the implementation of the country Projects in the eight FIP pilot countries and the Global Learning and Knowledge Exchange Project (Global DGM). The latter aims to organize and facilitate knowledge exchange, learning and capacity building for IPLCs at regional and global levels, and to strengthen the networks and alliances of IPLC organizations within and across regions.

B. Project Beneficiaries

18. The main beneficiaries of the Project are IPTCs and their representative organizations in the Cerrado. Traditional communities include all social groups who self-assert a distinctive cultural identity, maintain knowledge and practices transferred from one generation to the next by means of tradition, maintain distinctive forms of social organization and cultural beliefs and norms, and rely on distinctive productive systems and low-impact forest/land use management systems for their cultural, social, religious, ancestral and economic survival. The Cerrado is home to 41 Indigenous Peoples and a multitude of traditional local communities, including quilombola communities, extractive populations, and agricultural and pastoral communities dependent on specific surrounding ecosystems.

C. PDO-Level Results Indicators

19. PDO-level results indicators include:

- Participating IPTC organizations with increased involvement, role and voice in REDD+/climate change bodies/meetings at local, national or global levels (number);
- People in targeted forest and adjacent communities with increased monetary or nonmonetary benefits from forests (number);
- Intended beneficiaries that are aware of project information and agree with project supported investments (percentage).

20. Project results per component will be measured against the following intermediate indicators:

- *Component 1*: (i) direct project beneficiaries (number of families); (ii) share of vulnerable and marginalized people among total project beneficiaries (percentage); and (iii) beneficiaries satisfied with technical assistance (percentage);
- *Component 2*: (i) IPTC representative organizations provided with capacity-building support to improve the management of forest resources (number); (ii) participants in project capacity enhancement activities with increased understanding of REDD+ and climate change issues; (ii) forest users trained (number), discriminating the shares of

indigenous peoples and women (percentage); and

- *Component 3*: (i) intended beneficiaries who are aware of project information and project-supported investments (percentage); and (ii) grievances registered with regard to the delivery of project benefits that are actually addressed (percentage).

21. The following common indicators will be used to measure the achievement of the DGM Program Development Objective: (i) Percentage of sub-projects successfully completed and achieved their objectives (target: 75%); (ii) people in targeted forest and adjacent communities with increased monetary or non-monetary benefits from forests, disaggregated by gender (number, monitored); (iii) percentage of participants in the capacity development activities with increased role in the FIP and other REDD + processes at local, national or global levels. (target: 75%); (iv) percentage of grievances registered related to delivery of project benefits that are actually addressed (target: 100%); and (v) percentage of DGM stakeholders that perceive DGM governance and processes as transparent and inclusive. These indicators reflect the direct engagement and leadership of IPLCs in implementation and governance of the program.

III. PROJECT DESCRIPTION

22. The Project follows the framework guidelines and set of activities covered under the components designed for the Global DGM. The Project will support capacity building and finance the demand-driven provision of grants to community organizations of IPTCs in Brazil in order to strengthen their participation in FIP and other REDD+ processes at local, national and global levels as well as to increase their capacity to adapt to climate change. The Project will prioritize its actions in the Cerrado to promote synergies with existing BIP projects and to reduce the challenges posed by the geographic dispersion of IPTCs in Brazil.

A. Project Components

23. Component 1: Sustainable and Adaptive Community Initiatives (estimated total cost: US$4.0 million) aims to support indigenous peoples and local communities and organizations in developing on-the-ground, no regrets community activities of the IPTCs' choice in order to promote sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and adaptation to climate-related changes. The component will provide subgrants for community initiatives, training and technical assistance activities and will include two subcomponents.

24. *Subcomponent 1.A: Community Initiatives (estimated total cost: US$3.0 million)* will finance the provision of micro- and small grants for eligible community-based IPTC organizations to undertake on-the-ground, no regrets community activities that fall under predetermined themes related to forest and land use management, livelihoods and sociocultural survival, and have been proposed and selected by IPTC-led decision making. All grant proposals will be assessed by the National Steering Committee (NSC) [11] according to the following core criteria of: (i) alignment with the core objectives of the DGM and FIP programs, (ii) socio-environmental relevance; (iii) cultural adequacy; (iv) community support; and (v) sustainability. Women and youth in community initiatives will be targeted. Taking into consideration the current scenarios faced by different IPTCs, community proposals will be eligible for funding under three grant windows: (i)

[11] The NSC will be decision-making body of the Project and will include representatives from IPTCs, the Brazilian Government and the World Bank (as an observer). For further information on the NSC, refer to Paragraph 36 below.

the *Natural Resource Management Subproject Window* for proposals from IPTCs that are located in environmentally priority and vulnerable areas in which manmade threats and climate-related risks may bring major loss or decline in the long-term quality of valued species, habitat and landscape as well as other deleterious environmental and social impacts; (ii) the *Immediate Threat Response Subproject Window* for proposals from IPTCs that are under severe and immediate threat to their forests, natural resources, livelihood needs, physical and cultural survival due to manmade and climate-related challenges; and (iii) the *Market-Oriented Productive Subproject Window* for proposals from IPTCs that have proven organizational capacity in handling external funds and need support to increase their access to markets for the commercialization of agricultural and/or nontimber forest products.

25. These windows will finance community activities that promote: (i) sustainable forest and land use management systems as well as community-led forest landscape restoration; (ii) seedling production for the maintenance of native and threatened species/varieties; (iii) agroforestry production systems and agroecology tillage practices through the use of indigenous/traditional knowledge and new technologies; (iv) collection, value-added processing and commercialization of nontimber forest and agricultural products; (v) indigenous and traditional water, soil and landscape management practices, including the recovery of degraded areas and the protection of water sources; (vi) livelihood diversification for improved nutrition, food security and quality of life; and (vii) revitalization of cultural values and traditional knowledge. A minimum share of 60 percent of the funds allocated for this component will be targeted to Indigenous Peoples and a maximum share of 40 percent to Traditional Communities. This subcomponent is expected to support proposals from about 60 communities. No community counterpart financing responsibilities will be requested.

26. *Subcomponent 1B: Training and Technical Assistance (estimated total cost: US$1.0 million)* will finance: (i) training activities to enhance the technical and managerial capacities of beneficiary organizations; and (ii) technical assistance to support the preparation of the technical projects for the preselected community proposals and the implementation of the approved community initiatives. These activities will be executed by the National Executing Agency (NEA) directly. Each proposal submitted by IPTCs for community initiatives will be assessed in a participatory manner by the NEA, which, in agreement with the beneficiary IPTCs, will define the needed on-site training and technical assistance package.

27. Component 2: Capacity Building and Institutional Strengthening (estimated total cost: US$1.3 million) aims to finance capacity-building and institutional-strengthening activities that target IPTC organizations. These activities may contribute toward increasing managerial and technical capacities, access to financing sources for forest/land use and sustainable natural resources management, and participation in FIP, REDD+ and climate change-related decision-making processes. The Project will: (i) carry out a communication and dissemination strategy, reach target groups, and mobilize communities and organizations; (ii) promote training and informational workshops as well as capacity-building activities; and (iii) support the creation and consolidation of representative community-based organizations. The annual Capacity-Building Plans will be prepared and implemented by the NEA according to priorities established by the NSC. The NEA may hire subcontractors to implement some or all activities in this Plan.

28. Capacity-building and institutional-strengthening activities will focus on enhancing: (i) leadership and negotiation skills and active participation in initiatives related to natural resource-based mitigation and climate change adaptation; (ii) a better understanding of REDD+

mechanisms, forest management and climate change adaptation programs; (iii) knowledge of and access to public policies, credit lines and financial resources related to forest adaptation; (iv) financial management skills; (v) knowledge about new methodologies for participatory land and environmental management, vulnerability mapping, planning and implementation of strategies for coping with and adapting to manmade climate change, sustainable forest and land management practices, and forest-fire prevention; and (vi) technical skills for the adoption of new technologies that deal with productive activities, livelihood diversification, environmental conservation, and land surveillance. These thematic areas are fully aligned with DGM guidelines.

29. Component 3: Project Management, Monitoring and Evaluation (estimated total cost: US$1.2 million) aims to support the Project's technical and administrative management, dissemination, monitoring and evaluation. This component will finance the incremental operational costs incurred by the NEA to carry out its responsibilities: (i) serving as secretariat to the NSC; (ii) Project's technical coordination, monitoring and evaluation; (iii) reporting to the World Bank, the BIP Coordination, and the Global Steering Committee; (iv) Project's financial management, procurement, and auditing; (v) operation of the Project's Grievance Redress Mechanism; and (vi) supervising the implementation of community initiatives and results assessments. This component will finance studies, training, travel and limited procurement of software and hardware.

B. Project Financing

30. The proposed operation is an Investment Project Financing supported by a Strategic Climate Fund grant in the amount of US$6.50 million.

Table 1: Project Costs and Financing (US$ million)

Project Components	**Project Cost**	**FIP Financing (US$)**	**FIP Financing (% of total)**
1. Sustainable and Adaptive Community Initiatives	4.0	4.0	100
2. Capacity Building and Institutional Strengthening	1.3	1.3	100
3. Project Management, Monitoring and Evaluation	1.2	1.2	100
Total Project Costs	6.5	6.5	100

31. Up to US$0.065 million in retroactive financing will be available for eligible expenditures under Categories 2 and 3 in accordance with Bank guidelines for payments made prior to the Signing Date but on or after November 12, 2014, but in no case more than one year prior to the date of the Grant Agreement.

C. Series of Project Objectives and Phases

32. The Project is the first of the country-specific projects to be prepared by the eight FIP pilot countries where Governments are implementing FIP investment projects with support from Multilateral Development Banks (MDBs). The World Bank's investment support to the DGM Program would be provided through Series of Projects approach [formerly, 'adaptable program loan' (APL)], under a common framework, similar to the World Bank's support to the Global Program for Avian Influenza (2005) and the HIV/AIDS efforts in the Caribbean (June 2001). Each FIP country will prepare a stand-alone DGM project under this Program Framework, under the World Bank's policies for Investment Project Financing. This approach gives the program the necessary flexibility to accommodate the socio-cultural and political economy differences across the FIP pilot countries and allows the IPLCs in each country to proceed at their own pace.

Secondly, given that all pilots will be aligned with the same framework for the program, the experience of the early movers – like Brazil – will help the rest avoid costly mistakes during implementation. Third, there will be flexibility to allow additional countries into the program, should more countries be invited to participate in the FIP in the future.

D. Lessons Learned and Reflected in the Project Design

33. The Project will benefit from lessons learned from previous and ongoing Bank operations with IPTCs in Brazil that make use of Community-Driven Development (CDD) approaches and relevant analytical work on the issues of forest/land use management and CBA. As IPTCs' livelihoods and cultures heavily rely on a narrow set of forest and natural resources and on climate-sensitive activities, the interplay of deforestation, forest degradation, climate shocks and development challenges heighten their vulnerability, weaken their adaptive capacity and lead them to livelihood and coping strategies generate short-term income but jeopardize the natural resource base. IPTCs able to diversify their livelihoods are the most resilient communities. IPTCs also face obstacles to participate in public policies/projects and their grassroots organizations often lack the institutional capacity, information and advocacy skills needed to better represent their interests in multi-stakeholder decision-making arenas. When they succeed, their proposals mostly focus on overcoming the challenges they face to provide for their basic needs, but some actions taken by IPTCs today risk being maladaptive in the long run. IPTCs consider participatory and inclusive stakeholder approaches as critical for positive outcomes because they support interventions that are context specific, culturally adequate, and well suited to reach the most vulnerable. No regrets interventions that address the underlying drivers of vulnerability and enable livelihood diversification are the first step in the process of adaptation.

34. The following lessons have been incorporated into the Project's design: (i) Participatory and inclusive stakeholder approach to empower IPTCs' grassroots organizations and promote the devolution of decision making to them have been introduced in Project`s design as a joint partnership, which built a strong sense of ownership by the key stakeholders; (ii) culturally adequate technical assistance, timely and on-site training to enhance managerial and technical capacities will be provided to IPTCs' grassroots organizations; (iii) Component 1 will support no regrets measures and livelihood diversification because they fare better in improving the well-being of socioeconomically disadvantaged groups, increasing their social resilience and fostering sustainable forest/land use management systems; (iv) Component 2 will focus on capacity building and institutional strengthening to increase the knowledge, skills and participation of IPTC organizations in decision-making processes related to forest/land use management and climate change adaptation; and (v) simplified, streamlined and flexible implementation arrangements and procedures will be followed for grant application and procurement financial reporting, contributing to ensure opportunities of access for the most deprived IPTCs.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

35. In accordance with the Global DGM Guidelines, the Brazil DGM has developed a governance and management arrangement with the capacity for coordination, partnership and synergies.

36. The NSC will work as the Brazil DGM's decision-making body and will accompany project implementation. Its principal roles and responsibilities are to: (i) decide on the annual work plans

and the eligibility criteria for funding; (ii) review and make funding decisions on eligible community proposals; (iii) provide oversight of the Project's implementation and keep the functioning of the NEA under review; (iv) review the progress of activities with regard to PDOs against indicators, and promote learning from the results among stakeholders; (v) report to the Global Steering Committee (GSC) [12] on national activities on a semiannual basis; (vi) mediate any conflicts related to DGM funding proposals that may arise during the course of project implementation; and (vii) guarantee fair access to all communities. The NSC will include representatives from IPTCs, the Brazilian Government and the World Bank (as an observer).[13] Up to two of the IPTCs' representatives – selected by their peers – will participate as members in the GSC. Appropriate principles of transparency and accountability will be built into the NSC's decision-making processes. Its functions and membership will be further detailed in the Project's Operational Manual (POM).

37. Following the Global DGM guidelines,[14] the Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) was selected as the National Executing Agency (NEA) through a competitive process supported by the World Bank and carried out by the NSC with the assistance of the Government of Brazil. The CAA/NM is a nonprofit and nongovernmental organization (NGO) that meets the World Bank's program-related, fiduciary and safeguards requirements. CAA/NM's main responsibilities include: serving as the secretariat for the NSC; ensuring that DGM funds are used appropriately and that procurement is carried out in accordance with Bank rules and procedures; ensuring timely implementation of all project activities; monitoring project activities and related indicators; maintaining documentation on DGM projects and preparing progress and financial reports; ensuring that the Bank's safeguard policies are observed and complied with; maintaining communications and technical dialogue with stakeholders; managing redress processes for grievances and complaints; and coordinating and providing information for the Global Executing Agency (GEA),[15] and the BIP Coordination. The CAA/NM will begin operations following project effectiveness. A grant agreement will be signed by the CAA/NM and the World Bank to administer the grant scheme.

38. **Grievance Redress Mechanism and Complaints Procedures (GRM)**. In accordance with the DGM Operational Guidelines, a GRM will be established and further detailed in the country specific Environmental and Social Management Framework (ESMF) and POM. The GRM will ensure that all complaints received from IPTCs and other interested stakeholders related to a grant award decision, representation in the NSC or GSC, or the governance of the program will: (i) have a properly written record; (ii) receive timely resolution of issues; and (iii) be publicly reported. Regardless of the nature of the grievance, the DGM will ensure that a transparent,

[12] The GSC is the deliberative arena for the Global DGM Program. It provides intellectual and policy leadership to the DGM and monitors the overall implementation of the DGM. The GSC also has an important role in external interactions with contributor countries and other partners to advocate for IPLCs in international forums on climate change and REDD+. The GSC will ensure that the program lessons are widely disseminated.

[13] The preliminary selection of IPTC representatives in the NSC was balanced by geographic area, ethnic diversity and gender, and complied with the criteria established in the FOG (paragraphs 26 and 27), the FIP Design Document (paragraphs 16.d and 20.b) and its Annex III (Guidelines for Consultation).

[14] *Internal Guidance Note for Task Teams regarding Selection of the Country NEA*, available in the project files.

[15] The Conservation International Foundation (USA) was competitively selected as the GEA. It will be responsible for the execution, the overall communications and the outreach activities of the DGM Program. It will provide secretariat functions for the GSC and facilitate a grievance redress and complaints mechanism on behalf of the GSC.

timely and fair process is adopted to address each complaint. The initial point of contact for all grievances will be with a dedicated staff member within the CAA/NM. The CAA/NM will record all complaints received in a publicly accessible online system that will allow complaints to be tracked and monitored. The abovementioned GRM is without prejudice to any additional mechanism established by the World Bank to address related issues of damages, and/or jurisdiction of any other national authorities as the case may be.

39. **Implementation Period and Supervision Budget.** The Project will be implemented over a period of five years (2014–2019). The World Bank's administrative costs for project preparation and supervision will be financed from the reserve fund under the FIP and in accordance with CIF benchmarks. The administrative costs for the CAA/NM (and any costs that may be incurred for the process of deliberation by the NSC) will come from the Project.

B. Results Monitoring and Evaluation

40. Results monitoring and evaluation (M&E) will be a key part of the DGM's activity to drive diverse stakeholders toward common development objectives while addressing major risks during program implementation. It is expected that beneficiaries (especially more vulnerable subgroups such as youths and women) will be involved in M&E through the promotion of: (i) capacity building and continued technical assistance; and (ii) ownership of the intervention, leading to higher accountability and willingness to contribute to information gathering and result dissemination. Two evaluations will be undertaken by CAA/NM. A midterm evaluation will measure the progress being made and identify strengths and weaknesses, with the aim of reinforcing positive aspects and making adjustments as needed. The final evaluation will assess, among other issues, the achievement of outcomes and the sustainability of results, and will identify lessons learned. Results assessments (monitoring and evaluation) of interventions will rely on "before-and-after" comparisons and will include beneficiary assessment methodologies and gender-sensitive analysis. Results from M&E will be disseminated among beneficiaries.

C. Sustainability

41. As previously mentioned (footnote 11, page 4), the Project is fully aligned with Brazil's key policies for indigenous peoples, traditional local communities, and environmental protection and climate change adaptation and mitigation in the Cerrado Biome and is expected to contribute to the achievement of their objectives. In this sense, two agencies of the Brazilian Government – the Ministry of Environment (MMA) and the National Indigenous Peoples Foundation (FUNAI)[16] – have been closely involved in the Project's preparation and will be represented in the NSC during its implementation. To ensure that activities are continued and benefits are sustained beyond the time frame of this Project, one of its innovations is the full participation of key stakeholders and main beneficiaries in its preparation process and in its governance arrangements. Project activities aim at: (i) strengthening IPTC organizations; (ii) overcoming gaps in IPTCs' knowledge about forest and land use management, climate change adaptation and REDD+; (iii) promoting IPTCs' participation in knowledge-sharing networks at regional, national and global levels; and (iv) enabling their informed participation in relevant decision-making processes at different levels. The sustainability of community initiatives is expected from

[16] MMA is responsible for the protection, restoration and sustainable use of natural resources and the environment (http://www.mma.gov.br). FUNAI is responsible for protection and promotion of development among Indigenous Peoples (http://www.funai.gov.br).

a rigorous previous assessment of their potential contribution to sustainable forest/land use management and to beneficial coping and adaptation strategies, and consequently their ability to improve IPTCs' livelihoods, while ensuring the sustainability of forest landscapes. Lessons learned from the Project's implementation will be broadly shared to promote the replication of successful project interventions through regional and national NGO networks and through IPTCs' participation in the global component on knowledge sharing and networking in REDD+.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

	Rating
Stakeholder Risk	**Substantial**
Implementing Agency Risk	
- Capacity	**Moderate**
- Governance	**Substantial**
Project Risk	
- Design	**Substantial**
- Social and Environmental	**Moderate**
- Program and Donor	**Low**
- Delivery Monitoring and Sustainability	**Substantial**
Overall Risk	**Substantial**

B. Overall Risk Rating Explanation

42. The innovative participatory design and implementation approach of the Project creates a foundation for the sustainability of development objectives. However, it also leads to implementation challenges because: (i) incorporating IPTCs' planning and decision-making processes requires additional time and resources to prevent conflicts, overcome limitations in the managerial, fiduciary and procurement capacities of the IPTC organizations, and secure long-term sustainability; (ii) the Project will deal with subprojects in remote locations, will also have numerous small transactions, and may face financial management challenges; (iii) the dispersed and remote location of activities may result in poor quality of delivery and supervision; and (iv) the large number of IPTCs found in the Cerrado Biome may raise expectations that cannot be met by the Project, due to its limited resources. Uncertainty remains about the level of capacity for implementation of the beneficiary organizations at the subgrantee level. Delays during implementation and the low level of IPTC organizations' fiduciary capacity could affect the quality of implementation. This risk will be reduced as CAA/NM will centralize all procurement processes. Outreach communications and on-site training and technical assistance have been envisaged for the institutional strengthening of subgrantees' IPTC organizations as well as to mitigate these risks. The Project will be implemented using the experience of successful CDD/CBA projects and is expected that the Project will not have any direct negative impact on the environment or the IPTCs. No activities impacting the local level are expected to take place without the free, prior and informed consultation of the affected IPTCs. High participation from the onset of the preparation stage enhances IPTCs broad support for the Project.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

43. ***Project Strategy Analysis.*** The Project strategy has been designed to maximize sustainability and efficiency. To this end, it will invest in activities that seek an optimum combination of

immediate and long-term benefits and rely on support for no regrets options for community activities of the IPTCs' choice. No regrets options are by definition GHG emissions reduction options that have negative net costs, because they generate direct or indirect benefits that are large enough to offset the costs of implementing the options. No regrets options are adaptive measures that are worthwhile regardless of the extent of future climate change and can be justified from socioeconomic and environmental perspectives whether or not natural hazard events or climate change take place. These options are more likely to be implemented, generate obvious and immediate benefits with few or no tradeoffs, improve well-being, and provide experience upon which to build further assessments of climate risks and adaptation measures.

44. ***Cost-Benefit Analysis.*** Given the demand-driven nature of Component 1, the Project will respond to the demands of its target population. Project investments are not yet known and it is not safe to conduct any kind of robust analysis so far. A detailed *ex-ante* cost-benefit analysis of the Project is not warranted, because too many assumptions would be made, resulting in an unreliable scenario with few or no meaningful results. The Bank has relevant experience among vulnerable rural communities in Brazil with CDD projects, in which the calculated net present values (NPVs) and internal rates of return (IRRs) turn out to be accurate and net returns are consistently high. Based on this prior experience, the Project is expected to have positive results in terms of cost effectiveness, which will be monitored during project implementation.

45. ***Cobenefit Analyses.*** The qualitative aspects of the cobenefits generated by the Project are as follows: (a) Environmental: (i) conservation of greater biodiversity and increase in genetic flows in the forested areas of Indigenous and Traditional Territories; (ii) protection of soils and water resources through improved and sustainable forest and land use management systems; and (iii) removals of significant amounts of carbon dioxide (CO_2) from the atmosphere, due to avoided deforestation and native forest restoration, etc. (b) Socioeconomic: (i) reduced vulnerability of IPTCs and their traditional low-impact livelihoods to manmade and climate change-related threats; (ii) increased monetary and nonmonetary benefits for forest users due to livelihood diversification and sustainable forest/land use management systems; and (iii) enhanced adaptive capacity of IPTCs. (c) Institutional: (i) strengthened representative organizations of IPTCs; (ii) increased engagement, participation, and voice of IPTCs in REDD+/climate change decision-making bodies at the local, national, and global levels; and (iii) enhanced partnerships between IPTC representative organizations and networks.

B. Technical

46. The Project draws on lessons learned from previous and ongoing successful operations and analytical work both in Brazil and worldwide, as well as on the traditional knowledge of IPTCs that have actively taken part in the project design process. The proposed Project relies on strategies to promote improved access to relevant information and to combine IPTCs' traditional knowledge with sound new scientific-based knowledge on forest and natural resources management and on climate change adaptation. It also relies on CDD/CBA approaches that have been proven worldwide to: (i) make strong economic sense, even in a volatile and evolving environmental context, for livelihood adaptation and diversification; and (ii) be able to promote synergies among ethno-development, forest and land use management, and adaptation through no regrets interventions that always fare better in improving the livelihoods of socioeconomically disadvantaged groups and increasing their social resilience. The Project combines multiple factors that are considered critical for making CDD/CBA approaches successful: (i) community proposals will be screened for their economic, environmental and social feasibility as well as on

the basis of assessments of local vulnerabilities and adaptive capacity; (ii) culturally adequate technical assistance will be provided; (iii) institutional capacity-building activities will strengthen IPTC organizations by means of on-site training events; and (iv) adequate, flexible and efficient administrative and financial arrangements have been established. The strong sense of ownership and social accountability among IPTCs and may contribute toward increasing their representation in relevant decision-making arenas.

C. Financial Management

47. A Financial Management Assessment (FMA) of the NEA was carried out in accordance with Bank guidelines prior to appraisal. The assessment evaluated: (i) the arrangements for oversight and accountability; (ii) the status of project financial management (FM), including any FM risks; (iii) planned actions and target dates for FM improvements and dated covenants designed to reduce those risks; (iv) the Project's readiness for implementation and the next steps needed; and (v) the means by which the Project's FM will be monitored. The CAA/NM demonstrated some weaknesses related to the limited use of the budget function, the lack of a financial information system, and the ability to fill the financial reports in a timely manner due to the over-distribution of operations over 60 different locations. The Bank's FM arrangements are related to budgeting, accounting, internal controls, flow of funds, financial reporting, and auditing. The objectives of the FM system for the Project are to: (i) ensure that funds are used only for their intended purposes in an efficient and economical way while agreed activities are implemented; (ii) enable the preparation of accurate and timely financial reports; (iii) ensure that funds are properly managed and flow smoothly, adequately, regularly and predictably to implementing agencies; (iv) enable the CAA/NM to monitor the implementation of the Project; and (v) safeguard the Project's assets and resources. The key risks that the CAA/NM may face for these objectives stem from the need to ensure effective supervision and coordination of arrangements for the accountability of project finances, and to comply with established internal control procedures.

D. Procurement

48. A Procurement Assessment of the CAA/NM was carried out in accordance with Bank guidelines prior to appraisal, and considering the lack of experience in working with Bank procedures and guidelines, the procurement risk of the Project is considered as Moderate. The CAA/NM will be responsible for procuring goods, works and services, as well for selecting consultants, in accordance with the Bank's procurement policies, including procurement for the subgrants under Component 1, meaning no funds are actually transferred to indigenous peoples and local communities and organizations. The CAA/NM will be responsible for contract management in accordance with Bank policies and guidelines. In accordance with the requirements of OP 11.00, prior to project appraisal a procurement assessment of the CAA/NM's capacity to implement procurement actions was carried out and has been filed in the operations portal. 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 January 2011, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, and the provisions stipulated in the Grant Agreement. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior-review requirements, and time frame are agreed by the Recipient and the Bank's project team 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. The NEA will prepare a comprehensive Operational

Manual, describing the procedures to be followed under the procurement for the subgrants.

E. Social (including Safeguards)

49. The Project was prepared as a joint partnership with key stakeholders. Consultations were carried out with the broad participation of men and women. The main features of the proposed project design were debated and approved by self-appointed representatives of IPTCs. Due to the community-based approach, the Project is not expected to have adverse effects on beneficiary communities. The Project fully complies with OP 4.10. A social assessment was undertaken and evaluated potential effects on indigenous peoples. Free, prior, and informed consultations have been carried out with potential beneficiary communities. All relevant information about the Project was provided in a culturally appropriate manner and its design received IPTCs' broad support. Because indigenous peoples will be the majority of direct project beneficiaries and Project preparation has been carried out in a highly participatory manner including an intensive process of consultation with IPTCs, OP 4.10 was triggered but no separate Indigenous Peoples Policy Framework or Indigenous Peoples Plan is required. Before being funded, community proposals will be screened to ensure that they have the broad support of indigenous peoples, to avoid any physical relocation of indigenous peoples, and to ensure they will contribute to several development aims pursued by OP 4.10. OP 4.12 was not triggered because one of the principles covered in the grant mechanism is the avoidance of relocating and displacing forest dependent people. The criteria for selection of eligible activities will ensure that no relocation or restriction of access to natural resources takes place. The country specific ESMF and the POM will clearly indicate the criteria and procedures to (i) ensure that community initiatives are proposed by genuine representative organizations of IPTCs; (ii) proposals have received free, prior, informed and broad support from the proponent communities; and (iii) identify cases in which land acquisition is needed and ensure that these donations are fully voluntary.

F. Environment (including Safeguards)

50. The proposed conservation project is expected to have a positive environmental impact because it seeks to promote sustainable ethno-development, forest and natural resources management, and climate change adaptation for IPTCs whose livelihoods depend on the biome's natural resources. Project activities may contribute toward reducing deforestation pressures on the remaining forests and protecting headwaters and riparian zones, reducing water and soil pollution. The nature and scale of the expected community activities will not have significant adverse impacts and the Project is rated as Category B. The Environmental Safeguards triggered are: Environmental Assessment OP/BP 4.01, Natural Habitats OP/BP 4.04, Forests OP/BP 4.36, Pest Management OP 4.09, and Physical Cultural Resources OP 4.11. Despite these positive impacts, the Project will be working in various sensitive biodiversity and dry forest areas. A Programmatic Environmental and Social Management Framework (P-ESMF) has been prepared for the Global DGM and guided the preparation of the country specific ESMF. The latter raises the potentially positive and negative impacts of eligible activities and defines preventive and mitigating actions. The ESMF defines operational procedures to screen, assess, mitigate and monitor environmental and social impacts, thus ensuring compliance with World Bank operational policies during project implementation. The country specific ESMF was disclosed prior to appraisal both in-country and on the World Bank's external website. During the preparation of technical projects, all community proposals selected for funding will be screened by the CAA/NM to ensure compliance with World Bank social and environmental policies.

Annex 1: Results Framework and Monitoring

Country: Brazil

Project Name: BR DGM for Indigenous People (P143492)

Results Framework

Project Development Objectives

PDO Statement

The objectives of the Project are: (i) to strengthen the engagement of Cerrado Biome's indigenous peoples and traditional communities in FIP, REDD+ and similar climate change oriented programs at the local, national and global level, and (ii) to contribute toward improving livelihoods, land use and sustainable forest management in their territories.

These results are at Project Level

Project Development Objective Indicators

		Cumulative Target Values					
Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Intended beneficiaries that are aware of Project information and agree with Project supported investments (Percentage)	0.00			40.00		75.00	75.00
Intended beneficiaries that are aware of Project information and agree with Project supported investments - female (Percentage - Sub-Type: Breakdown)	0.00			40.00		75.00	75.00
People in forest&adjacent community with monetary/non-monetary benefit from forest (Number) - (Core)	0.00			1500.00		3000.00	3000.00

People in forest&adj. commy with benefit from forest-Ethnic minority/indigenous (Number - Sub-Type: Breakdown) - (Core)	0.00			1000.00		2000.00	2000.00
People in forest and adjacent community with benefits from forest-female (Number - Sub-Type: Breakdown) - (Core)	0.00			400.00		1000.00	1000.00
Participating IPTC organizations with increased involvement, role and voice in REDD+/climate change decision-making bodies/meetings at local, national, or global levels. (Number)	0.00	0.00	6.00	12.00	20.00	24.00	24.00

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Direct project beneficiaries (Number) - (Core)	0.00	0.00	600.00	3000.00	5000.00	6000.00	6000.00
Indigenous Peoples Beneficiaries (Percentage - Sub-Type: Supplemental)	0.00	0.00	6.00	30.00	54.00	60.00	60.00
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	0.00	3.00	15.00	27.00	30.00	30.00
Vulnerable/marginalized people in project area that are project beneficiaries (%) (Percentage) - (Core)	0.00	0.00	10.00	50.00	90.00	100.00	100.00
Vulnerable and marginalized people in the project area - male (number) (Number - Sub-Type: Supplemental) -	0.00	0.00	300.00	1500.00	2500.00	3000.00	3000.00

(Core)							
Vulnerable and marginalized people in the project area - female (number) (Number - Sub-Type: Supplemental) - (Core)	0.00	0.00	300.00	1500.00	2500.00	3000.00	3000.00
Vulnerable/marginalized people in project area that are project benef. - male (Number - Sub-Type: Supplemental) - (Core)	0.00	0.00	300.00	1500.00	2500.00	3000.00	3000.00
Vulnerable /marginalized people in project area that are project benef. - female (Number - Sub-Type: Supplemental) - (Core)	0.00	0.00	270.00	1350.00	2250.00	2700.00	2700.00
Beneficiaries satisfied with technical assistance provided by the project. (Percentage)	0.00			37.50		75.00	75.00
Female beneficiaries satisfied with technical assistance provided by the project (Percentage - Sub-Type: Supplemental)	0.00			30.00		60.00	60.00
Land users adopting sustainable land mgt. practices as a result of the project (Number) - (Core)	0.00			350.00		700.00	700.00
Indigenous Peoples and Traditional Communities representative organizations provided w/capacity building support to improve management of forest and land uses (Number)	0.00	0.00	18.00	90.00	162.00	180.00	180.00
Participants in Project supported capacity enhancement activities with	0.00	0.00	20.00	40.00	60.00	80.00	80.00

increased understanding of REDD+ and climate change. (Percentage)							
Forest users trained (Number) - (Core)	0.00			180.00		360.00	360.00
Forest users trained - Ethnic minority/indigenous people (Number - Sub-Type: Breakdown) - (Core)	0.00			108.00		216.00	216.00
Forest users trained - Female (Number - Sub-Type: Breakdown) - (Core)	0.00			54.00		108.00	108.00
Grievances registered with regard to the delivery of project benefits that are actually addressed. (Percentage)	0.00			80.00		100.00	100.00

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Intended beneficiaries that are aware of Project information and agree with Project supported investments	This will measure the extent to which decisions about the project reflected community preferences in a consistent manner.	Biennial	Mid-term and final evaluation.	National Executing Agency
Intended beneficiaries that are aware of Project information and agree with Project supported investments - female	This will measure the extent to which female beneficiaries consider that decisions about the project reflected their preferences in a consistent manner.	Biennial	Mid-term and final evaluation.	National Executing Agency
People in forest&adjacent community with monetary/non-monetary benefit from forest	This indicator measures the extent to which local people have seen improved livelihood as a result of the intervention. This may cover both monetary income and non-monetary benefits like improved and easier access to fuelwood as well as cultural and spiritual services. The baseline value is expected to be zero.	Biennial	Mid-term and final evaluation.	National Executing Agency
People in forest&adj. commy with benefit from forest-Ethnic minority/indigenous	No description provided.	Biennial	Mid-term and final evaluation.	National Executing Agency
People in forest and adjacent community with benefits from forest-female	No description provided.	Biennial	Mid-term and final evaluation.	National Executing Agency
Participating IPTC organizations with increased involvement, role	The indicator is a proxy for both the empowerment of IPTCs and the enhancement of their capacity of	Annual	Technical reports, mid-term and final evaluation based on ex-post surveys.	National Executing Agency

and voice in REDD+/climate change decision-making bodies/meetings at local, national, or global levels.	advocacy. It measures the extent to which participating IPTC organizations will increase their involvement, role and voice in privileged arenas for the discussion of REDD+ and climate change issues. Complementarily and in a more qualitative way, the Project will track websites for news related with IPTCs and these thematic areas. Baseline value is expected to be zero.			

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Indigenous Peoples Beneficiaries	Share of indigenous peoples among all project beneficiaries	Annual	Technical reports, mid-term and final evaluation	National Executing Agency
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Vulnerable/marginalized people in project area that	This measures the efforts by the project to ensure that project benefits reach	Annual	Technical Reports, mid-term and final evaluation	National Executing Agency

are project beneficiaries (%)	vulnerable and marginalized groups.			
Vulnerable and marginalized people in the project area - male (number)	No description provided.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Vulnerable and marginalized people in the project area - female (number)	No description provided.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Vulnerable/marginalized people in project area that are project benef. - male	No description provided.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Vulnerable /marginalized people in project area that are project benef. - female	No description provided.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Beneficiaries satisfied with technical assistance provided by the project.	Share of beneficiaries of activities under Component 1 who are satisfied with technical assistance provided by the Project.	Biennial	Technical reports, ex-post surveys, mid-term and final evaluation	National Executing Agency
Female beneficiaries satisfied with technical assistance provided by the project	Share of female beneficiaries of activities under Component 1 satisfied with technical assistance provided by the project.	Annual	Technical reports, ex-post surveys, mid-term and final evaluation	National Executing Agency
Land users adopting sustainable land mgt. practices as a result of the project	This indicator measures the number of users adopting sustainable management practices in the project areas. To measure this indicator, formal survey should be carried out at regular intervals, as well as at the end of the project. The baseline value is expected to be zero.	Biennial	Technical reports, mid-term review, final evaluation	National Executing Agency
Indigenous Peoples and Traditional Communities	Number of IPCTs' representative organizations receiving training and	Annual	Technical reports, mid-term review and final evaluation	National Executing Agency

representative organizations provided w/capacity building support to improve management of forest and land uses	capacity building to implement sustainable forest and land use management systems under Component 2.			
Participants in Project supported capacity enhancement activities with increased understanding of REDD+ and climate change.	This indicator measures the percentage of direct participants in capacity enhancement activities supported under Component 2 that increased their understanding of REDD+ and climate change issues due to this participation. Participants will be assessed on their knowledge/understanding before and after the capacity enhancement activities.	Annual	Technical reports, mid-term and final evaluation.	National Executing Agency
Forest users trained	This measures the number of forest users and community members that have received capacity building through training as a result of the project. The baseline value is expected to be zero.	Biennial	Technical reports, mid-term review and final evaluation	National Executing Agency
Forest users trained - Ethnic minority/indigenous people	No description provided.	Biennial	Technical reports, mid-term and final evaluation.	National Executing Agency
Forest users trained - Female	No description provided.	Biennial	Technical reports, mid-term and final evaluation.	National Executing Agency
Grievances registered with regard to the delivery of project benefits that are actually addressed.	This measures the efficiency of the Grievance Redress Mechanism.	Biennial	Technical reports, mid-term and final evaluation.	National Executing Agency

Annex 2: Detailed Project Description

BRAZIL Dedicated Grant Mechanism for Indigenous Peoples

1. The proposed Project is part of: (i) a global program, the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities (DGM); and (ii) the Brazil Investment Plan (BIP). The DGM was created and developed as a special window under the Forest Investment Program (FIP). The Project will aim to strengthen the role of IPTCs in the BIP and other REDD+ programs at local, national and global levels by supporting capacity building and *no regrets* CBA initiatives proposed and selected through IPTC-led decision making.[17]

A. The Forest Investment Program

2. The Forest Investment Program (FIP) is a targeted program of the Strategic Climate Fund (SCF), which is one of two funds under the framework of the Climate Investment Funds (CIF) partnership managed by the World Bank. The SCF is a multidonor trust fund established in 2009 to provide fast-track climate financing aimed at reducing deforestation and forest degradation in tropical countries, promoting more sustainable forest management, reducing emissions and enhancing the conservation of forest carbon stocks. The SCF was created to provide financing for new ways of developing or upscaling activities that seek to respond to a specific challenge related to climate change or to provide a sectoral response through targeted programs. The FIP was created as one of these targeted initiatives in order to catalyze policies and measures and mobilize funds to facilitate the decrease in deforestation and forest degradation, with a view toward promoting more sustainable forest management, thus leading to reduced emissions and enhanced conservation of forest carbon stocks (REDD+).[18]

3. The FIP was designed to achieve four specific objectives: (i) initiate and facilitate steps toward transformational change in developing countries' forest-related policies and practices; (ii) pilot replicable models to generate understanding and learning about the links between the implementation of forest-related investments, policies and measures and long-term emission reductions from REDD+; (iii) facilitate the leveraging of additional financial resources for REDD+, including through a possible UNFCCC forest mechanism; and (iv) provide valuable experience and feedback in the context of the UNFCCC deliberations on REDD+.

4. In its efforts to achieve these objectives, the FIP will support and promote investments in the following areas: (i) institutional capacity, forest governance and information; (ii)

[17] *No regrets* adaptation refers to options or measures for climate change adaptation that are justified under all plausible future climate scenarios including the absence of manmade climate change, because they address the underlying drivers of poverty and vulnerability, manmade and climate challenges to sustainable socioeconomic development in a manner that is culturally adequate, environmentally sound and economically feasible. They refer to activities that realize cobenefits with sustainable development and improve livelihoods even in the absence of climate change. In short, no regrets community-based adaptation yields benefits both in today's climate and in a range of future climate scenarios. Vulnerability to climate change refers to the degree to which systems affected by climate change are susceptible to and unable to cope with adverse impacts.

[18] REDD+s stands for "Reducing Emissions from Deforestation and Forest Degradation, and the role of conservation, sustainable management of forests, and the enhancement of forest carbon stocks in developing countries." This mechanism is being negotiated under the UNFCCC.

investments in forest mitigation measures, including forest ecosystem services; and (iii) investments outside the forest sector that are needed to reduce the pressure on forests.

5. FIP finances efforts in developing countries in order to address the underlying causes of deforestation and forest degradation and to overcome barriers that have hindered past efforts to do so and is under implementation in the FIP pilot countries with support from multilateral development banks (MDBs).[19]

B. The Dedicated Grant Mechanism

6. The DGM was created and developed as a special window under the Forest Investment Program (FIP). The DGM was designed to promote the inclusion of forest-reliant communities in policy formulation and initiatives that seek to reduce deforestation and degradation. The DGM is being established under the FIP to provide grants to indigenous peoples and local communities in the pilot FIP countries in order to support their participation in the development of FIP investment strategies, programs and projects, as well as in other REDD+ processes at local, national and global levels.[20]

7. The DGM's basic design was approved by the FIP Subcommittee on October 31, 2011.[21] The final version of the basic DGM design and foundational documents, such as the Framework Operational Guidelines (FOG), were endorsed by IPTC representatives in October 2011 and September 2013, respectively.[22] The DGM's overall objective is to enhance the capacity and support the effective initiatives of indigenous peoples and local communities in the FIP pilot countries so as to strengthen their participation as informed and active players in FIP and other REDD+ processes at the local, national and global levels as well as in the design and implementation of country-specific FIPs.

8. The DGM design document stresses the need to strengthen indigenous peoples and local communities' capacity to participate effectively in all phases of FIP and REDD+ processes and to create livelihood opportunities that also generate mitigation and adaptation benefits while respecting culture, traditional knowledge and indigenous forest management systems. In the FIP pilot countries, the DGM is complementary to the projects and programs supported under the FIP; DGM activities are expected to be complementary to FIP investments and to take advantage of synergies where possible.

9. To achieve this objective, the program has two components: (i) a country component in each of the FIP pilot countries; and (ii) a global component for knowledge sharing, capacity building, and strengthening of networks and partnerships among indigenous peoples and local communities organizations in the pilot countries and beyond.

10. The country component supports two subcomponents. Subcomponent 1 supports grants to organizations of IPTCs on a competitive basis for investments of indigenous peoples and local communities' choice and under the overall framework of the DGM. Activities to be financed under Subcomponent 1 may fall under two broad thematic areas: (i) promotion of economic

[19] For more information, please refer to the FIP Design Document (link).
[20] For more information, please refer to the DGM Design Document (link) and the Framework Operational Guidelines (link).
[21] The DGM Design Document (link).
[22] The DGM Framework Operational Guidelines (link).

activities and rural livelihood practices that enhance climate change mitigation and adaptation and are consistent with the values of indigenous peoples and local communities on the ground; and (ii) investments in sustainable management of forest landscapes that maintain high carbon stocks and conserve biodiversity. Subcomponent 2 supports capacity-building activities for indigenous peoples and local communities` organizations.

11. The overall program criteria state that the country projects must be: (i) aligned with the objectives of the DGM and the FIP; (ii) aligned with one or more thematic areas of the DGM (capacity development, promotion of rural livelihoods, or investments in sustainable management of forest landscapes); (iii) complementary to the country's FIP investment plan and projects supported under it; (iv) designed and implemented under the initiative of indigenous peoples and local communities and directly benefit them; (v) based on inclusive and accountable processes; and (vi) compliant with the relevant operational and safeguard policies of the corresponding MDB.

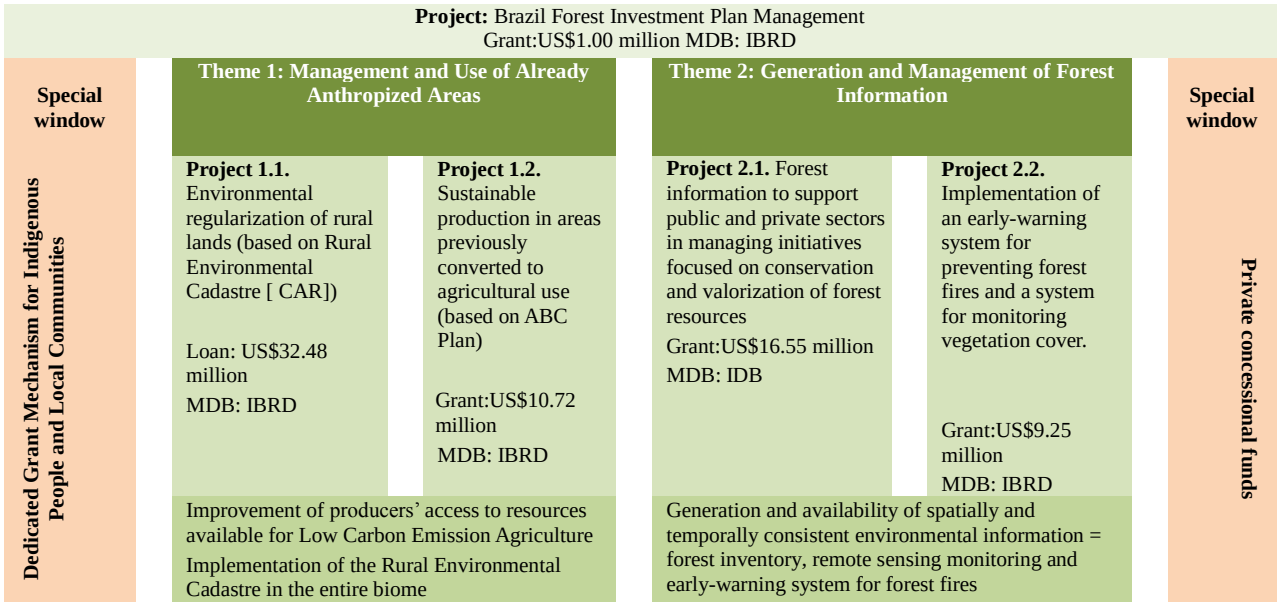
C. The Brazil FIP Investment Plan

12. Brazil is one of pilot countries participating in the FIP. The BIP[23] seeks to promote sustainable land use and improve management of the productive landscape in the Cerrado in order to reduce pressure on remaining forests, reduce GHG emissions, and increase carbon dioxide (CO_2) sequestration. The BIP's specific objectives are to: (i) improve environmental management in areas previously anthropized; and (ii) produce and disseminate environmental information at the biome scale. The Cerrado is the second-largest biome in Brazil and South America and one of the world's richest and most diverse savannas. It is a strategic biome for economic and environmental reasons and also for food security. It covers a large area with significant carbon stocks, water resources and substantial biodiversity.

13. The BIP covers two thematic areas and includes four interrelated projects and two special windows. The BIP also proposes coordinated and synergic actions by different actors in order to improve the sustainability and efficiency of forest resource management and land use in the Cerrado. It also provides a platform for knowledge sharing among BIP projects, Brazil FIP DGM, FIP private-sector projects, and beyond. The BIP has two thematic areas and comprises four projects and two special windows, to be implemented as a coordinated set. Figure 2.1 below shows the BIP's context and intervention strategy.

[23] The Brazil IP was endorsed by the FIP Subcommittee on May 18, 2012.

Figure 2.1: Brazil Investment Plan



14. Table 2.1 below summarizes the financing plan for the BIP projects, DGM, and private-sector projects to date.

Table 2.1. Financing Plan for the BIP

	Project	MDB	Gov't Agency	FIP Grant	FIP Loan	Others	Total US$ M
Brazil Investment Plan	Environmental regularization of rural lands	IBRD	MMA		32.48	26.43	58.91
	Sustainable production in areas previously converted to agricultural use	IBRD	MAPA	10.62	--	0.50	11.12
	Forest information to support public and private sectors in managing initiatives	IDB	MMA/ Forest Service	16.55	--	8.00	24.55
	BIP Coordination	IBRD	MMA	1.00	--	--	1.00
	Implementation of an early-warning system for preventing forest fires and a system for monitoring	IBRD	MCTI	9.25	--	---	9.25
DGM	Brazil Dedicated Grant Mechanism	IBRD	--	6.50	--	--	6.50
Private set-aside	Brazil: Macaúba Palm Oil in Silvicultural Systems	IDB	--	--	3.00	3.00	6.00
	Brazil: Commercial Reforestation of Modified Lands	IFC	--	--	15.00	97.00	112.00
	Total			44.02	50.48	134.93	**229.33**

D. The Brazil Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities (BR–DGM)

15. As detailed below, the Brazil DGM will act in synergy with other projects under the BIP. To promote these synergies and to address the challenges posed by the geographic dispersion of IPTCs, the Brazil DGM will prioritize its actions in the Cerrado Biome.

16. The Brazil DGM follows the framework guidelines and set of activities covered under the components designed for the global DGM. The Project will support capacity building and finance the demand-driven provision of grants to community organizations of IPTCs in Brazil in order to strengthen their participation in FIP and other REDD+ processes

at local, national and global levels as well as to increase their capacity to adapt to climate change through no regrets initiatives.

17. The DGM in Brazil has an indicative funding envelope of US$6.5 million in grant resources. This funding from the DGM will finance activities that are to be determined by the National Steering Committee (NCS) of the DGM in Brazil in accordance with the DGM Project for Brazil, the Brazil Operational Manual and the Framework Operational Guidelines mentioned above. The Project will be executed by a National Executing Agency (NEA) with the oversight of the NSC, the Coordination Unit of the Brazilian Investment Program under FIP (BIP), and the World Bank. The World Bank will enter into an agreement to provide funding to the NEA and in compliance with DGM Guidelines will be an observer in the NSC. The NEA will report back to the World Bank on the progress, safeguard and fiduciary aspects of the program.

E. Linkages between the BR–DGM and the BIP's Other Projects and Programs

18. **The Brazil DGM will act in synergy with the BIP and the Global DGM**. IPTCs in the Cerrado face external and internal pressures that have compromised their traditional and low-impact livelihoods as well as their cost-effective forest resource conservation strategies. These pressures are threefold: (i) those arising from land uses outside their traditional territories, such as the expansion of monocropping, intensive cattle ranching and urbanization; (ii) those arising from the extraction of resources within their traditional territories by encroachers, including activities such as logging, hunting and prospecting for mineral wealth; and (iii) those arising from the overexploitation of resources by the indigenous peoples and local inhabitants themselves due to demographic growth, which increases their subsistence and commercialization needs. Moreover, many of the indigenous lands in the Cerrado have been established in areas that were already subject to degradation. Although some indigenous peoples have been able to pursue the recovery of these areas through their traditional practices, others continue to face challenges with regard to the environmental management of degraded areas and securing their own survival. The BR–DGM is being designed mainly to address the internal pressures that IPTCs face, by improving their livelihoods, coping and adaptive strategies, and sustainable management of forestry resources.

19. **On the one hand, IPTCs play a key role in forest conservation and climate protection and can make a major contribution to the BIP's development objectives**. Indigenous and Traditional Territories have been shown to be the most effective category of protected area in terms of reducing deforestation, with an impact significantly greater than that of indirect-use conservation areas such as national parks. The following are reasons for giving indigenous lands a key role in the conservation of Brazilian forestry resources and biodiversity: (i) the extension of the indigenous lands in the country, which cover nearly 12 percent of the national territory, whereas only 4.7 percent fall under federal conservation units; (ii) the variety of ecosystems they contain in all biomes; (iii) the conservation status of their natural resources; and (iv) the importance of the connectivity promoted between the conservation units and indigenous lands.[24]

[24] Based on 2005 data from INPE, deforestation on indigenous lands was at 1.14 percent, slightly below the rate in the National System of Conservation Units' (*Sistema Nacional de Unidades de Conservação*, SNUC) Federal

20. **Indigenous lands have the potential to double the area of Brazil's forest biomes that are under a conservation regime**. Indigenous lands alone represent 69 percent of the total number of areas under some form of protection in the Amazon Biome and 58 percent in the Cerrado. Even though they are mostly located in the Brazilian Amazon, indigenous lands play an important role in promoting conservation in other biomes as well, both for their biological richness and for the connectivity they provide with other protected areas (PAs). In the Cerrado, they can play a more important role at the landscape level. By reducing pressures on biodiversity within indigenous lands from the use of forest resources and by improving ecosystem structure and function, these areas can help improve connectivity across the landscape. Even though some of these indigenous lands may already suffer from environmental degradation, given their location and remaining forest fragments, the improvement of sustainable use and the recovery of lands can leverage their role as stepping stones for improving forest conservation across a landscape (GEF 2009). In any case, the BR–DGM will secure the protection of globally significant forest and biodiversity resources and may have a positive impact on the achievement of the BIP's overall objectives and program development objective (PDO).

21. On the other hand, BIP projects will make a needed contribution toward reducing the external pressures that IPTCs face, which stem from land use changes outside their traditional territories. Thus:

a. The activities of the *BIP's Sustainable Production in Areas Previously Converted to Agricultural Use Projects (under the Low-Carbon Agriculture Plan)* will lead to the adoption of selected sustainable low-carbon-emission agricultural technologies by midsized producers in the Cerrado, the conversion of areas already legally occupied by agribusiness to low-carbon-emission agriculture, and the reduction of the environmental footprint of agribusiness expansion and its pressure on forests and territories traditionally occupied by IPTCs. Because its activities may reach agricultural areas surrounding indigenous lands, the Project may lead to positive cobenefits for indigenous peoples since it may contribute to addressing some of the main concerns related to agribusiness development that have often been voiced by IPTCs in the Cerrado, by: (a) reducing the pressure to convert new native forest areas; and (b) contributing to (i) the protection of headwaters and riparian zones, (ii) the improvement of physical, chemical and biological soil conditions, and (iii) better conservation of natural resources on which indigenous peoples' livelihoods rely.

b. *The BIP's Environmental Regularization of Rural Lands* will help reduce deforestation and forest degradation in rural landholdings, reduce emissions, and increase carbon sequestration by ensuring environmental compliance by owners or occupiers of private landholdings in the 11 states within the Cerrado Biome. By avoiding illegal deforestation and degradation through Legal Reserves and Areas of Permanent Preservation in accordance with applicable federal and state norms, the Project may contribute to a reduction in pressures and threats experienced by IPTCs, such as water and soil pollution.

c. By generating and disseminating geospatial and on-time information about deforestation, forest degradation and land use in the Cerrado, and by developing an early-warning

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Protected Areas (1.42 percent), and significantly below the deforestation rate in SNUC's State Protected Areas: 5.6 percent.

system to prevent forest fires at national scale, the *BIP's Implementation of an Early-Warning System for Preventing Forest Fires and a System for Monitoring the Vegetation Cover* may have a beneficial impact on IPTCs, because a significant proportion of forest fires reaches indigenous lands, particularly in the areas of transition between the Cerrado and the Amazon rain forest.

d. Because deforestation and forest degradation are two key threats faced by IPTCs in their lives and in the adaptation of their livelihoods to manmade and climate challenges, the *BIP's Forest Information to Support Public and Private Sectors in Managing Initiatives Focused on Conservation and Valuation of Forest Resources* is expected to bring positive cobenefits to IPTCs because it will produce standardized and systematic forest information, thereby promoting more precise and well-informed decision making by the public and private sectors in relation to the sustainable use of forest resources and the reduction of deforestation and forest degradation.

F. Project Area

22. **The Cerrado is a strategic biome for economic and environmental reasons as well as for food security**. It is the largest wooded savanna area in a single country and extends over some 2.04 million km^2, corresponding to nearly 24 percent of Brazil's territory, in 11 states (Bahia, Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Maranhão, Paraná, Piauí, Rondônia and São Paulo) and the Federal District. The Cerrado includes savanna, forest, low-grass savanna, wetlands and gallery forest ecosystems. It is one of the world's 25 richest regions in terms of biodiversity. Due to its high level of endemism and rapid loss of habitat, the Cerrado is regarded as one of the 34 global biodiversity hotspots.[25] It plays an important role in maintaining connectivity among biomes because it borders nearly all other Brazilian biomes (except for coastal ecosystems and pampas). Despite this biological wealth, less than four percent of the biome's original area is protected by conservation units, there is no specific legislation to effectively protect what remains of its remnants, and it continues to face increasing land use change and agricultural development in areas that have been considered priorities for conservation and sustainable use by the MMA.

23. **The Cerrado plays a key role in the expansion of the agricultural frontier and the growth of commodities and biofuel production**. Over the past 30 years, the biome's vegetation is being rapidly transformed due to agricultural expansion. In the 1960s, private and public investment began to expand agricultural production in the Cerrado. Agriculture now occupies some 22 million hectares, generally involving mechanized agriculture on large tracts of land and the widespread use of chemical inputs, fertilizers and lime to correct soil fertility and acidity. Over the last three decades, there has been growing pressure to open up new lands in order to increase beef and grain production for exports. The Cerrado produces 60 percent of Brazil's soybeans, as well as 60 percent of its coffee, 44 percent of its maize, and 84 percent of its cotton, and it supports nearly one third of the national cattle herd. Currently, there are about 50 million head of cattle in the Cerrado. This increase was possible only with the expansion of planted pastures (now covering over 600,000 km^2).

[25] An estimated 10,000 plant species are found in the Cerrado, of which 44 percent are endemic to this biome. It is highly rich in floral species, with herbaceous and bushy plants and lianas. It is rich in birds, fish, reptiles and amphibians, and has a great variety of mammals and insects.

24. **The Cerrado is threatened by deforestation and land use change**. Approximately 100 million hectares have been converted to cultivated pasture or extensive agricultural areas. According to some indexes, over 65 percent of its original area has already been heavily modified. About 40 percent of the biome's area is now degraded. This ratio may increase further if inadequate agricultural expansion continues. Moreover, as a result of inadequate pasture management, about 50 to 60 percent of pastures show some degree of degradation, leading to the occupation or clearing of new land. Due to the rapid expansion of agriculture and the conversion of forests to pasture and agricultural lands over the last three decades, deforestation is now proportionally more severe in the Cerrado than in the Amazon. Between 2002 and 2008, Amazon deforestation represented 3.2 percent of the biome, with 82 percent of the original forested area remaining. Over the same period, the Cerrado lost 4.1 percent of its cover, cumulative deforestation reached nearly 49 percent of the biome (1,000,334 km^2), and less than 52 percent of the area is covered by native vegetation remains. The Cerrado's relative contribution to GHG emissions in the country has increased. Estimates indicate that deforestation in the Cerrado is proportionally more severe than that of the Amazon Biome. These manmade pressures due to the rapid expansion of agriculture over the last three decades have had a high environmental cost, including fragmentation of habitats, invasion of exotic species and loss of biodiversity, as well as soil erosion, land degradation, and aggradation and pollution of aquifers.

25. **Manmade changes have also led to changes in the carbon cycle and stocks in the Cerrado, thus increasing its relevance for the climate context in which Brazil's forests are essential due to the substantial carbon stored in biomass and soils**. The last two national inventories of GHG emissions in Brazil show that Land Use Change and Forestry (LUCF) are responsible for most of the CO_2 emissions in the country. In 2005, this sector was responsible for 77.9 percent of these emissions; in 2010, it still accounted for 57.4 percent of them. Brazil has taken robust actions to mitigate GHGs by controlling and overseeing the conversion of forests to other uses or coverage, and combating some of the main drivers of deforestation. The set of initiatives taken by Brazil, involving emissions mitigation, include combating deforestation and initiating alternative processes in the agricultural, energy and steel manufacturing sectors. Brazil's goals are to achieve an 80 percent reduction in deforestation in the Amazon (baseline annual average equal to 19,535 km²), and a 40 percent reduction in deforestation in the Cerrado (baseline annual average equal to 15,700 km²). The ongoing efforts to reduce deforestation levels in the Amazon have resulted in a reduction of deforested areas from 27,700 km^2 in 2004 to only 6,200 km^2 in 2011.[26] Such achievements have not fully reached the Cerrado, and its share in the country's GHG emissions has steadily increased.

26. **Land use changes related to the expansion of the agricultural frontier and the conversion of forests to planted pastures largely account for the Cerrado's increasing share in the country's GHG emissions,** even though deforestation and gross GHG emissions have steadily declined in the last 15 years. Annual average rates of deforestation in the Cerrado equaled 15,698 km^2 in the 1994–2002 period, but fell to 6,469 km^2 in 2010. In 1995, GHG emissions due to land use change and forests in the Cerrado totaled 327.8 teragrams of carbon dioxide ($TgCO_2$) and corresponded to 16.3 percent of Brazilian emissions. In 2005, GHG

[26] The main reference points for Brazil's REDD+ actions are the National Policy on Climate Change and the National Plan on Climate Change. This policy encases in law the nation's voluntary commitment to reduce emissions, which could generate a reduction of 36.1 to 38.9 percent in the projected emissions for 2020.

emissions had already declined to 275.38 $TgCO_2$ and corresponded to 23.8 percent of Brazilian emissions due to land use change and forests. They reached 135.1 $TgCO_2$ in 2010, but corresponded to 39.1 percent of Brazilian GHG emissions, second only to the Amazon rain forest, which contributes 50.3 percent.

27. **Climate change will potentially have acute harmful effects on the Cerrado**. The costs of climate change in Brazil by 2050 have been estimated, according to different scenarios envisaged by the Stern Review and the Intergovernmental Panel on Climate Change (IPCC), as losses on the order of 0.5 to 2.3 percent of the country's GDP. Consumption patterns are estimated to decline further, falling 1.1 to 2.3 percent. Recent assessments of potential impacts of climate change in Brazil argue that these impacts will: (i) hit harder the poorest and less-developed areas of the country; (ii) have a greater effect on the agricultural sector and rural areas, with losses equal to 3.6 and 5.0 percent, respectively, thus increasing pressures for rural–urban migration; and (iii) increase regional inequalities and have a major effect on social groups whose livelihoods rely on subsistence agriculture. Due to the Cerrado Biome's acute vulnerability to climate change effects, the Central Brazil Region will face the highest costs, with losses totaling 4.5 percent of regional GDP in 2050. The more severe predictions for temperature change indicate that most of the Cerrado would experience an increase of about 4^{o} C, except for the areas in transition with the Amazon, where an increase of 6^{o} C is expected. In terms of precipitation, the impacts of more severe changes indicate a decrease of 50 to 70 percent and the impacts of less severe changes range from 30 to 50 percent, as well as changes in rainfall distribution throughout the year, with an expected increase of 20 to 30 days in the length of the dry season. These changes will extinguish up to 48 percent of the Cerrado's tree species and restrict their areas of distribution to the southern part of the biome. Moreover, these changes will cause the intensification of fires and increase the biome's vulnerability to fires, impoverish soils, and decrease the Cerrado's primary productivity.

28. **The Cerrado is the home of substantial sociodiversity**. About 25 million people reside in the region, most of them (83 percent) in urban areas. Although rural areas in the Cerrado are mostly occupied by private landholdings, 8.2 percent of the biome is under protected areas, 4.3 percent is under indigenous lands, and 0.3 percent is composed of quilombola lands. In the Cerrado, agrarian activities comprise more than one million private landholdings, which account for 72.4 percent of its territory. Most of these are small landholdings (78 percent of the total), but they contain only 10.7 percent of the agricultural area (218,693 km^2).[27] These small landholdings are spread throughout the biome and comprise many local communities: extractive populations, groups associated with specific ecosystems, and peasants.[28] IPTCs play a significant role in conserving the biodiversity of Brazil's different forest biomes due to: (i) their territorial extension; (ii) the variety of ecosystems these biomes contain; (iii) the conservation status of

[27] Statistics for the biome were derived from 2006 agricultural census data for municipalities that are located partially or wholly in the Cerrado. Absolute numbers (1,066,000 landholdings over 1.5 km^2) overstate the total number of landholdings and area actually in the Cerrado.

[28] Traditional local communities include all social groups who self-assert a distinctive cultural identity, maintain knowledge and practices transferred from one generation to the next by means of tradition, maintain distinctive forms of social organization and cultural beliefs and norms, traditionally occupy lands and territories, and rely on distinctive productive systems and low-impact natural resource management strategies for their cultural, social, religious, ancestral and economic survival.

these lands and their natural resources;[29] (iv) IPTCs' tendency to carry out sustainable activities in their territories; and (v) the connectivity that their territories provide between protected areas in the different biomes. Overall, it is estimated that Indigenous and Traditional Territories occupy about 15 percent of the Cerrado.

29. **Indigenous peoples comprise 41 different ethnic groups who speak different languages**. The most common languages are Karajá, Aruak, Jê and Tupi-Guarani. Most groups still maintain their cultural characteristics and perpetuate religious, political and social organization from the precontact period. The larger indigenous lands in the States of Mato Grosso and Tocantins are more effective in keeping distance from nonindigenous people. The indigenous lands in the States of Mato Grosso do Sul and Goiás are at a closer distance to urban centers and have established closer contact with nonindigenous people. The indigenous peoples in the Cerrado include the Apinayé, Atikum, Avá-Canoeiro, Bakairi, Bororo, Cinta Larga, Enauwenê-Nawê, Gavião Pukobiê, Guajá, Guajajara, Guarani-Kaiowá, Halotesu, Irantxe, Javaé, Kadiwéu, Kanela, Karajá, Kaxixó, Kinikináo, Kiriri, Krahô, Krahô-Kanela, Krenak, Maxakali, Myky, Nambikwara, Ofayê, Pankararu, Paresi, Tapirapé, Tapuia, Tenetehara, Terena, Timbira, Tuxá, Umutina, Wasusu, Xakriabá, Xavante and Xerente. These indigenous groups account for a population of about 140,000 people (approximately 16 percent of the country's indigenous population of the country).

30. **Ninety-five indigenous lands have already been identified, demarcated and/or regularized in the Cerrado**. They cover a total area of some 12.3 million hectares, approximately 4.3 percent of the biome's area.[30] Nearly 85 percent of these indigenous lands are fully regularized. Indigenous lands in this biome are much smaller in size and have higher population densities and greater dependence on agriculture than in the Amazon Region. Indigenous lands alone represent 58 percent of the total number of areas under some form of protection in the Cerrado, and the forest cover in indigenous lands that are larger and distant from urban areas totals 80 percent or more. Thus, the larger indigenous lands have better biodiversity levels because the population density is lower. Meanwhile, indigenous lands that are small in size, insulated, and/or have high population densities have had to work harder in order to maintain biodiversity levels.

31. **Traditional populations and communities in the Cerrado include** quilombola communities, extractive populations (e.g., *quebradeiras de côco, babaçueiros*) and agricultural and pastoral communities dependent on specific surrounding ecosystems (e.g., *geraizeiros, vazanteiros* and *chapadeiros*). Quilombola communities define themselves by a self-ascribed ethnic identity, a unique history, a sense of belonging to a particular territory, and the presumption of African ancestry and historical resistance to oppression and exclusion. Only six percent of the 1,948 certified quilombola communities certified in the country (110 communities) are located in Central Brazil and 41 of them are in the Cerrado. They are estimated to contain 5,519 km^2 (0.27 percent) of the biome. The most prominent livelihood strategy combines subsistence agriculture (with commercialization of surplus production), livestock,

[29] For example, forest cover in most indigenous lands that are distant from urban areas is 80 percent or higher. In 2005, the deforestation rate within these lands was 1.14 percent, slightly below the rate in SNUC's Federal Protected Areas (1.42 percent) and significantly below the deforestation rate in SNUC's State Protected Areas (5.6 percent).
[30] Another 12 areas are in the process of identification.

artisanal fishery, and gathering of nontimber forest products. Quilombola communities are small in size and face high levels of poverty, multidimensional deprivations, and social exclusion.[31]

32. **The following features define the range of traditional populations and communities**: (i) dependence and even symbiosis among their way of life and nature, natural cycles and renewable natural resources; (ii) livelihoods based on in-depth knowledge of natural cycles and on various seasonal sources of income (combining extractive activity, farming and pastoralism, fishing and handicrafts), orally passed on from one generation to another; (iii) a deep sense of spatial belonging and awareness of the group's economic and social survival with regard to their traditional territory; (iv) occupation of this traditional territory for several generations, although some individual members may have moved to urban centers and returned to the land of their ancestors; (v) the critical nature of subsistence activities in the group's economic organization, although commodity production and access to markets may have been developed; (vi) reduced assets and financial capital; (vii) the essential nature of family, household, kinship and communal relations for economic, social and cultural life; (viii) association of myths and rituals with hunting, fishing and gathering activities; (ix) reliance on simple, low-impact technologies and a productive system in which technical and social divisions of labor are reduced; (x) weak political power and representation; (xi) self-identification as members of a distinct cultural group and recognition of this identity by others; and (xii) customary systems for governing access to land and natural resources based mainly on a combination of small garden plots farmed on a family basis, with large areas used collectively for gathering, hunting and pastoral activities.

33. **The main challenges that these indigenous and traditional populations in the Cerrado have historically faced** include: (i) the dispersion of families over vast areas, hampering the provision of basic infrastructure and the delivery of public services; (ii) poor access to markets and technical assistance, leading to unpreparedness to compete in the market with quality products; (iii) insecure land tenure rights and lack of access to rural loans and targeted public policies for the productive inclusion of these populations; (iv) the lack of training and social assistance to improve the operational management capacities of their representative organizations; and (v) the small number of opportunities they have to take part effectively in decision-making processes that affect their livelihoods.

34. **Due to the ongoing expansion of the agricultural frontier, these challenges have been heightened and IPTCs are facing increased pressures and threats that jeopardize their traditional livelihoods, cultures and low environmental footprint**. These pressures and threats can be considered threefold: (i) *external threats*, arising from land uses outside indigenous lands and traditional territories; (ii) *encroachment*, arising from the extraction of resources by nonindigenous/nontraditional peoples who encroach on their territories; and (iii) *internal overexploitation*, arising from the overexploitation of resources by indigenous peoples/traditional peoples within their territories.

35. **In the Cerrado, the main external threats faced by indigenous lands and traditional territories are related to the increased occupation and land use changes** of areas surrounding

[31] It is estimated that 75.6 percent of quilombola families live in extreme poverty. Illiteracy rates are high, reaching 23.5 percent (compared to an overall rate of 9.1 percent for the country). Access to basic services and infrastructure is far below the national averages.

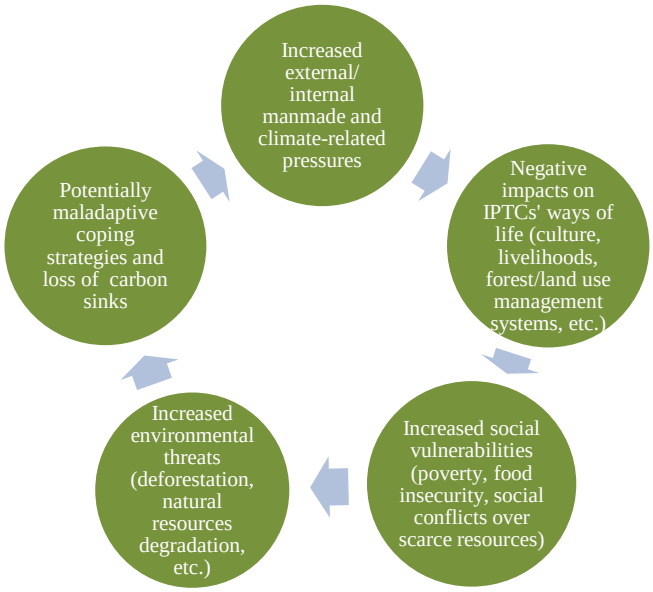
Indigenous and Traditional Territories in the past 20 years by monocropping of grains (especially soybeans), intensive cattle-raising activity, urbanization, and current and projected construction works. These changes have affected customary systems for governing access to land and natural resources and have reduced the stock of open lands traditionally used by IPTCs in the Cerrado for extensive livestock raising, extractive activities and "slash-and-fallow" agriculture, thus eroding the sustainability of traditional livelihoods and forest/land use management systems. They have also provoked aggradation and pollution of rivers, death of plants and animals, changes in local climate, and changes in the diet of indigenous peoples and local communities, all of which make IPTCs more vulnerable. The main drivers related to encroachment are logging and timber extraction, hunting and trade in wild animals, and prospecting for mineral wealth.

36. **Indigenous and Traditional Territories also face internal pressures and the *overuse* of natural and forest resources**, which are related to (i) demographic growth, and (ii) the fact that many indigenous lands in the Cerrado, even those with a large territorial extension, have been established in former agriculturally degraded areas, thus reducing the availability of natural resources. Combined with the external pressures, the *overuse* of traditional territories leads to the loss of cultural values including migration to cities, intergenerational conflicts, and steady loss of traditional values and knowledge, and makes the survival of IPTCs' traditional ways of life more difficult, less effective or, worse, oftentimes maladaptive. The erosion of traditional values and practices further contributes to the unsustainable use of land and of natural and forest resources. This further undermines environmental conservation, traditional and low-impact livelihoods, and the adaptive capacity of indigenous and local communities.[32]

51. **A vicious-cycle process has taken over the lives of many IPTCs** (as shown in Figure 2.2 below). The economic development model in the Cerrado Biome has led to high levels of environmental degradation and deforestation, and has increased IPTCs' social vulnerability (poverty, food insecurity, social conflicts over scarce resources, migration of young people, weakened social ties, etc.). The impact of these threats varies depending on the size of the territory occupied by these peoples, their demographics and their capacity to adapt their livelihood and coping strategies to these new circumstances. Overall, forest and land use management systems traditionally pursued by IPTCs are becoming increasingly ineffective to ensure their physical and cultural survival. They have been increasingly forced to rely on coping strategies that may: (i) lead to forest degradation, soil erosion, siltation and pollution in rivers and streams, biodiversity losses, etc.; (ii) increase the environmental footprint of their livelihoods; (iii) erode the global benefits for forest and biodiversity conservation traditionally provided by indigenous lands and traditional territories and lead to the loss of the carbon sinks they used to represent; and (iv) become maladaptive to climate change in the medium and long terms.

[32] Adaptive capacity refers to the ability of human or natural systems to adjust to climate change, prevent or moderate potential damages, take advantage of opportunities and/or cope with the consequences. Resilience refers to the amount of change human or natural systems can undergo without changing state. When the focus is on human systems, the terms "adaptive capacity" and "resilience" are used interchangeably. Coping strategies refer to the manner in which people and societies use existing resources to achieve various beneficial ends. Maladaptation refers to actions or processes that increase vulnerability to climate change-related hazards, although they may deliver short-term gains or economic benefits.

Figure 2.2: The Vicious Cycle faced by IPTCs in the Cerrado Biome under the Current Scenario



37. **Taking this baseline scenario into consideration, manmade and climate-related pressures on lands, forests and biodiversity, on which the livelihoods and ethno-development,[33] cultural survival and social resilience of IPTCs rely, may increase.** Because agricultural activity is expected to continue in the Cerrado, the pressures faced by IPTCs will intensify. These pressures may heighten the drivers of social vulnerability and affect the effectiveness and adaptive capacity of their traditional ways of life. They may also erode the environmental services and the global benefits for forest conservation and for climate change adaptation and mitigation that indigenous lands and traditional territories provide (including carbon storage).

G. Project Strategy

52. **The Project aims to help IPTCs address the challenges they face in the Cerrado and to reduce their vulnerability** through knowledge and capacity-building activities and the piloting of forest and climate change adaptation initiatives based mostly on the diversification of their livelihoods and the sustainable use of their lands and natural resources. The BR–DGM is being designed mainly to address the internal pressures faced by IPTCs. It will help to change the baseline scenario through its highly participatory strategy for the empowerment of IPTCs and by supporting: (a) the capacity building of IPTC organizations to help make them better able to voice their interests in climate change-related decision-making processes and to benefit from FIP and other REDD+ programs; and (b) the implementation of on-the-ground "no regrets" community-based adaptation (CBA) activities of the IPTCs' choice that will promote economic activities, livelihood diversification and sustainable forest/land use management systems and

[33] Ethno-development is understood as the promotion of economically sustainable and socioculturally appropriate livelihoods, which are able to improve IPTCs' coping and adaptive strategies as well as to increase their well-being.

contribute to: (i) reducing IPTCs' vulnerability to the pressures imposed on their forest landscapes in the short term, and (ii) promoting adaptive coping strategies in the medium and long terms.[34]

53. **The BR–DGM has the potential to mitigate or promote adaptation to manmade- and climate-related changes** as well as to reduce their social and economic costs. Due to its participatory methodology and by empowering IPTCs in decision-making arenas, the Project may also help to increase their presence and voice in policies and programs related to forest adaptation, REDD+ and climate change adaptation that may affect their lives and livelihoods, as well as contribute to leveraging their role as stepping stones for the improvement of forest conservation across a landscape.

38. **The Project will benefit from lessons learned from previous and ongoing Bank operations** that: (i) deal with related issues of forest management, social vulnerability, and the social dimensions of climate change and climate change adaptation; (ii) work with IPTCs in Brazil; and (iii) make use of CDD approaches. The Project will also benefit from relevant worldwide analytical work on the issues of forest/land use management and CBA, and from the traditional knowledge of and inputs provided by IPTCs who have taken part in the joint preparation process for project design.

39. Previous and ongoing operations in Brazil related to the relevant thematic areas reveal that:

a. Due to high levels of social vulnerability, social exclusion and cultural barriers, IPTCs face enormous obstacles to participate in public policies and projects. Their genuine grassroots organizations often need more support to enhance their institutional capacity, information and advocacy skills needed to better represent their interests in multi-stakeholder decision-making arenas and processes.

b. When they succeed, their proposals mostly focus on the severe challenges they face to provide for their basic needs.

c. IPTCs often show an inability to translate their traditional sustainable forest/land use practices into economic returns. When a few productive subprojects are undertaken by their grassroots organizations, they are often insufficiently linked to markets and need more support to access information, and enhance managerial and technical skills to add more value to and obtain a fair price for their products.

d. IPTCs consider participatory and inclusive stakeholder approaches, such as CDD and CBA, to be critical for positive outcomes because they support interventions that are highly context specific, culturally adequate, and well suited to reach the most vulnerable with interventions designed to increase their resilience.[35]

40. Meanwhile, analytical works on relevant topics have underscored the following points:

[34] BIP projects will make a needed contribution toward reducing external pressures stemming from land uses outside their traditional territories.

[35] Relevant previous operations in Brazil include the World Bank's Indigenous Lands Project and Rain Forest Demonstration Projects, and ongoing rural development operations in the states of Acre (P107146), Bahia (P081436), Paraíba (P104752), Pernambuco (P120139), Santa Catarina (P118540), São Paulo (P108443), and Leveling the Playing Field for Quilombola Communities in Northeastern Brazil (P118988).

a. *The social systems, cultures and livelihoods of IPTCs, and the forest and ecosystem services they provide, are vulnerable to local and external drivers of change*. The challenges faced by IPTCs for their livelihoods and cultural survival are all interconnected and require integrated solutions across different sectors (forests and the ecosystem services they provide, water, agriculture, food security, etc.). The degree of vulnerability experienced by each community is a response to: (i) its exposure to manmade pressures (population growth, macroeconomic economic policies, new land tenure systems, encroachment, overexploitation, etc.) and may be enhanced by climate variation; (ii) its sensitivity to such internal and external threats and to climate/nonclimate changes; and (iii) its capacity to adjust in order to moderate damages, taking advantage of opportunities or coping with consequences related to such pressures and changes.

b. *The sensitivity of IPTCs to the interplay of deforestation and forest degradation, climate shocks and development challenges is particularly acute, heightens their vulnerability, and weakens their adaptive capacity*. Although vulnerability and strategies for coping with and adapting to the most pressing manmade and/or climate risks are conditioned and affected by a host of social factors, people who are already socially vulnerable, those who are heavily reliant on a narrow set of natural resources and climate-sensitive activities for their livelihoods, and those with little scope for livelihood diversification have been consistently identified as the most vulnerable. IPTCs' sensitivity is heightened because: (i) they often depend on their surrounding ecosystems for subsistence, livelihoods and cultural survival; (ii) they rely heavily on a narrow set of natural resources and climate-sensitive activities; and (iii) they are often neglected as full partners in the decision-making process for building resilience.

c. *The risks and challenges faced by IPTCs and related to forest adaption, NRM, reduction of vulnerability due to manmade threats and challenges, and climate change adaptation are deeply interconnected.* An essential first step in the adaptation process is the reduction of current vulnerability, poverty and other fundamental shortages in capacities and assets that make IPTCs vulnerable to harm, i.e., the adoption of no regrets interventions.

d. *The broadly shared sense of synergy between ethno-development and adaptation activities among IPTCs calls for the adoption of/support for no regrets interventions that address the underlying drivers of vulnerability*. IPTCs often convey this sense of synergy. Their views are mostly vulnerability oriented and are aimed at addressing the underlying drivers of vulnerability and broadly reducing their vulnerability to a multiplicity of new and old risks. Thus, they often call for no regrets interventions that combine sustainable development and adaptation strategies and always fare better in improving the lives and livelihoods of socioeconomically disadvantaged groups. A society that is less vulnerable to current threats has the potential to be more adaptive to future changes and challenges. Thus, in many contexts, the current levels of vulnerability (in light of existing climate, market and governance conditions) must be addressed before stakeholders can hope to implement forest and climate adaptation strategies focused on the potential impacts of long-term climate change. Reducing current vulnerability, poverty and other fundamental shortages in capacities and assets that make people vulnerable to harm, is an essential first step in the process of adaptation, because vulnerability-oriented efforts can almost

fully overlap with traditional development practices, which do not actively take climate risks into account but can lessen the negative impacts of climate change.

e. *The enabling of livelihood diversification is essential to manage forest and climate-/nonclimate-related risks that affect IPTCs' security and livelihoods and to promote ethno-development*. The most resilient households and communities are those that have managed to diversify their livelihoods away from natural resource-based activities. However, it is worth noting that (i) livelihood diversification has proved difficult due to existing inequalities and lack of opportunities (access to training and education in new skill sets and to seed capital and markets, voice in decision-making processes, etc.), and (ii) livelihood diversification must be assessed in terms of compatibility with ecological characteristics to avoid potential conflicts over resources that may arise from different land use choices, because if diversification means competition for the use of scarce resources, then its sustainability is questionable.

f. *The use of traditional knowledge and reliance on the lessons of past coping measures to address the combination of factors that increase IPTCs' vulnerability are also critical, but will be combined with scientific forecasting and improved access to information to overcome maladaptation*. Experience with climate events to date and past coping measures hold valuable lessons for the future, but future adaptation requires new knowledge and improved access to information. Otherwise the risk of adopting maladaptive actions that perpetuate vulnerability in the long term is high. Most actions taken by IPTCs today are only short-term coping mechanisms; attention to long-term adaptation is generally weak; and consequently some of these actions may be maladaptive and have negative impacts in the long run (such as increasing GHG emissions, disproportionately burdening the most vulnerable, having high opportunity costs, reducing incentives to adapt, or creating or reinforcing path dependency, thereby limiting the choices available to stakeholders in the future).

g. *Participatory and inclusive stakeholder processes are critical for positive outcomes in adaptation efforts*. There is a call for solid grounding of interventions in local realities, with the intensive involvement of local communities, the strengthening of their representative organizations, and reliance on their knowledge of the most pressing risks that affect their security and livelihoods. The most promising approaches ensure: (i) a strong commitment to grassroots empowerment and social accountability by establishing active and empowered advisory and oversight commissions; (ii) the active engagement of IPTCs in project development and implementation so that they can assume ownership; (iii) the strengthening of indigenous and community organizations and respect for culturally defined decision-making mechanisms, which are critical factors when working with diverse IPTCs; (iv) attention to a holistic view of the issues affecting IPTCs' lives and livelihoods; and (v) early access to technical assistance focused on participatory methodologies.

h. *CDD and CBA are promising approaches to IPTCs and the interconnected risks they face*, because they: (i) support interventions that are all highly context specific; (ii) empower communities by offering synergies with broader poverty and sustainable development objectives; (iii) make strong economic sense, even in a volatile and evolving environmental context; (iv) are likely to be pro-poor in the sense that they

reduce the vulnerability of the poor faster than that of the non-poor; and (v) are well suited to reach the most vulnerable with interventions designed to increase resilience.

i. *A dynamic planning approach that addresses (i) the challenges posed by the uncertainty about climate change and development, and (ii) the longer periods for implementation of community activities among IPTCs, is also essential*. To broaden the adaptive capacity and social resilience of IPTCs in a volatile and evolving socioenvironmental context, efforts may focus on providing sufficient flexibility over time through dynamic planning.

41. The following lessons have been incorporated into project design:

a. Participatory and inclusive stakeholder approach. The Project is designed as a joint partnership that builds a strong sense of ownership by the key stakeholders, fosters the intensive engagement of local communities in the development and implementation of local activities, empowers IPTCs' grassroots organizations, and promotes the devolution of decision making to them.

b. Technical assistance and training. Due to weak managerial and technical capacities, culturally adequate and timely technical assistance and on-site training are essential for the success of activities implemented by IPTCs' grassroots organizations. Thus, each community initiative supported under Component 1 will include a training and technical assistance package that will be prepared in a participatory manner to ensure its cultural adequacy.

c. Capacity building and institutional strengthening are critical. To increase IPTC organizations' participation in decision-making processes that affect their lives, Component 2 will focus on the institutional capacity building of IPTC organizations and networks to enhance their knowledge, skills and participation in decision-making processes related to forest/land use management and climate change adaptation.

d. Simple implementation arrangements and procedures. To enhance participation and ensure opportunities of access for the most deprived IPTCs, the Project will rely on simple, streamlined and flexible procedures for grant application and communication/outreach strategies.

42. Reflecting these lessons and analytical insights, the Project relies on strategies to promote improved access to relevant information and combine IPTCs' traditional knowledge with sound new scientific-based knowledge on forest and natural resources management and on climate change adaptation. It also relies on CDD/CBA approaches that have been proven worldwide to (i) make strong economic sense, even in a volatile and evolving environmental context, for livelihood adaptation and diversification, and (ii) be able to promote the synergies among ethno-development, forest and natural resources management, and adaptation through no regrets interventions that always fare better in improving the livelihoods of socioeconomically disadvantaged groups and increasing their social resilience.

43. The project strategy combines all factors considered critical for making CDD/CBA approaches successful: (i) community proposals will be screened for their economic, environmental and social feasibility, as well as on the basis of assessments of local vulnerabilities and adaptive capacity; (ii) culturally adequate technical assistance will be provided to design, develop and implement community initiatives; (iii) institutional capacity-building activities will strengthen indigenous and local organizations by means of on-site

training events for grant beneficiaries and by encouraging a diversity of partnerships with government and civil society organizations; and (iv) adequate, flexible and efficient administrative and financial arrangements have been established; these will enable simple, streamlined and fast-track access to grants by grassroots IPTCs and will facilitate adequate financial flows and management of project resources for diverse communities.

44. The Project is based on a strong sense of ownership and social accountability among the grant beneficiaries and key stakeholders convened in the joint preparation process and the NSC. It thus contributes toward increasing their representation in relevant decision-making arenas.

H. Project Components

45. **This Project has synergies with the BIP and will focus on indigenous peoples and traditional local communities in the Cerrado.** The BIP seeks to promote sustainable land use and forest management improvement in the Cerrado in order to reduce pressure on remaining forests, reduce GHG emissions and increase carbon dioxide (CO_2) sequestration. In synergy with these objectives, the proposed project aims to help: (i) reduce deforestation and forest degradation pressures within the Cerrado's indigenous and traditional territories; (ii) increase the adaptive capacity and social resilience of IPTCs in the Cerrado to deal with the manmade pressures and climate change risks that they face and that threaten their livelihoods and cultural survival; and consequently (iii) protect and promote biodiversity and sociocultural diversity within this biome. These objectives will be reached by: (a) promoting no regrets CBA initiatives proposed by IPTCs, and (b) strengthening the capacities that these social groups need to participate more effectively in (i) planning sustainable forest and natural resources management, ethno-development, coping and adaptive strategies, and (ii) FIP and other REDD+ processes at local, national and global levels.

46. To achieve these objectives, the Project will support capacity-building and institutional-strengthening activities and provide technical assistance and small grants to no regrets CBA initiatives proposed and selected through IPTC-led decision making, which will help to improve the sustainability and adaptive capacity of the livelihoods of IPTCs located in the Cerrado, as well as to make them more resilient to the manmade pressures and climate change challenges that they face.

47. By addressing the underlying drivers of social vulnerability and of manmade and climate challenges to sustainable socioeconomic development, no regrets interventions are able to generate direct or indirect benefits and social returns, improve well-being, adaptive capacities and social resilience while contributing to the protection of forests and natural resources and the reduction of GHG emissions. No regrets community-based adaptation yields benefits both in today's climate and in a range of future climate scenarios, and is broadly supported by IPTCs.

48. The Project will have three components:

a. Component 1: Sustainable and Adaptive Community Initiatives.

b. Component 2: Capacity Building and Institutional Strengthening.

c. Component 3: Project Governance, Monitoring and Evaluation

49. <u>Component 1: Sustainable and Adaptive Community Initiatives (estimated total cost: US$4.0 million).</u> The aim of this component is to support indigenous peoples and local communities and organizations in developing on-the-ground no regrets community activities of

the IPTCs' choice in order to promote sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and adaptation to climate-related changes. The component will provide subgrants for community initiatives, training and technical assistance activities. A minimum share of 60 percent of the funds allocated for this component will be targeted to Indigenous Peoples. It will include two subcomponents.

50. *Subcomponent 1.A: Community Initiatives (estimated total cost: US$3.0 million)* will finance the provision of micro- and small grants for eligible community-based IPTC organizations to undertake on-the-ground no regrets community activities that fall under predetermined themes related to forest and land use management, livelihoods and sociocultural survival, and have been proposed and selected by IPTC-led decision making. All grant proposals will be assessed according to the following core criteria of: (i) alignment with the core objectives of the DGM and FIP programs, (ii) socioenvironmental relevance; (iii) cultural adequacy; (iv) community support; and (v) sustainability. The targeting of women and youth in community initiatives will be an advantage. All proposals submitted for Subcomponent 1A will be also screened to ensure compliance with the World Bank's Operational Policies on environmental and social safeguards as well as with the Brazilian legislation on the environment and Indigenous Peoples, in accordance with criteria to be established in the country specific ESMF and POM.

51. Taking into consideration the needs expressed by IPTCs during the Project's participatory preparation process, these windows will finance community activities aligned with DGM and FIP core objectives that promote: (i) sustainable forest and land use management systems as well as community-led forest landscape restoration; (ii) seedling production for the maintenance of native and threatened species and varieties; (iii) agroforestry production systems and agroecological tillage practices by applying indigenous/traditional knowledge and new technologies; (iv) collection, value-added processing and commercialization of nontimber and agricultural products; (v) indigenous and traditional water, soil and landscape management practices, including the recovery of degraded areas and the protection of water sources; (vi) livelihood diversification for improved nutrition, food security and quality of life; and (vii) revitalization of cultural values and traditional knowledge.

52. Some activities suggested by IPTCs as potential demands from the Project are: agroforestry systems based on native and adapted fruit species; small processing units for agricultural and extractive nontimber forest products; agroecological productive systems; small animal husbandry; production and commercialization of handicrafts; traditional nurseries and seedlings; subsistence agriculture for food security; land and forest management plans; participatory ethno-mapping and ethno-zoning studies; surveys and registers of flora and fauna; water resources management and protection of springs; drought preparedness; recovery of degraded land areas; surveys and registers of intangible cultural heritage; surveillance and prevention of forest-fire systems; and awareness raising and mobilization campaigns on environmental issues to be carried out among the population of communities surrounding and near indigenous lands and traditional territories.

53. In light of the current scenarios faced by different IPTCs, the activities will be eligible for funding under three grant windows:

Window	**Description**

Window	Description
Natural Resource Management Subproject Window	• This window will fund proposals from IPTCs that are located in environmentally priority and vulnerable areas in which manmade threats and climate-related risks may bring major loss or decline in the long-term quality of valued species, habitat and landscape; widespread decline in land and water quality; widespread failure of ecosystem function or service; and major consequences for significant numbers of affected people among vulnerable groups who lack previous experience with planning and implementing vulnerability assessments, forest and natural resources management plans. • This window will provide funding for IPTCs to undertake a full subproject cycle of community-led assessment, planning and implementation. Thus, subprojects are intended to enhance local IPTC capacity and social and environmental outcomes. • In addition to the core criteria, proposals for this window will be assessed in terms of: (i) the territories' relevance for the forests, natural resources and biodiversity in the Cerrado Biome. • The ceiling value per proposal is US$75,000.
Immediate Threat Response Subproject Window	• This window will fund proposals from IPTCs that are under severe and immediate threat to their forests, natural resources, livelihood needs, physical and cultural survival due to manmade and climate-related challenges. It is therefore expected that subprojects funded through this window will be implemented more rapidly than those funded under the component's other two grant windows. • In addition to the core criteria, proposals for this window will be assessed in terms of high levels of social vulnerability (poverty, food insecurity, cultural and social distress) already faced by the proponent communities as a result of manmade and climate-related pressures. • The ceiling value per proposal is US$30,000.
Market-oriented Productive Subproject Window	• This window will fund proposals from IPTCs that have proven organizational capacity in handling external funds and need support to increase their access to markets for the commercialization of agricultural and/or nontimber forest products. It is expected these communities will have previous successful experience with livelihood diversification and/or value-added processing of agricultural and non-timber forest products. • In addition to the core criteria, proposals for this window will be assessed according to their economic viability and potential income-generation impacts.

Window	Description
	• The ceiling value per proposal is US$60,000.

54. Under the Natural Resources Management window, the selected IPTCs will receive grants to cover: (i) the participatory development of local vulnerability and livelihood assessments; (ii) priority community initiatives identified in these assessments; and (iii) training and technical assistance. Under the other two windows, the Project will support one community-based initiative proposed by each indigenous and traditional community as well as the needed training and technical assistance package required for its effective implementation and sustainable management. No community counterpart financing responsibilities will be requested.

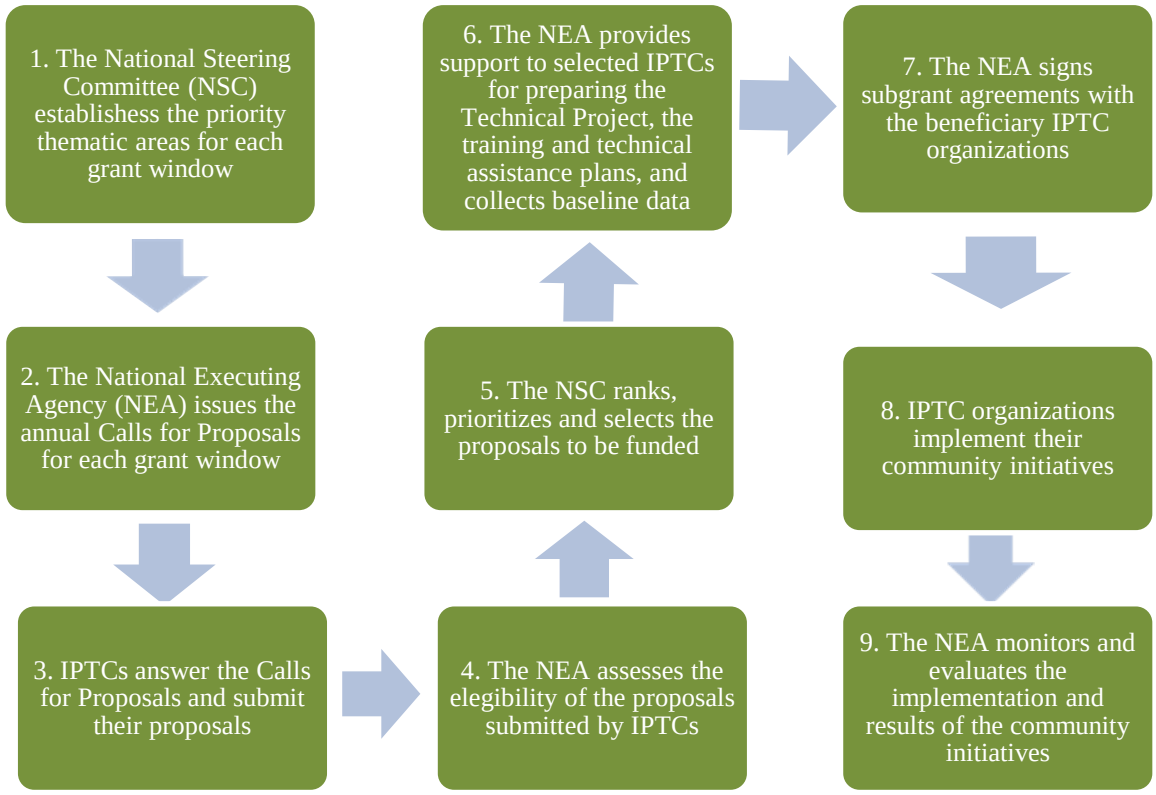
55. The following activities will be **ineligible** for funding by the DGM:

a. purchase of land;
b. activities carried out in relation to adjudication of lands under dispute;
c. activities carried out in lands under dispute;
d. activities that may promote involuntary physical and economic displacement;
e. activities that may restrict access to natural resources, unless the community has manifested broad support through a participatory process of decision-making;
f. activities adversely affecting Indigenous Peoples and/or local communities, or where communities have not provided their broad support (evidence of such broad community support may be explained in the project proposal, or presented in the form of a letter with the proposal);
g. removal or alteration of any physical cultural property (includes sites having archeological, paleontological, historical, religious, or unique natural values);
h. conversion, deforestation or degradation or any other alteration of natural forests or natural habitats including, inter alia, conversion to agriculture or tree plantations;
i. activities related with timber products commercialization;
j. purchase and use of formulated products that fall in WHO classes IA and IB, or formulations of products in Class II, if they are likely to be used by, or be accessible to, lay personnel, farmers, or others without training, equipment, and facilities to handle, store, and apply these products properly;
k. financing of elections or election campaigning;
l. construction and/or restoration of religious buildings;
m. purchase of tobacco, alcoholic beverages and other drugs; and,
n. purchase of arms or ammunition.

56. *Subcomponent 1B: Training and Technical Assistance (estimated total cost: US$1.0 million)* will finance the services, goods and operational costs to carry out (i) training activities to enhance the technical and managerial capacities of beneficiary organizations, and (ii) technical assistance to support the preparation of the technical projects for the preselected community proposals and the implementation of the approved community initiatives. Each proposal submitted by IPTCs for community initiatives will be assessed in a participatory manner by the National Executing Agency, which, in agreement with the beneficiary IPTCs, will define the needed on-site training and technical assistance package.

57. ***Component 1–Project Cycle****:* The process of preparing, approving and implementing community initiatives will be refined in the POM. Roughly once a year, the National Steering Committee (NSC) will establish the priority thematic areas for funding under each grant window. The National Executing Agency (NEA) will issue annual Calls for Proposals for each grant window. These Calls for Proposals will state the priority thematic areas, the eligibility and selection criteria, and the number of proposals to be funded. Community-based organizations and/or representative organizations selected by IPTCs will express their interests by submitting a streamlined Expression of Interest form. The NEA will assess their proposals according to the eligibility criteria and the NSC will rank and select the winning proposals. The NEA will then provide technical support for the selected representative community organization to develop the technical design of community projects and the training and technical assistance packages. During this stage, the NEA will also screen the community proposals to assess compliance with safeguard policies and collect baseline information, with the aim of monitoring and evaluating the activities. Subgrant agreements will be signed by the NEA and the IPTCs' winning community-based organizations and/or representative organizations. These organizations will implement the technical projects. The NEA will monitor implementation and evaluate results under the supervision of the World Bank and the NSC.

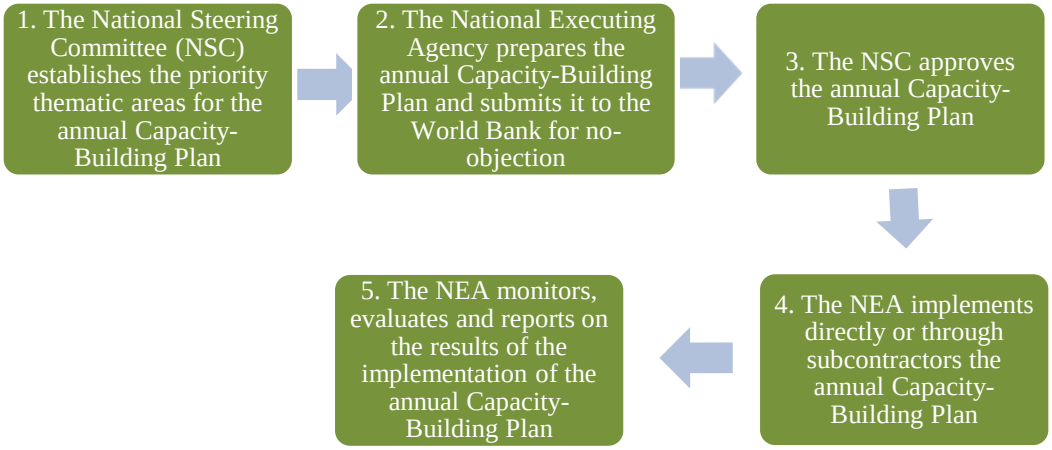
Figure 2.3: Component 1–Project Cycle



58. Component 2: Capacity Building and Institutional Strengthening (estimated total cost: US$1.3 million). The aim of this component is to finance capacity-building and institutional-strengthening activities that target IPTC organizations. These activities may contribute toward increasing managerial and technical capacities, access to financial sources for forest/land use and sustainable natural resources management, and participation in FIP, REDD+ and climate change-

related decision-making processes. The Project will finance goods, services and operational costs to: (i) carry out the Project's communication and dissemination strategy, reach target groups and mobilize communities and organizations; (ii) promote training and informational workshops as well as capacity-building activities; and (iii) support the creation and consolidation of representative community-based organizations. The annual Capacity-Building Plans will be prepared and implemented by the NEA according to priorities established by the NSC. The NEA may hire subcontractors for the implementation of some or all activities in this Plan.

Figure 2.4: Component 2–Project Cycle



59. Taking into account the needs expressed by IPTCs during the Project's participatory preparation process, these capacity-building and institutional-strengthening activities will focus on: (i) enhancing leadership and negotiation skills and active participation in initiatives related to natural resource-based mitigation and climate change adaptation; (ii) promoting a better understanding of REDD+ mechanisms, forest management and climate change adaptation programs; (iii) increasing knowledge of and access to public policies, credit lines and financial resources related to forest adaptation; (iv) enhancing financial management skills; (v) improving knowledge about new methodologies for participatory land and environmental management, vulnerability mapping, planning and implementation of strategies for coping with and adapting to manmade climate change, sustainable forest and land management practices, and forest-fire prevention; and (vi) expanding technical skills for the adoption of new technologies for productive activities, livelihood diversification, environmental conservation, and land surveillance. These thematic areas are fully aligned with FIP and DGM guidelines.

60. Component 3: Project Management, Monitoring and Evaluation (estimated total cost: US$1.2 million). The aim of this component is to support the Project's effective governance and efficient management, dissemination, monitoring and evaluation. This component will finance the incremental operational costs incurred by the National Executing Agency (NEA) for

effectively and efficiently carrying out its responsibilities: (i) by serving as secretariat to the National Steering Committee (NSC); (ii) through the Project's technical coordination, monitoring and evaluation; and reporting to the World Bank and the Global Steering Committee; (iii) through the Project's adequate financial management, procurement and auditing; (iv) through the Project's Grievance Redress Mechanism operation; and (v) by supervising the implementation of community initiatives and results assessments. Further information on the NEA's role and responsibilities is presented in Annex 3. This component will finance studies, training, travel and limited procurement of software and hardware.

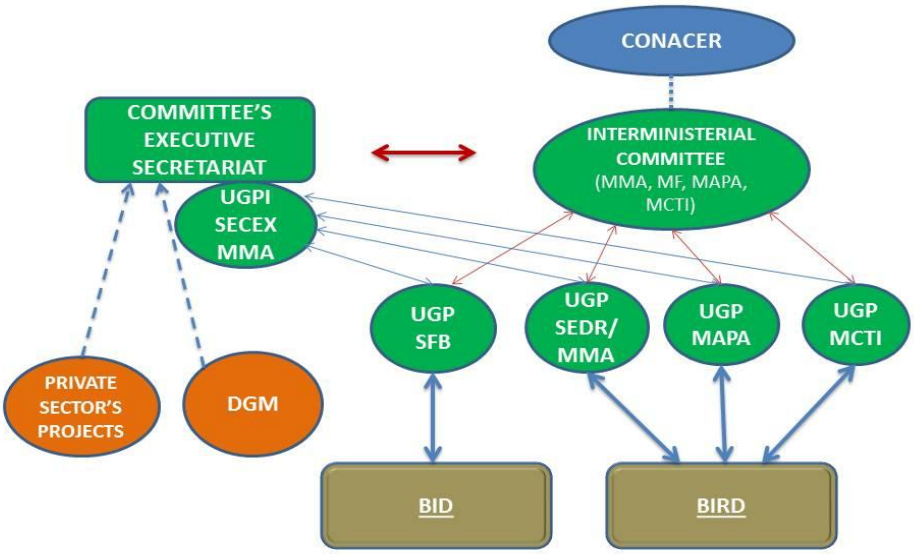
61. The Brazil DGM will also benefit from the global component on knowledge sharing and networking in REDD+. The DGM Program Development Objective to strengthen the capacity of Indigenous Peoples and Local Communities (IPLCs) to participate in the Forest Investment Program and other REDD+ programs at local, national and global levels, which will be implemented through the Global Learning and Knowledge Exchange Project, which aims to organize and facilitate knowledge exchange, learning and capacity building for IPLCs at regional and global levels, and to strengthen the networks and alliances of IPLC organizations within and across regions with a view to enhancing their representation and voice in regional and global policy fora.

Annex 3: Implementation Arrangements

BRAZIL: Dedicated Grant Mechanism for Indigenous Peoples

A. Brazil Investment Plan (BIP) Arrangements

1. Brazil's geographic size and environmental complexity, and the need to ensure the consistency of the various instruments employed, coordinate efforts, and share timely and relevant information, are all challenges that call for the building of synergies among the various actors and activities with the aim of securing cost-effective solutions. As a response to these challenges, the BIP has developed a management arrangement to ensure synergies among the different projects (including the BR–DGM) and institutions during the implementation phase, as illustrated by the following chart.



2. The BIP coordination component provides a platform for knowledge sharing among BIP projects, the Brazil FIP DGM, FIP private-sector projects, and beyond. The BIP Coordination Unit will be responsible for: (i) the development and implementation of the BIP monitoring system; (ii) overall coordination of activities among the projects, DGM and private sector, with the aim of strengthening coordination and synergies among projects throughout the implementation phase; (iii) preparation of progress reports; and (iv) monitoring, evaluation and outreach of the BIP.

B. BRAZIL DGM Implementation Arrangements

3. In accordance with the Global DGM guidelines, the Brazil DGM has developed a governance and management arrangement for coordination, partnership and synergies. A National Steering Committee (NSC) will oversee project implementation and a National Executing Agency (NEA) – the Centro de Agricultura Alternativa do Norte de Minas

(CAA/NM) was selected to implement the Project. The institutional roles and responsibilities of these institutions are described below.

4. **The National Steering Committee (NSC)** will work as a deliberative and social control arena. Its key roles and responsibilities are to:

- Decide on the annual working plans and on the eligibility criteria for funding in accordance with the criteria established by the Global DGM Framework Guidelines for Operations;
- Review and make funding decisions on eligible community proposals to award the subgrants envisaged under Component 2;
- Provide oversight of project implementation and keep the NEA's operations under review;
- Report to the Global Steering Committee (GSC) on national activities, on a semiannual basis;
- Review the progress of subprojects as compared with Results Frameworks and discuss the lessons learned in order to apply them to the future subproject design and implementation; and
- Mediate conflicts related to DGM funding proposals.

5. The NSC is also expected to: (i) participate in meetings of other national REDD+ committees and FIP institutions, thus ensuring that DGM lessons are transmitted to ongoing national processes; (ii) seek feedback from IPTCs on the DGM, identify needs, collect and send ideas to the GSC to be supported by the Global Component; and (iii) raise funds through other programs and mechanisms.

6. The NSC will include representatives from IPTCs, the Brazilian Government and the World Bank. Up to two of the IPTCs' representatives—selected by their peers—will participate as members in the Global Steering Committee (GSC). IPTC representatives have been chosen through a self-selection process in accordance with procedures determined by them and their decision-making institutions. At the regional workshops carried out as part of the consultation process for project preparation, IPTC representatives were appointed to form the NSC. This preliminary selection was balanced by geographic area, ethnic diversity and gender, and it complied with the criteria set forth by the DGM Framework Operational Guidelines (paragraphs 26 and 27), the FIP Design Document (paragraphs 16.d and 20.b) and its Annex III (Guidelines for Consultation). [36] Accommodating a request by the Government of Brazil, GOB representatives will take part in all decisions made by the NSC. This participation of Governmental representatives in the NSC had also received wide support at the time of the project consultation process. The World Bank will provide guidance on the technical soundness and feasibility of the proposals as well as their compliance with fiduciary, procurement and safeguard policies. However, the Bank will not participate in NSC's decision-making processes.

[36] The preliminary selection of IPTC representatives in the NSC was balanced by geographic area, ethnic diversity and gender, and complied with the criteria established in the FOG (paragraphs 26 and 27), the FIP Design Document (paragraphs 16.d and 20.b) and its Annex III (Guidelines for Consultation). The list of IPTCs organizations appointed as members of the NSC is provided in Annex 8.

Civil society observers may also be invited to the NSC. A NEA representative will support the NSC meetings. Appropriate principles of transparency and accountability will be built into the NSC's decision-making processes. Its functions and membership will be further detailed in the project's operations manual.

7. **The National Executing Agency (NEA)** – Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) – will be the secretariat to the NSC. Selection of the NEA was carried out through a competitive process supported by the World Bank. The NEA is a nonprofit and nongovernmental organization that meets the World Bank's program-related fiduciary and safeguard requirements. The NEA will facilitate the NSC's work and provide the World Bank with operational and financial reports, including progress toward achievement of the PDO. The NEA's principal responsibilities include:

- Serving as secretariat to the NSC and organizing its meetings;
- Ensuring timely implementation of all project activities, and monitoring such activities and the Project's related indicators (including preparation of the draft proposal for the annual plan of activities, issuance of the annual call for community proposals, signing of the subgrant agreements with the selected IPTC representative organizations, and disbursement of funds to projects selected by the NSC);
- Preparing TORs for the selection of consultants and technical specifications for the procurement of goods, works and services for specific activities (under Component 1), processing their selection and procurement, and overseeing contracts execution to ensure satisfactory implementation;
- Ensuring appropriate use of DGM funds, reporting to the World Bank on the allocation and use of funds, and ensuring that procurement is carried out in accordance with Bank rules and procedures, including the preparation of procurement plans when applicable;
- Ensuring that each community activity has an appropriate results framework; and collecting, updating, aggregating and evaluating data based on these results frameworks;
- Maintaining documentation on DGM projects, and preparing progress, results and financial reports (and other project-related documents as necessary), as agreed in the Grant Agreement;
- Ensuring that the Bank's Safeguard Policies triggered under the Project and related Environmental and Social Management Frameworks are observed and complied with;
- Hosting and facilitating the Bank's supervision missions, and working with the Bank to optimize the operation's results and impact;
- Maintaining communications and technical dialogue with stakeholders, and providing information and assistance to grantees;
- Managing grievance and complaints redress processes;
- Responding to queries; coordinating and providing information for the Global Executing Agency (GEA); and
- Providing information for the BIP Coordination Unit.

8. The NEA was selected through a competitive process supported by the World Bank and carried out by the NSC with the assistance of the Government of Brazil. The NEA will begin operations following the approval of project effectiveness. A financing/grant agreement will be signed by the NEA and the Bank to administer the grant scheme. Subsequent grant agreements will be signed by the NEA and the individual grantees. This operational arrangement is being proposed to reflect the need for a decentralized approach and to ensure that IPTCs will have easy access to the NEA during implementation.

9. **Grievance Redress Mechanism and Complaints Procedures (GRM)**. In accordance with the DGM Framework Operational Guidelines, a GRM will be established and further detailed in the Operational Manual. These mechanisms and procedures will ensure that all complaints received from IPTCs and other interested stakeholders related to a grant award decision, representation in the NSC or GSC, or the governance of the program will: (i) have a properly written record; (ii) receive timely resolution of issues; and (iii) be publicly reported (with regard to complaints received and actions taken on each complaint). Regardless of the nature of the grievance, the DGM will ensure that a transparent, timely and fair process is adopted to address each complaint.

10. The DGM will ensure culturally appropriate, easy access to information on the program, grant-funded projects, status of project proposals under review, and contact points. This information will be provided on the GEA and NEA websites, in information-sharing meetings organized for this purpose, as well as through other culturally appropriate means of communication. The NEA and GEA will maintain open lines of communication and actively reach out to stakeholders. The NEA and GEA will regularly review feedback received, respond to questions and comments on the websites, and report to the NSC and GSC on actions taken.

11. The initial point of contact for all grievances will be with a dedicated staff member within the NEA. The NEA and GEA will assign a staff member to receive and acknowledge complaints and feedback. The name and contact information of the staff member will be on the website and in all printed program brochures. Complaints will be acknowledged within ten business days with a written response to the complainant, detailing the next steps to be taken, including escalation to the NSC or the GSC Grievance Subcommittee level when appropriate. The NEA will record all complaints received in a publicly accessible online system that will allow complaints to be tracked and monitored. All feedback and complaints received will be displayed on the DGM website with complaint numbers to help the complainant in tracking progress. This information will be available in a more culturally appropriate manner, depending on local circumstances.

12. It is expected that the majority of grievances filed can and should be resolved on the spot by the NEA. When the NEA cannot resolve the issue, the grievance will be elevated to the NSC. If the NSC cannot resolve the issue, it will elevate it to the GSC. If the complaint is related to decisions on grant applications by the NSC, the complaint will be referred to the NSC. If it relates to MDB policies, an MDB staff member from the respective country office of the MDB may be invited by the NSC to its meeting to interpret the relevant policy. If the complaint does not fall under the mandate of DGM operations at the country level, but relates to (i) the policies of the DGM as a whole, (ii) the governance of the DGM in the country, or (iii) complaints that could not be resolved at lower levels, the matter will be taken to the GSC's Grievance Subcommittee, which will be formed to handle escalated grievances upon request.

13. In each instance, the written response will indicate which entity (i.e., NEA, NSC or GSC) will handle the complaint. That entity will then seek agreement on an approach with the complainant. The parties will engage in the process, implement the agreed actions, and record the outcome. Alternatively, the parties could be unwilling or unable to engage in the process. In this instance, the complainant will be offered the option of taking the matter to the next level (i.e., NSC or GSC), referring the issue for mediation, or closure. The appropriate entity will record all outcomes in writing. It is expected that resolution and closure should occur within 30 days of receipt of the initial complaint at the staff level.

14. Regardless of where the complaint is handled (i.e., at staff level; at NEA, NSC or GSC level), the dedicated staff member will prepare a brief written note on the options discussed with the complainant(s) and the agreed action(s) to be taken to resolve the issue. Following implementation of the agreed action(s), the outcome will be recorded (i.e., resolution and/or closure) and both parties will sign. Whether agreements are reached through direct conversations or mediation, all supporting documents of meetings needed to achieve resolution should be part of the file related to the complaint. At all stages of the process, the NEA will keep the World Bank team informed and maintain a comprehensive record of all correspondence and decisions on the issue. The abovementioned grievance and complaint mechanisms are without prejudice to any additional mechanism established by the World Bank to address related issues of damage. More details will be provided in the Project Operational Manual.

15. The proposed project will be implemented over a period of five years (2014–2019). These implementation arrangements are also under consultation with IPTCs.

16. The World Bank's administrative costs for project preparation and supervision will be financed from the reserve fund under the FIP and in accordance with CIF benchmarks for project preparation and supervision.

C. Financial Management, Disbursements and Procurement

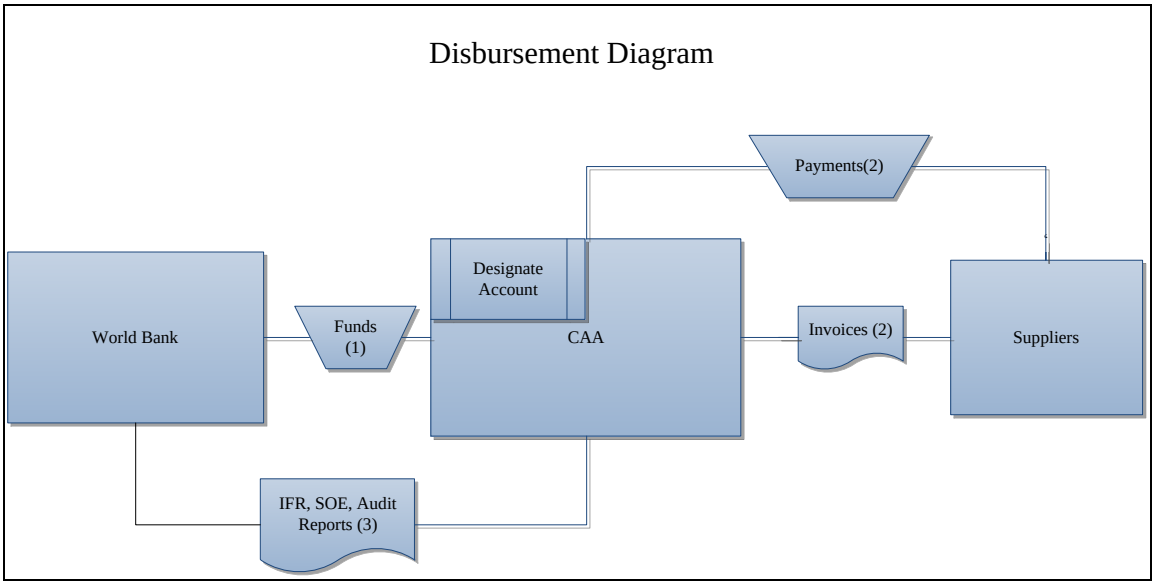
Financial Management

17. A Financial Management Assessment (FMA) was carried out in accordance with Bank guidelines. This section provides the recommended arrangements related to (a) budgeting and counterpart funding arrangements; (b) flow of funds; (c) accounting and maintenance of accounting records; (d) internal controls,; (e) periodic financial reporting, and (f) arrangements for external audits to effectively execute the financial management and monitoring of this project financed by the World Bank (the Bank).

18. In accordance with the requirements of OP/BP 10.00, the NEA – the Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) – meets the minimum requirements to maintain financial management arrangements that are acceptable to the Bank and that, as part of the overall arrangements that the Recipient has in place for implementing the operation, provide reasonable assurance that the proceeds of the grant are used for the purposes for which it was granted. The CAA/NM will need to prepare the POM, which will describe the financial management, accounting and reporting responsibilities of the CAA/NM and subgrant recipients.

19. Grant disbursements will be made on a transaction basis and expenditures will be documented to the Bank using Statement of Expenditures (SOEs) and copy of records as required, following the limits indicated in the Disbursement Letter. The direct-payment disbursement method will not be used. Advance type of disbursement will be the primary

method used. The Bank will disburse the proceeds of the grant to a separate designated account in Brazilian Reais (R$) held and managed by the CAA/NM in the Banco do Brasil. Payments for project goods and services will be made directly from this account. The designated account will have a fixed ceiling of R$ 1,500,000 (One million and five hundred Brazilian Reais). The disbursement reports for eligible expenditures paid from the designated account will be on a quarterly basis. The minimum application size will be US$100,000 equivalent. The Project will also have a four-month grace period after the closing date, during which the Bank will accept withdrawal applications related to project transactions incurred before the closing date. The payments made for grant activities will be included in the SOEs and forwarded to the World Bank's Brasília office. The following diagram indicates the flow of funds mechanism to be used for the project.



(1) The funds will be transferred to a specific bank account for the Project and administered by the CAA/NM. The funds will be maintained in Brazilian Reais (R$)
(2) The payments and invoices will be registered in the accounting systems AlterData that allows the record and reconciliation at the end of each month. The payments are submitted by the Financial Team and validated by CAA/NM representatives.
(3) The IFR's and SOE's will be prepared in MS Excel and they will be supported by the accounting reports. The supporting documents will be retained to satisfy audit requirements yearly and upon the completion of the project for two years.

20. For monitoring purposes, the CAA/NM will prepare semiannually Project Interim Financial Reports and submit them to the Bank within 45 days after the end of each semester. Interim Unaudited Financial Reports (IFRs) will be prepared on a cash-basis and will show the budgeted and expenditure figures by semester, accumulated for the year and accumulated for the Project. A specific ledger will be created in the system to record all grant transactions, and will be aligned with the structures of the grant cost and disbursement tables to record transactions by category and component/subcomponent. The following semiannually IFRs will be prepared for management purposes and submitted to the Bank:

i. IFR 1 – Source and application of funds by cost category, cumulative (project-to-date, year-to-date),
ii. IFR 2 – Uses of Funds by project components, cumulative (project-to-date, year-to-date) and for the period, showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis,
iii. IFR 3 – Disbursements reconciliation with the Bank's Client Connection site (attached with latest Bank Statement),
iv. IFR 4 – Progress Report of components.
v. Notes to the Financial Statements (only for the last year – end quarterly IFR).

21. The external auditing will be conducted annually by an independent audit firm acceptable to the Bank and carried out under TORs acceptable to the Bank and the Bank's audit policy under a multiyear contract. The audit will be due no later than four months after the end of the fiscal year. Auditors will be required to issue a single opinion on the Project's financial statements and the designated account, as well as to produce a management letter in which relevant internal control weaknesses will be identified. In the scope of the annual audit of the project, the auditors may select subprojects as part of their evaluation as a complementary audit analysis required by the audit firm. This selection should observe the materiality and relevance of the subprojects in the annual financial statements and it will be included in the TOR. The CAA/NM will also send annual financial reports to the NSC and BIP CU. Audit reports will be subject to the World Bank's policy on Access to Information.

22. The table below specifies the categories of eligible expenditures that may be financed out of the proceeds of the Project and the percentage of expenditures to be financed for eligible expenditures in each category:

Category	**Amount of the Grant Allocated (expressed in USD)**	**Percentage of Expenditures to be Financed (inclusive of Taxes)**
(1) Goods, works, non-consulting services, and consultants' services and training required for Subprojects under Part 1(a) and 1(b) of the Project	4,000,000	100%
(2) Goods, non-consulting services, consultants' services and Training required for Part 2 of the Project	1,300,000	100%
(3) Goods, non-consulting services, consultants' services, training and Operating Costs required for Part 3 of the Project	1,200,000	100%
TOTAL AMOUNT	6,500,000	

23. Financial management supervision will take place once a year. The FM specialist will evaluate the continuing adequacy of the FM arrangements and: (i) review of IFRs; (ii) review of the auditors' reports and follow-up on issues raised in the management letter; (iii) follow-up on any financial reporting and disbursement issues; (iv) response to project team questions; and (v) update of the financial management rating in the Implementation Status and Results Report (ISR).

Procurement

24. The NEA will be responsible for procuring goods, works and services as well for selecting consultants, in accordance with the Bank's procurement policies, including procurement for the subgrants under Component 1, meaning no funds are actually transferred to indigenous peoples and local communities and organizations. The NEA will also be responsible for proper contract management. The NEA is a nonprofit and nongovernmental organization. In accordance with the requirements of OP 11.00, a procurement assessment of the NEA's capacity to implement procurement actions was carried out prior to project appraisal and has been filed in the operations portal.

25. 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 January 2011, and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011, and the provisions stipulated in the Legal Agreement. The general description of various items under different expenditure categories is described below. For each contract to be financed by the Loan, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed by the Recipient and the Bank's project team 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. The NEA needs to prepare a comprehensive Operational Manual, describing specially the procedures to be followed under the procurement for the subgrants, including but not restricted to the following key steps: (i) procurement needs for subgrants are identified, (ii) the NEA prepares the technical specifications or terms of reference in coordination with the subgrantee, (iii) the NEA and the subgrantee work together to issue the request for quotations on request for expressions of interest, (iv) the NEA receives the quotations or expressions of interest, evaluate them, and issue the purchase order of contract, (v) the subgrantee receives the goods, works, services or consultant services, issues a "services/goods received" form and sends it to the NEA, (vi) the NEA processes the supplier payment, (vii) the NEA supervises the contract execution or employment of the goods received.

26. The recommended thresholds for the use of procurement and consultant selection methods and for Bank's prior review will be stipulated in the procurement plan, to be prepared by the NEA for the first 18 months of the project before negotiations and revised at least annually.

27. **Procurement of works.** Small works are expected under the Project and their procurement should be carried out following shopping procedures as indicated in paragraph 3.5 of the Guidelines. Direct contracting would also be used when the conditions of paragraph 3.7 of the Guidelines are met.

28. **Procurement of Goods** would follow National Competitive Bidding (using SDBs agreed with the Bank) or shopping procedures. Bidding documents must include anticorruption and right-to-audit clauses in order to be considered acceptable to the Bank, and the Legal Agreement would need to include a provision that the NCB bidding documents must be acceptable to the Bank. If the requirements of paragraph 3.7 are met, Direct Contracting may also be used for the procurement of goods.

29. **Procurement of nonconsulting services** would be conducted using National SBD agreed with or satisfactory to the Bank for all NCB. Bidding documents must include anticorruption and right-to-audit clauses to be considered acceptable to the Bank, and the Legal Agreement must include a provision that the NCB bidding documents shall be acceptable to the Bank. Small-value contracts not to exceed US$100,000 would follow shopping procedures. Direct contracting would also be used when the conditions of paragraph 3.7 of the Guidelines are met.

30. **Selection of consultants.** Consulting services by firms and individuals required for the Project would include a wide array of technical assistance and advisory services. Short-lists of consultants for services estimated to cost less than US$1,000,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions in the Consultant Guidelines. All contracts estimated to cost more than US$100,000 equivalent per contract, the first process under each selection method, and any single source of consulting services would be subject to prior review by the Bank. Quality- and Cost-Based Selection (QCBS) would be the default method for the selection of firms, but Quality-Based Selection (QBS), Least-Cost Selection (LCS), Selection under a Fixed Budget (FBS), Selection Based on the Consultants' Qualifications (CQS), and Single Source Selection (SSS) may also be used if the requirements of the guidelines are met. Individual consultants should be selected in accordance with procedures of Section V of the Bank's Consultant Guidelines.

31. **Training**-related expenditures would include contracts for event logistics, transportation, catering, material preparation, course enrollment fees and per diems. Procurable items must follow the adequate procurement or selection process, in accordance with the paragraphs above.

32. **Operational costs** include but are not limited to: (a) operation and maintenance of vehicles; (b) incremental office equipment and supplies; (c) shipment costs (whenever these costs are not included in the cost of goods); (d) rental for office facilities; (e) utilities; (f) travel and per diem costs for technical staff carrying out supervisory and quality-control activities; (g) communication costs including advertisement for procurement purposes; and (h) administrative and operational support staff. These contracts would be procured following the NEA's administrative procedures which have been reviewed and considered acceptable to the Bank.

33. **Frequency of procurement supervision**: Procurement supervision would be carried out through a prior review supplemented by supervision missions with a post review once a year.

D. Environmental and Social (including safeguards)

34. This proposed conservation project is expected to have a positive environmental impact because it seeks to promote sustainable development and livelihoods, forest and natural resources management, and climate change coping and adaptation strategies in indigenous lands and local communities whose livelihoods depend on the biome's natural resources. Project activities may also contribute toward reducing deforestation pressures on the remaining forests –

on which the livelihoods of most IPTCs rely – and protecting headwaters and riparian zones by reducing water and soil pollution.

35. The nature and scale of the envisioned community investments to be supported by Component 1 (see paragraph 51, page 38, above) have been analyzed in terms of their potential environmental impacts and will not have significant adverse impacts. The Project is rated as Category B.

Typology of Community Initiatives Envisioned by IPTCs during the Joint Preparation Process and Potential Environmental and Social Risks and Impacts	
Community Initiative Types and Environmental Classification	Potential Major Environmental and Social Considerations
Agroforestry systems based on native and adapted fruit species/reforestation **B**	Selection of endemic and proven types of tree species for reforestation purposes; Choice of species to improve biodiversity; maintenance of soil cover to prevent erosion and loss of soil nutrients; maximization of food production with environmental stewardship practices; proper community consultation and agreement on rights for resource use are required.
Agroecological productive systems **B**	Avoided use of pesticides and chemical fertilizers and impacts to nearby water bodies.
Small processing units for agricultural and extractive nontimber forest products **B**	Crop residue disposal, waste generation and disposal; livelihood diversification and income generation; assessment of opportunities for access to markets and managerial capacity.
Small-animal husbandry **B**	Proper siting of animal sheds/pens with respect to drinking water supply; income and livelihood diversification.
Subsistence agriculture for food security **B**	Management of water resources and land uses; compliance with forest and environmental regulations; avoided overuse of pesticides and chemical fertilizers and impacts to nearby water bodies; reduced social vulnerability.
Nursery and seedlings **B/C**	Selection of endemic species and protection of biodiversity; cultural adequacy; food security and nutritional health.
Production and commercialization of handicrafts **B/C**	Overuse of natural resources; livelihood diversification and gender sensitivity; assessment of opportunities for access to markets and managerial capacity.
Water resources management, protection of springs, and drought preparedness **B**	Management of water resources, minimizing soil erosion and maintaining water flows and ecosystem services; reduced social vulnerability to climate hazards.
Recovery of degraded land areas **B**	Adequate management of natural resources; recovery of soil cover; prevention of erosion and loss of soil nutrients; avoided use of pesticides and chemical fertilizers and their impacts on nearby water bodies.
Surveillance and prevention of forest-fire systems **B**	Avoided undue impact on crops, households and natural habitat.
Land and forest management plans **B/C**	Management of water resources, minimizing soil erosion and maintaining water flows and ecosystem services; protection of biodiversity; valorization of traditional knowledge and cultural values; proper community consultation and agreement on rights for resource use are required.
Participatory ethno-mapping and ethno-zoning studies **C**	
Surveys and registers of flora and fauna **C**	

Typology of Community Initiatives Envisioned by IPTCs during the Joint Preparation Process and Potential Environmental and Social Risks and Impacts	
Community Initiative Types and Environmental Classification	Potential Major Environmental and Social Considerations
Surveys and registers of intangible cultural heritage **C**	
Awareness-raising and mobilization campaigns on environmental issues to be carried out among the population of communities surrounding and near Indigenous and Traditional Territories. **C**	Environmental education; increased conservation awareness; reduction of potential social conflicts over scarce natural resources and land uses.

36. Despite these positive impacts, the proposed project will be working in various sensitive biodiversity and dry forest areas. A Programmatic Environmental and Social Management Framework (P-ESMF) has been prepared for the Global DGM and the NEA integrated environmental and social measures adequate to the country context in a country specific Environmental and Social Management Framework (ESMF). . The ESMF identifies the principal impacts to be expected from activities eligible for project support and indicates the process to screen these environmental risks and mitigate and/or compensate them. The ESMF also raises the potentially positive and negative impacts of the eligible activities and defines a number of preventive and mitigating actions. The ESMF will provide basic guidance on specific country-level features; operational procedures that will deal with specific country-level features and operational procedures to screen, assess, mitigate and monitor environmental impacts, thereby ensuring compliance with World Bank operational policies during project implementation. The ESMF was finalized and disclosed prior to appraisal. The NEA will screen all community proposals selected for funding to ensure compliance with World Bank social and environmental policies during the stage of technical project preparation.

Box 2.1: Brazil's Relevant Legal and Institutional Framework

1) Brazil has strong legal and institutional frameworks to govern the forest and natural resource sectors, as well as its intersections with Indigenous Peoples and Traditional Communities (IPTCs). The main legal documents for Brazil's country systems are: (i) Brazil's Federal Constitution (*Constituição Federal* [CF] 1988); (ii) Brazilian Forest Code (Law 12.651/2012); (iii) the National Plan on Climate Change, launched by Brazil in 2008, and the National Policy on Climate Change Law (PNMC), enacted in 2009; (iv) the National Policy for Environmental and Territorial Management of Indigenous Lands (*Política Nacional de Gestão Territorial e Ambiental de Terras Indígenas,* PNGATI; Presidential Decree 7747/2012); and (v) the National Policy for Sustainable Development of Traditional Populations and Communities (*Política Nacional de Desenvolvimento Sustentável dos Povos e Comunidades Tradicionais,* PNPCT; Presidential Decree 6040/2007). The PNMC is the backbone of the Brazil REDD+ equivalent strategy. The country has also recently made relevant progress with regard to improving the regulatory framework for issues related to REDD+ and indigenous peoples in Brazil, i.e., the National REDD+ Strategy – ENREDD+ (under discussion).
2) Brazil's Federal Constitution recognizes the social organization, customs, languages, beliefs and traditions of indigenous peoples and their rights to occupy their traditional territories. It states that indigenous lands (ILs) are to be permanently occupied by

indigenous peoples who can enjoy exclusive use of the existing soils, rivers and lakes situated therein.[37] The 1988 CF also recognizes the rights of quilombola communities to self-identification and collective land tenure in the territories they traditionally occupy. The Federal Government is responsible for demarcating and protecting indigenous and quilombola lands. Other traditional populations have more recently become recognized as subjects of rights to their social diversity and territories.

3) The Forest Code of 2012 requires landholders to register and retain natural vegetation on steep slopes, along watercourses (up to a given distance from riverbanks) or in the vicinity of springs (Areas of Permanent Preservation [APPs]) and set aside Legal Reserves (RLs); and gives special treatment to small landholdings or family agricultural landholdings,[38] settlements, agrarian reform projects, demarcated indigenous lands, and traditional communities that make collective use of their territory (i.e., *quilombos*, extractive communities). For the previous version of the Forest Code (1964), all farms in the Cerrado Biome would have to have 20% forest cover as Legal Reserve, in addition to the permanent preservation areas. However, in the new Forest Code Law (12.651 of 2012), small landholdings with less than four fiscal modules[39] are exempt from the recovery of RLs with regard to deforestation activities prior to 2008.

4) The PNMC defines the objectives and guidelines for domestic operations in Brazil to deal with climate change. One of the PNMC's instruments is the Action Plan to Prevent and Control Deforestation and Fires in the Cerrado Biome (PPCerrado 2010), whose aim is to promote a sustained reduction in the rate of deforestation and forest degradation, as well as in the incidence of fires and forest fires in this biome. The PPCerrado's guidelines include: the integration and improvement of monitoring and control activities by federal agencies, aimed at the environmental regulation of rural properties, sustainable forest management and firefighting; land use planning to conserve biodiversity, protect water resources and encourage the sustainable use of natural resources; promotion of environmentally sustainable economic activities, maintenance of natural areas and restoration of degraded land.

5) The PNGATI's main objectives are to guarantee and promote the protection, recovery, conservation and sustainable use of natural resources in indigenous lands to ensure improvements in quality of life and in physical, social and cultural survival. The PNGATI is based on principles fully compatible with World Bank safeguard policies

[37] Brazil has also recently signed all major international agreements and treaties regarding the rights of indigenous peoples, including *The International Labor Organization Convention No.169 on Indigenous Peoples and Tribal Populations* and *The United Nations Declaration of Indigenous Peoples' Rights*.

[38] According to the definition in Law Nº 12.512/2011, a family landholder and rural family entrepreneur is one who carries out activities in rural areas, simultaneously meeting the following requirements: (i) he or she does not hold, in any capacity, an area of up to four fiscal modules; (ii) he or she mostly uses the manual labor of his or her own family in the economic activities of his or her establishment or undertaking; (iii) he or she has a minimum percentage of household income arising from economic activities outside of his or her landholding; and (iv) he or she directs his or her establishment or undertaking with his or her family.

[39] The fiscal module *(módulo fiscal)* is a land unit established by the National Institute of Colonization and Agrarian Reform (*Instituto Nacional de Colonização e Reforma Agrária*, INCRA) mainly for rural real estate taxation according to Federal Decree Nº 8.485/1980 and INCRA NIº 20/1980. The fiscal module in the Cerrado municipalities varies from 0.04 to 0.1 km^2, with an average of 0.46 km^2 (46 ha).

because they include: (i) acknowledgement of and respect for the beliefs, norms, customs and traditional knowledge of indigenous peoples (IPs); (ii) recognition and promotion of indigenous women's contributions to sustainable natural resources management; (iii) respect for IPs' political and social organizations; participation and social control in policy decision making that affects them; (iv) compliance with IPs' rights to informed, prior and free consultation in these issues; and (v) compliance with IPs' rights to land and environmental protection as well as to manage all funding and benefits stemming from payment for environmental services.

6) The PNPCT's main goals are to promote the sustainable development of traditional populations and small family landholders and to ensure their rights to the territories that they traditionally occupy and their access to natural resources that they traditionally use for their physical, cultural and economic survival. The PNPCT addresses a multitude of issues: promoting the social and governmental recognition of traditional populations; protecting their rights to social and cultural diversity; improving their access to public policies and services; promoting food security and health, education and traditional knowledge; ensuring their representation in decision-making processes and policies that directly affect them; resolving conflicts generated by the creation of Conservation Units or the construction of large infrastructure projects that affect their traditional territories; protecting their rights; and ensuring their productive inclusion by promoting sustainable and culturally adequate technologies.

7) The progress made in the regulatory framework for REDD+ equivalent and indigenous peoples in Brazil is essentially related to consultations held by MMA and FUNAI with indigenous peoples and social organizations in 2012, which resulted in: (i) a set of agreed premises for the development of an indigenous component that could be integrated in the National REDD strategy (ENREDD); and (ii) a set of recommendations issued by FUNAI that targeted indigenous peoples' needs and that should be incorporated in ENREDD. The agreed premises highlighted the historical contribution of indigenous peoples to reducing deforestation, the importance of the Brazilian Government's recognition of this contribution, and the seeking of ways to facilitate indigenous peoples' access to adequate financial resources, including those from the implementation of environmental services and REDD+ initiatives. These premises are fully aligned with World Bank safeguard policies.

8) Furthermore, under MMA's Cerrado Biome approach, there are prior and ongoing operations with the World Bank, and others under preparation, that have detailed all provisions for screening, monitoring and ensuring compliance with safeguard policies. These operations include: (i) the *Sustainable Cerrado Initiative*, supported by the Global Environment Facility (GEF), whose aim is to enhance biodiversity conservation in, and improve environmental and natural resource management of, the Brazilian Cerrado through appropriate policies and practices; (ii) the *Brazil Cerrado Climate Change Mitigation Trust Fund* (BCCMTF) (ProCerrado Program), launched in January 2012, a single-donor trust fund with Bank- and recipient-executed components from the Department for Environment, Food and Rural Affairs of United Kingdom (DEFRA), whose objective is to assist Brazil in mitigating climate change in the Cerrado Biome and

in improving environmental and natural resources management in this biome through appropriate policies and practices;[40] and (iii) the *ProCerrado National Coordination Project* for building capacity in federal agencies to coordinate and execute actions aimed at reducing deforestation and fires in the Brazilian Cerrado.[41]

37. The proposed project was prepared as a joint partnership with key stakeholders, i.e., IPTCs from the Cerrado. Three regional workshops have been carried out with the broad participation of men and women. The main features of the proposed project design—the appropriateness of the proposed community demand-driven approach, the eligible activities and proponent organizations, the size of community subgrants, the composition of the NSC, the criteria for the selection of the NEA, the arrangements for social control, etc.—have been debated and approved by self-appointed representatives from all indigenous peoples and many different traditional populations. The NEA has been selected by a working group appointed out by the IPTCs with the support of the Ministry of Environment and FUNAI. Two main representative forums of IPTCs—the National Commission on Sustainable Development for Traditional Peoples and Communities (CNPCT) and the National Indigenous Policy Commission (CNPI)—were also consulted during preparation (the Project's joint partnership preparation is presented in Annex 8).

38. Due to the community-demand-driven approach, the Project is not expected to have any adverse effects on beneficiary communities. Instead, it will support only activities that will contribute toward: (i) improving the livelihoods of IPTCs; (ii) increasing their social resilience and their adaptive and mitigating capacity to deal with the social and environmental pressures that they face and that harm their social, cultural and economic survival; (iii) recovering and preserving their traditional knowledge; and (iv) strengthening the capacity of their representative organizations to plan their future life and to promote the effective, efficient and sustainable management of their lands and natural resources.

39. OP4.10 was triggered for this operation. Because indigenous peoples will be the majority of direct project beneficiaries (a minimum share of 60 percent of the beneficiaries), and because project preparation and implementation will be carried out in a broadly participatory manner including an intensive process of consultation with indigenous peoples, no separate Indigenous Peoples Policy Framework (IPPF) or Indigenous Peoples Plan (IPP) is required (as governed by this Safeguard Policy).

[40] This program includes the following projects: (i) Rural Environmental Cadastre and Fire Prevention in Bahia Project, to be implemented by the Secretariat of Environment of Bahia, with the key activities of helping rural producers to adjust their lands to the Forest Code, implementing the CAR, promoting sustainable productive activities, and strengthening municipal governments' capacity to prevent and control forest fires; (ii) Rural Environmental Cadastre and Fire Prevention in Piauí Project, under implementation by the Secretariat of Environment and Water Resources of Piauí (same activities as those of the Bahia project mentioned above); and (iii) Platform of Forest-Fire Monitoring and Warning in the Brazilian Cerrado Project, to be coordinated by the National Institute of Spatial Research (INPE), with the aim of developing a system to monitor, analyze and produce wildfire and burning alerts for implementation in the priority municipalities of the Cerrado Biome as a pilot system.

[41] Relevant operations in other biomes or nationwide provide strong evidence of Brazil's capacity with regard to compliance with safeguard policies. They include: the Amazon Region Protected Areas Project (P114810) and Caatinga Conservation and Management Project (P070867). Safeguard tools have also been properly developed for the three BIP projects to be implemented by the World Bank.

Box 2: Brief Summary on how the Project Complies with OP 4.10

1) The Project fully complies with OP 4.10, which states that: (i) free, prior, and informed consultations have been carried out during preparation with potential beneficiary communities about the proposed project; all relevant information about the project was provided in a culturally appropriate manner; and consultations relied on methods considered appropriate to the social and cultural values of indigenous peoples; (ii) in fact, the Project has been prepared as a joint partnership with representatives of IPTCs and its design received their broad support; (iii) a social assessment was undertaken and evaluated potential effects on indigenous peoples; (iv) before being funded, community proposals will be screened to ensure that they have the broad support of existing Indigenous Peoples Organizations (IPOs), traditional leaderships and the majority population; and (v) project activities will also be screened to avoid any physical relocation of indigenous peoples.
2) The Project is also expected to contribute to several development aims pursued by OP 4.10 (as mentioned in paragraph 22). Thus, it is expected to contribute toward: (i) preserving the close ties indigenous peoples have with land, forests, water, wildlife and other natural resources; (ii) fostering indigenous peoples' natural resources management practices and the long-term sustainability of these practices; (iii) supporting the development priorities of indigenous peoples through community-driven development programs and locally managed social funds; (iv) strengthening the capacity of indigenous peoples' communities and IPOs to prepare, implement, monitor and evaluate development programs; and (v) facilitating partnerships among IPOs, CSOs, the Government and the private sector to promote indigenous peoples' development programs.

40. The ESMF defines the procedures to ensure that community proposals selected for funding have broad community support. Two procedures are devised to ensure this broad community support. First, as a condition of eligibility, community proposals will include evidence of voluntary and formally expressed concurrence and adherence to the Project by the beneficiary community (minutes of meetings of the proponent community organizations). Second, as the key prerequisite for beginning the preparation of the technical project for the communities whose proposals have been selected for funding by the NSC, in each beneficiary community the NEA will carry out and record a community meeting with recognized community representatives and legitimate representatives of subgroups to ensure that a culturally adequate process of free, prior and informed consultation has been undertaken and to verify broad community support for each subproject.

41. OP 4.12 was not triggered for this operation because one of the principles covered in the grant mechanism is the avoidance of relocation and displacement of peoples and communities who occupy forest lands. The criteria for selection of eligible activities will ensure that no relocation or restriction of access to natural resources takes place. Subgrants for community initiatives under Component 1 are unlikely to require acquisition of private land. The Project will not finance any activity that implies loss of private assets or restricts access to natural resources. One of the principles covered in the grant mechanism is the avoidance of relocation and displacement of indigenous peoples and communities who occupy forest lands. The criteria for selection of activities ensure that no relocation or restriction of access to resources takes place. No subproject that involves loss of private assets will be financed, and proceeds from the grant cannot be used to pay for land acquisition or compensation for this purpose. In indigenous lands and due to Brazilian legislation, land acquisition as an impact of project activities can be ruled out. However, since community activities will be developed on a demand-driven basis, minor land acquisition cannot be fully ruled out in traditional local communities. In these cases, all

impacts are expected to be addressed through voluntary land donations by the beneficiary communities/families.

42. The Project will allow community members who benefit from a subgrant to donate land and other private assets to the subproject on a voluntary basis without compensation and without any significant or long-term impact on livelihoods. The ESMF clearly indicates the criteria and procedures to identify cases in which voluntary donations of land or usage rights for parcels of land are necessary for a community initiative, in order to ensure that these donations are fully voluntary and that adequate mechanisms are in place to confirm that affected parties in cases of loss of access or usage rights are compensated through culturally appropriate means. The following protocol was refined in the ESMF and will govern the voluntary donation of private assets:

(i) Voluntary donation is an act of informed consent. Affected people will not be forced to donate land or other assets through coercion or under duress, or be misled to believe that they are obliged to do so.

(ii) Voluntary donation will be allowed only if a subproject can technically be implemented in another location than where it is planned, because if a subproject is location specific by nature, land acquisition associated with such a subproject cannot be considered voluntary; rather, it is an act of eminent domain.

(iii) Voluntary donation will be allowed only for very minor impacts that meet the following criteria:

- The households contributing land or other assets are direct beneficiaries of the subproject;
- The impact is less than five percent of the total productive assets owned by said household; and
- No one has to be physically relocated.

(iv) The affected people will be fully informed that they have the right to refuse to donate land and that a grievance redress mechanism is available to them, through which they can express their unwillingness to donate. People will be encouraged to use the grievance redress mechanism if they have questions or inquiries either in writing or verbally.

(v) The NEA will confirm, by means of a face-to-face meeting, that the affected people agreed to donate land or other assets without compensation. The minutes of this meeting, which include confirmation that all conditions for voluntary donations are met, will be attached to the signed voluntary donation form. Both the husband and the wife of the affected household will sign this form.

(vi) In addition, to corroborate the voluntary nature of the land donation, the beneficiary community association will provide NEA with a copy of the public certificate of land donation or lease of real rights of use.

(vii) Implementation of subprojects involving voluntary donation will start only once the NEA has approved the signed voluntary donation form and received the copy of the public certificate.

43. Therefore, strong monitoring and approval mechanisms will be put in place by the NEA to ensure that asset donations are indeed voluntary and that no negative impact on livelihood will ensue. Annual social audits carried out by the NEA will verify the informed agreements of affected people.

44. The ESMF also indicates the criteria and procedures to ensure that financed community initiatives are proposed by socially legitimate and representative organizations and have received free, prior, informed and broad support from the proponent communities.

E. Monitoring and Evaluation

45. Results monitoring and evaluation (M&E) will be a key part of the DGM's activity to drive diverse stakeholders toward common development objectives while addressing major risks during program implementation. It is expected that beneficiaries (especially more vulnerable subgroups such as youths and women) will be involved in M&E by promoting: (i) capacity building and continued technical assistance, and (ii) ownership of the intervention, leading to higher accountability and willingness to contribute to information gathering and results dissemination.

46. This approach thereby seeks to ensure both upward and downward accountability and enhance synergies across the program's components. The proposed project M&E will be conducted in accordance with (i) the BIP M&E plan to be prepared, and (ii) established FIP rules and procedures.

47. Two evaluations will be undertaken. A midterm evaluation will measure the progress being made and identify strengths and weaknesses, with the aim of reinforcing positive aspects and making adjustments as needed. The final evaluation will assess, among other issues, the achievement of outcomes and the sustainability of results, and will identify lessons learned.

48. Results assessments (monitoring and evaluation) of interventions under Component 1 will rely on "before-and-after" comparisons and will include beneficiary assessment methodologies and gender-sensitive analyses. The diversity and singularity of the potential beneficiary IPTCs may likely make the identification of counterfactual experimental design rather difficult. Nevertheless, the NEA may propose the adoption of a quasi-experimental design for impact evaluation. Evaluation of Component 2 will be based on beneficiary assessments carried out with the participants of training and capacity-building events before and after these events. Evaluation of aspects related with increased voice and advocacy capacity will be based on NEA's reports and feedback from NSC members on activities related to decision-making meetings and *fora* they take part throughout the life of the project.

49. Baseline data will be collected during the preliminary assessment of beneficiary communities to be carried out by the NEA during the technical project preparation stage and after the subproject is completed. Throughout project implementation, information for monitoring purposes is expected to be gathered and systemized by the beneficiaries themselves. The more specific aspects of the Project's M&E system have been developed in consultation with the NEA during appraisal and included in the POM.

50. Although all stakeholders have roles and responsibilities for robust M&E, as described in the following charts, the NEA will play key roles in closely tracking progress related to subproject outputs and outcomes based on each of their results frameworks. The NEA will prepare progress reports on results and submit them to the Bank and the NSC twice a year. In

order for the NEA to fulfill such critical roles with sufficient capacity and resources, the World Bank task team will provide the NEA with technical support and review the data for quality assurance.

51. The Bank task team will also carry out regular supervision of activities. An independent review of the projects may also be carried out if deemed necessary by the Bank task team by the end of the Project life cycle. The NSC will provide opportunities to DGM stakeholders to review the progress made toward achieving the PDO, compare it with indicators, and discuss lessons learned in order to apply them to future project design and implementation. The following charts illustrate the standard institutional arrangement for DGM monitoring, evaluation and learning.

52. Results of interventions are expected to be disseminated to beneficiaries, thus allowing for interventions and provision of grievance mechanisms. The results of the yearly presentation of interventions under Components 1 and 2 will be written and made publicly available.

Figure 3.1: M&E Matrix of Roles and Responsibilities

Stakeholder	Roles and Responsibilities
Grantees	• Developing a results framework with the development objective, baseline data and monitorable indicators for their respective subproject. • Collecting, updating and aggregating the raw data and reporting them to the NEA semi-annually. • Drafting the results stories and submitting them to NEA.
NEA	• Ensuring that each subproject has an appropriate results framework. • Collecting baseline data and data for final evaluation. • Collecting, updating and aggregating the raw data on subprojects and activities with inputs from grantees, and reporting them to the NSC, BIP CU, World Bank and GEA semi-annually. • Helping grantees draft results stories to be presented to the workshop for networking and knowledge sharing organized by the GEA. • Evaluating whether subprojects funded by the DGM achieved their objectives. • Providing technical support to grantees to define, measure and present the results, assuring data quality and reviewing drafted results stories.
NSC	• Reviewing the progress of all subprojects and activities for capacity building and comparing them with indicators based on inputs from NEA. • Discussing lessons learned to apply them to the design and implementation of future projects.
BIP CU	• Developing and implementing the BIP monitoring system, and coordinating activities among projects, DGM and the private sector throughout the implementation phase. • Preparing the BIP's progress reports that will include key information on the Project.
GEA	• Collecting, updating and aggregating raw data on the global component (e.g., number of results stories) and reporting them to the GEA semi-annually. • Collecting, updating and aggregating data on subprojects and activities under the country component submitted by the NEA, and reporting them to the GEA semi-annually.
GSC	• Reviewing the progress of all DGM-funded subprojects and activities across countries toward development objectives and comparing them with indicators based on inputs from GEAs. • Discussing the lessons learned to apply them to the design and implementation of future projects.

Stakeholder	Roles and Responsibilities
WB Task Team	• Providing technical support to the NEA to define, measure and report results, assuring data quality and reviewing drafted results stories. • Reviewing the evaluation made by the NEA on the success of subprojects.
WB DGM Team Leader	• Providing technical support to the GEA to define, measure and report the results and assure data quality.

Annex 4: Operational Risk Assessment Framework (ORAF)

Operational Risk Assessment Framework (ORAF)

Brazil: BR DGM for Indigenous People (P143492)

Project Stakeholder Risks

Stakeholder Risk	**Rating**	**Substantial**			
Risk Description: Stakeholder disputes could arise from competition for grants. Some indigenous peoples and traditional local communities might propose that the project focus on the Amazon, Atlantic Forest or other biomes. It is possible that some IPTCs unable to participate in the Project due to DGM eligibility criteria and focus in the Cerrado Biome may oppose it. The poorest and most vulnerable among the IPTCs may not have access to grant resources, possibly due to poor communication and capacities to develop proposals. Issues related to indigenous peoples are politically sensitive. This may affect the relationship between the World Bank and the pilot country governments. Governmental support would be also critical among other reasons for: (i) the legitimacy of the Project in the country; (ii) the potential of replicability and transformative impacts; and, (iii) the strengthening of the enabling environment that will allow increased engagement and participation, role and voice of IPTCs in REDD+/climate change decision-making bodies at the local and national levels, during and after Project s implementation.	**Risk Management:** The Project was designed through a broad and encompassing process of joint preparation with indigenous peoples and traditional communities (IPTCs). Its implementation will include a capacity-building and institutional-strengthening component with national scope that would increase IPTCs' capacity to take advantage of other funds/programs related to REDD+ and climate change already in operation.				
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Both	In Progress	Both	☑		CONTINUOUS
Risk Management: The Project will carry out targeted initial communication strategies aimed at facilitating self-selection of the beneficiary groups. Opportunities for participation of the most vulnerable will be enhanced by prioritizing their inclusion in the capacity-building activities envisaged under Component 2.					
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Both	In Progress	Both	☑		CONTINUOUS
Risk Management: The Brazilian Government has been highly supportive of the Project and fully engaged in its preparation (through the Ministry of Finance, the Ministry of Environment and the National Indigenous Peoples Foundation). The Brazilian Government will be represented at the NSC. The World Bank will continue to maintain a high level of dialogue with government counterparts on the program.					
Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
Both	In Progress	Both	☑		CONTINUOUS

Implementing Agency (IA) Risks (including Fiduciary Risks)						
Capacity	**Rating**	**Moderate**				
Risk Description: The National Executing Agency may lack familiarity with World Bank procedures (fiduciary, procurement and safeguards) or capacity to provide technical assistance in all areas needed by the IPTCs. Low capacity for fiduciary, procurement and safeguard management by subgrantees.	**Risk Management:** The Project will be implemented through a nonprofit and nongovernmental organization that meets the World Bank's programmatic, fiduciary and safeguards requirements – the Centro de Agricultura Alternativa do Norte de Minas (CAA/NM). This organization was competitively selected according to transparent criteria also agreed with key stakeholders (indigenous peoples, traditional communities, Brazilian Government, etc.). The fiduciary assessment of the CAA/NM ensures it has the ability to assess whether downstream transaction (to be approved by the NSC) would be in compliance with the Bank's policies and procedures. This fiduciary assessment ensures that it is able to comply with World Bank safeguard, procurement, and financial management requirements. A capacity enhancement plan in fiduciary issues will be carried out to improve the CAA/NM's fiduciary capacity during the first year of Project implementation. A grant agreement will be signed byCAA/NM and the Bank in order to comply with DGM global guidelines and avoid the usual delays when working with the government. The risk of low capacity by beneficiary communities will be reduced as CAA/NM will centralize all fiduciary aspects of the implementation of the subgrants.					
	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
	Both	In Progress	Both	☑		Yearly
Governance	**Rating**	**Substantial**				
Risk Description: Given the number and diversity of IPTCs, the geographic dispersion of IPTCs, and the remote locations of the small-scale activities envisaged under Component 2, it could become difficult to exercise proper oversight of project execution.	**Risk Management:** Having project implementation carried by an NGO that will be able to comply with Bank procedures and guidelines will avoid possibilities of fraud and corruption, and facilitates monitoring and supervision of activities.					
	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
	Both	Not Yet Due	Implementation	☑		SemiAnnual
NSC members might represent the elite and be prone to favoritism, leading to conflicts of interest in the selection of subgrantees who may not be representative	**Risk Management:** NSC membership for the first mandate was through self-selection and ensured that representation was not captured by the elite. NSC members will be rotated biannually					

of the target group.	and will need to declare their affiliations prior to taking office. CAA/NM will support the NSC to draft appropriate rules for renewal of membership. The Operational Manual will specify rules for selection of subgrantees and procedures during the selection process. CAA/NM will keep NSC meeting records and, in addition to members, some active observers will be present at these meetings. Social accountability and grievance redress mechanisms may be used to provide a higher level of transparency.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Both	Not Yet Due	Implementation	☑		SemiAnnual

Risk Management:

Continued monitoring of governance, fraud and corruption, and building on lessons from other Bank programs implemented at state/country level.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Bank	In Progress	Both	☑		CONTINUOUS

Project Risks

Design	**Rating**	**Substantial**
Risk Description: The number, diversity and geographic dispersion of IPTCs may pose challenges to the implementation of the Brazil DGM. During preparation, diversity and dispersion may pose a challenge to convene IPTCs and carry out consultations that IPTCs evaluate as broadly representative of themselves. During implementation, dispersion may pose challenges to: (i) IPTCs' participation due to lack of information and access to project activities; (ii) subgrant execution, leading to delays in disbursements; and (iii) supervision of activities by the implementing agency.	**Risk Management:** During preparation two qualified consultants with experience in project design and work with IPTCs were hired to organize, convene and moderate the consultative workshops. Regional workshops have been planned to provide easier access for remote IPTCs; contacts with potential participants (indicated by IPTC representative organizations) have been made well ahead of their scheduled dates; and financial support for their travel was provided. Key government agencies (the Ministry of Environment and the National Indigenous Peoples Foundation) have been strongly committed to the participatory process of project preparation and engaged in the organization of the envisaged workshops. During implementation, the rules for NSC operation will ensure periodical rotation and broad geographical and ethnic composition. Membership will be gender sensitive.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Both	In Progress	Both	☑		CONTINUOUS

<table>
<tr><td></td><td colspan="6">Risk Management:
During implementation, communication campaigns would contribute to the broad dissemination of information and outreach to the most remote and vulnerable IPTCs. Capacity-building activities and in-site training and technical assistance targeted to beneficiary communities would contribute toward enhancing their procurement and financial management capacities. The Project would adopt streamlined institutional arrangements that have proved effective in previous similar operations.</td></tr>
<tr><td></td><td>Resp:
Both</td><td>Status:
Not Yet Due</td><td>Stage:
Implementation</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td>Social and Environmental</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="3">Risk Description:

The Project is expected to finance activities that have a net positive impact on the environment, especially forests and natural habitats. Because some of its activities will be implemented in fragile environments, they should be closely monitored to ensure that they do not lead to future safeguard risks.

The participation of IPTCs in the program may be constrained by weak representation in the National Steering Committee, and the poorest, least organized and most vulnerable among the IPTCs may not have access to grant resources, possibly due to poor communication and capacities to develop proposals.</td><td colspan="6">Risk Management:
A programmatic Environmental and Social Management Framework (P-ESMF) has been prepared for the Global DGM and was adapted to country specific aspects in a Project specific Environmental and Social Management Framework (ESMF) – as agreed, during preparation, by the team with the Regional Safeguards Advisory Team. The ESMF establishes the standards and criteria for approval of subgrants to ensure that these are consistent with the Bank’s environmental and social safeguard policies. CAA/NM staff will receive training on environmental/social screening tools and procedures as needed during the first year of implementation.</td></tr>
<tr><td>Resp:
Both</td><td>Status:
In Progress</td><td>Stage:
Both</td><td>Recurrent:
☑</td><td>Due Date:</td><td>Frequency:
CONTINUOUS</td></tr>
<tr><td colspan="6">Risk Management:
The Project will ensure that the NSC has broad-based representation, including IPTCs, and is functional and has adequate support, including budgetary resources. The Project will build appropriate principles of transparency and accountability into the NSC’s decision-making processes and will emphasize a strategic dialogue, strongly supporting consultative, participatory and transparent processes. The Project will also carry out targeted initial communication strategies aimed at facilitating self-selection of the beneficiary groups. Opportunities for participation by the most vulnerable will be enhanced by prioritizing their inclusion in the capacity-building activities envisaged under Component 1.</td></tr>
</table>

	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
	Both	Not Yet Due	Implementation	☑		CONTINUOUS
Program and Donor	**Rating**	**Low**				
Risk Description: The FIP Subcommittee's contributing countries support the DGM. Therefore, no risks are expected in this regard.	**Risk Management:**					
	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
				☐		
Delivery Monitoring and Sustainability	**Rating**	**Substantial**				
Risk Description: Dispersed and remote location of activities results in poor quality of delivery and low impact. Delays could also be a result of beneficiaries being unable to meet fiduciary standards, or due to delays in decision making by the National Steering Committee. Because this Project will deal with subprojects in remote locations and will also have numerous small transactions, it is expected to face financial management challenges, some of which have been identified under implementation risks. Taking this into consideration, this risk is rated as substantial.	**Risk Management:** CAA/NM will be responsible for supervision, monitoring and evaluation of community activities. Beneficiary communities will receive on-site training to enhance their managerial capacities. On-site Bank supervision missions will also be routinely carried out.					
	Resp:	**Status:**	**Stage:**	**Recurrent:**	**Due Date:**	**Frequency:**
	Both	Not Yet Due	Implementation	☑		SemiAnnual
Overall Risk						
Overall Risk:	**Rating**	**Substantial**				
Risk Description: Considering the design and implementation arrangements the risk is seen as substantial due to the low fiduciary capacity of many community-based organizations, their regional dispersion and the sensitive sectors and vulnerable people involved in this operation.						

Annex 5: Implementation Support Plan

BRAZIL: Dedicated Grant Mechanism for Indigenous Peoples

A. Strategy and Approach for Implementation Support

1. The proposed strategy for implementation support was developed based on the Project's design and measures required during implementation. The proposed strategy remains a flexible tool that may be amended during project supervision in response to the National Executing Agency's (NEA's) changing needs.

2. The implementation support strategy envisages (i) taking advantage of the NEA's existing knowledge and experience, and (ii) supporting further strengthening of the NEA's abilities during the course of the Project. Familiarity with fiduciary, procurement and safeguard policies of the World Bank and other multilateral agencies are major criteria for the competitive selection of the NEA.

3. **Overall Implementation.** Project management will be centralized within the NEA. Centralizing implementation in one entity with adequate staffing and skills has been shown to be a good practice in other operations in Brazil. For the proposed project, the NEA is a nonprofit and nongovernmental organization competitively selected and staffed with adequate procurement, financial management and safeguards experts.

4. NEA staff will participate in further training during implementation, both through on-the-job training during the Bank's semiannual supervision missions, and through participation in specific training courses on procurement, financial management and safeguards occasionally organized by the Bank in Brazil.

5. **Technical.** Based on known national and international best practices, experts in IPTCs' livelihoods, forest and environmental management, climate change and communication strategies may be required to: (i) advise on the design of envisaged activities, including the preparation of the Calls for Proposals in both grant windows and the assessment of the training and technical assistance work plans (Subcomponents 1A and 1B), as well as in the preparation of the Terms of Reference (TORs) for the capacity-building activities envisaged under Component 2 and the communication and outreach strategies envisaged under Component 3; (ii) participate in project implementation support and field visits to review progress; and (iii) engage with the NEA and NSC to enable knowledge transfer and guidance.

6. **Environmental and Social Safeguards.** One of the criteria for the competitive selection of the NEA was familiarity with the environmental and social safeguard policies of the World Bank and other multilateral agencies. A Programmatic Environmental and Social Management Framework (P-ESMF) has been prepared for the Global DGM and the NEA has adapted it to country specific aspects and designed a Project specific Environmental and Social Management Framework (ESMF), which raises the principal positive and negative impacts of the eligible activities, defines a number of preventive and mitigating actions, and deals with specific country-level features and operational procedures to screen, assess, mitigate and monitor environmental and social impacts

7. **Procurement.** A requirement for the competitive selection of the NEA was knowledge of the procurement guidelines of the World Bank and other multilateral agencies, and the selected NEA proved to have experience with Food and Agriculture Organization of the United Nations - FAO. The NEA will prepare, evaluate and submit key procurement documents. Further support will be provided by the Bank team to review these documents and ensure that (i) the processes are carried out in accordance with agreed procedures, and (ii) Bank templates are used.

8. **Financial Management (FM)**. A requirement for the competitive selection of the NEA was experience with the FM requirements of the World Bank and other multilateral agencies. Nevertheless, the Bank team will continue to provide further FM training to the NEA. Supervision missions will review the Project's financial management system, including but not limited to accounting, reporting and internal controls.

B. Implementation Support Plan

9. Considering the Project's design, the level of technical support needed for implementation is considered high on the technical side, high on the fiduciary side, and moderate on the environmental and social sides. The Bank team will conduct semiannual supervision missions, desk reviews and field visits to follow up on project implementation, supported by FM, procurement, social and environmental specialists, as well as technical experts. The proposed Bank support includes:

- **Technical**. As may be required for purposes of providing adequate technical assistance to the NEA, carrying out proper assessments of project activities and results, and providing guidance on the envisaged dynamic planning process of activities, implementation support may engage experts in the areas of forest and climate change adaptation; community-driven development and community-based adaptation; IPTCs' livelihoods and vulnerability assessments; communication, outreach and knowledge-sharing strategies.

- **Fiduciary requirements and inputs**. FM and procurement specialists will conduct one review of the NEA per year. These reviews will include checking for compliance with agreed procurement and FM procedures, identifying potential capacity gaps such as staffing, and evaluating the adequacy of documentation and recordkeeping arrangements and systems. The Bank's FM and procurement specialists will provide training during project preparation and implementation.

- **Environmental and Social Safeguards**. Environmental and social specialists will monitor and evaluate the implementation effectiveness of the agreed Environmental and Social Framework. The Bank will make available ongoing support when identified or required by the NEA and the NSC.

10. The main focus of implementation support is summarized in the table below.

Time	Focus	Skills Needed	Resource Estimate (SW*/year)
1–12 months	Procurement implementation support, training, and process reviews	Procurement Specialist	4 SW
	FM implementation support, training, field reviews and audit review	FM Specialist	4 SW
	Safeguard implementation support and compliance	Environmental Specialist Social Specialist	3 SW 3 SW
	Technical experts on demand support	Diverse qualifications	8 SW
	Project management, implementation support, supervision	Task Team Leader Operations Analyst	8 SW 12 SW
13–60 months	Procurement and process reviews	Procurement Specialist	2 SW
	FM field reviews and audit review	FM Specialist	3 SW
	Safeguard implementation support and compliance	Environmental Specialist Social Specialist	2 SW 2 SW
	Technical experts on demand support	Diverse qualification	6 SW
	Project management, implementation support, supervision	Task Team Leader Operations Analyst	8 SW 12 SW

*Note: SW = Staff-Week(s)

Annex 6: Economic/Financial and Cobenefits Analysis[42]

BRAZIL: Dedicated Grant Mechanism for Indigenous Peoples

1. Project Strategy Analysis

1. The project strategy has been designed specifically to maximize sustainability and efficiency. To this end, it will invest in activities that seek an optimum combination of immediate and long-term benefits and rely on supporting no regrets options for community activities of the IPTCs' choice. According to the IPCC literature,[43] no regrets options are by definition GHG emissions reduction options that have negative net costs, because they generate direct or indirect benefits that are large enough to offset the costs of implementing the options. In principle, the costs and benefits included in the assessment are all internal and external impacts of the options. No regrets options are adaptive measures that are worthwhile (i.e., they deliver net socioeconomic benefits) regardless of the extent of future climate change. In other words, they can be justified from socioeconomic and environmental perspectives whether or not natural hazard events or climate change take place. Consequently, a focus on no regrets options is particularly appropriate to address market, policy, institutional and government failures for the near term because they are more likely to be implemented and they generate obvious and immediate benefits, with few or no tradeoffs; they improve well-being and can provide experience upon which to build further assessments of climate risks and adaptation measures.

1.1 The Project's current status and expected results for this report

2. In its current state, the Project has not yet been fully implemented, so it is not yet known which actions will be performed. Because specific DGM actions cannot be identified at this stage, since they will emerge once all the consultations are performed, it is not safe to conduct any kind of robust analysis so far, mainly because too many assumptions would be made, resulting in a very unreliable scenario with few or no meaningful results.

3. With these limitations in mind, this report explains the adaption options related to climate change, focusing on no regrets options, since they are the main kind of action to be implemented in this Project.

1.2 What are the main adaptation options?

4. According to the European Climate Adaptation Platform and the UK Climate Impacts Programme, different types of options are available to decision makers in the context of climate change adaptation. In general, the most appropriate action or set of actions depend(s) on the context involved, the sensitivity of a given action to climate change, and the type of risk being assumed. The main options include:

a) Flexible or adaptive management options
b) "Win-win" options;
c) "High-regret" options;

[42] Based on the Report: Economic/financial and cobenefits analysis, and mitigation potential analysis of the Project: Dedicated Grant Mechanism for Indigenous Peoples. Consultant: Magno Botelho Castelo Branco, 2014.
[43] http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=292.

d) “Low-regrets” options;
e) “No-regrets” options.

1.2.1 Flexible or adaptive management options

5. These options involve putting in place incremental adaptation options, rather than undertaking large-scale adaptation in only one big step. This approach reduces the risks associated with being wrong, since it allows for incremental adaptation as time goes by. Measures are introduced through an assessment of what makes sense today, but are designed to allow future incremental change as knowledge, experience and technology evolve.

1.2.2 Win-Win options

6. These are adaptation measures that have the desired result in terms of minimizing climate risks or exploiting potential opportunities, but they also have other social, environmental or economic benefits. Within the climate change context, win-win options are often associated with those measures or activities that address climate impacts but also contribute to mitigation or other social and environmental objectives. In other words, they constitute adaptation measures that would be justifiable even in the absence of climate change.

1.2.3 High-regret adaptation options

7. These options involve decisions on large-scale planning and investments with a high degree of irreversibility. In view of the considerable consequences at stake, the significant investment costs and the long-lived nature of the infrastructure, uncertainties in future climate projections play a crucial role when decisions are made about whether to implement high-regret adaptation measures.

1.2.4 Low-regret adaptation options

8. Low-regret adaptation options are those in which moderate levels of investment increase the capacity to cope with future climate risks. Typically, these involve over specifying components in new construction or renovation projects. For instance, installing larger-diameter drains at the time of construction or renovation is likely to be a relatively low-cost option compared to having to increase specifications at a later date due to increases in rainfall intensity. Another definition is that low-regrets options are adaptive measures for which the associated costs are relatively low and for which the benefits, although primarily realized under projected future climate change, may be relatively large.

1.2.5 No-regrets options

9. According to the IPCC literature,[44] no-regrets options are by definition GHG emissions reduction options that have negative net costs, because they generate direct or indirect benefits that are large enough to offset the costs of implementing the options. In principle, the costs and benefits included in the assessment are all internal and external impacts of the options.

10. This definition related to mitigation options can also be extended to adaptation options. External costs arise when markets fail to provide a link between those who create the externality and those affected by it; more generally, when property rights for the relevant resources are not

[44] http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=292

well defined. External costs can relate to environmental side impacts, and to distortions in markets for labor, land, energy resources and various other areas. By convention, the benefits in an assessment of adaptation costs do not include the impacts associated with climate change damages.

11. Under a broader understanding, no regrets adaptation options include actions that yield benefits regardless of future trends in greenhouse gas emissions and climate scenarios. In particular, these are ecosystem-based adaptation measures that bring about synergies among climate change mitigation, adaptation and the protection of crucial ecosystem services. For example, investments in the conservation or sustainable management of forests help mitigate climate change as unnecessary deforestation is avoided. At the same time they help to reduce the impacts of extreme weather events such as floods and landslides by regulating runoff.

12. In this context, no regrets options are adaptive measures that are worthwhile (i.e., they deliver net socioeconomic benefits) regardless of the extent of future climate change. In other words, they can be justified from socioeconomic and environmental standpoints whether or not natural hazard events or climate change take place.

13. In addition, a focus on no regrets options is particularly appropriate for addressing market, policy, institutional and government failures in the near term because they are more likely to be implemented, since they generate obvious and immediate benefits with few or no tradeoffs, improve well-being, and can provide experience on which to build further assessments of climate risks and adaptation measures.

14. "No regrets" options are not the same as "Win-win" options. No regrets are always worthwhile even in the absence of climate change impacts, while Win-Win options are always assessed under the premise that climate impacts will happen.

1.2.5.1 No regrets options in this Project

15. Several activities will address will address market, policy, institutional and government failures in this Project. Although these activities are not fully designed because the consultation process is still ongoing, several likely actions will be performed, such as:

- Diversification of rural livelihoods;
- Enhancement of food security and the quality of the food products available for the community;
- Increase in production, value-added processing and commercialization of agricultural, pastoral, handicraft, and extractive nontimber forest products;
- Survey of native species of flora and fauna and promotion of seedling production for the maintenance of native and threatened species/varieties;
- Promotion of agroecological and agroforestry systems through the application of indigenous and traditional knowledge and new technologies;
- Recovery of degraded areas and protection of water sources;
- Development of fire management plans;
- Promotion of REDD+ related livelihood and resilience activities;
- Construction of small-scale local infrastructures for water security.

2. Cost-Benefit Analysis

16. Given the demand-driven nature of Component 1's design, the proposed project will respond to the explicit demands of its target population with regard to the nature of the project proposals to be considered and eventually supported. Project investments are not yet known and it is not safe to conduct any kind of robust analysis so far. A detailed ex ante cost-benefit analysis of the Project as a whole is not warranted, mainly because too many assumptions would be made, resulting in a very unreliable scenario, with few or no meaningful results. However, the Bank has relevant experience among vulnerable traditional or nontraditional rural communities in Brazil with demand-driven projects, in which the calculated net present values (NPVs) and internal rates of return (IRRs) turn out to be accurate and net returns consistently high.

17. Thus, an ex-ante conservative cost-benefit analysis carried out for investments by the Acre Social and Economic Inclusion and Sustainable Development Additional Financing Project (P130592) in the improvement of production in rural areas has shown that: (i) the results of the financial analysis are robust with a high average IRR; and (ii) the results achieved by an economic analysis relying on a base scenario that assumes a project success rate of 50 percent, are also high and robust in terms of expected net present value (ENPV) and economic internal rate of return (EIRR). This scenario shows strong robustness when tested against the Project's major risk factors.[45] This operation is exemplary because its main investments are the formulation of Community Development Plans (PDCs) and Indigenous Land Management Plans (PGTI) and the support to related community driven investment subprojects. Similar results are achieved from the financial and economic analyses of several other operations in semidry areas of Northeast Brazil, focusing on small family farmers (including IPTCs among their beneficiaries). These operations include: Bahia State Integrated Project: Rural Development (P093787), Bahia Sustainable Rural Development Project (P147157), Ceará Rural Sustainable Development and Competitiveness (P121167), Pernambuco Rural Economic Inclusion (P120139), Rural Poverty Reduction Project II Paraíba (P104752), and GEF Caatinga Conservation and Management Project (P070867). Based on this previous experience, the Project is expected to have positive results in terms of cost effectiveness, which will be monitored during project implementation.

3. Cobenefit Analyses

18. Cobenefit analyses of policies related to the environment, specifically climate change, usually take into account only the relative cost-effective policies and actions taken. Thus, the cobenefits are rarely considered in the design and implementation of these policies and have little influence on the decision-making process.

19. In strict economic terms, cobenefit analyses require both a negative and positive quantification of what people value. These values are then monetized in some sort of currency so that a direct comparison of benefits can be made. However, although this technique is useful to compare and quantify the positive and negative effects of policies, not all impacts can be quantified and monetized.

[45] The analysis is based on financial models for the six types of activities that represented 84% of the investment in community subprojects during the parent project: sustainable agriculture, grain threshers, production transport, cassava processing units, improved storage facilities, and poultry production.

20. With these limitations in mind, only the qualitative aspects of the cobenefits generated by the Project are accessed.

3.1 Main Cobenefits

21. The main cobenefits of the Project are as follows:

a. **Environmental**:

i. Conservation of greater biodiversity and increase in genetic flows in the forested areas of indigenous lands and traditional communities;

ii. Protection of soils and water resources through improved and sustainable forest and land use management systems;

iii. Protection of headwaters of the rivers that form the Pantanal and are located in the Cerrado of the Central Plateau;

iv. Removals of significant amounts of CO_2 from the atmosphere due to avoided deforestation as well as native forest restoration, etc.

b. **Socioeconomic**:

i. Reduced vulnerability of IPTCs and their traditional low-impact livelihoods to manmade and climate change-related threats;

ii. Increased monetary and nonmonetary benefits for forest users due to livelihood diversification and sustainable forest/land use management systems;

iii. Enhanced adaptive capacity of IPTCs.

c. **Institutional**:

i. Strengthened representative organizations of IPTCs;

ii. Increased engagement and participation, role and voice of IPTCs in REDD+/climate change decision-making bodies at the local, national, and global levels;

iii. Enhanced partnerships between IPTC representative organizations and networks.