BRAZIL RAIN FOREST UNIT
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BRAZIL COUNTRY MANAGEMENT UNIT
LATIN AMERICA AND CARIBBEAN
ECONOMICALLY AND SOCIOLOGICALLY SUSTAINABLE
DEVELOPMENT MANAGEMENT UNIT

THE WORLD BANK
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Acronyms Used

AAA             Analytical and Advisory Work
ARPA            Amazon Protected Areas Project
BR-163          Federal Highway 163 (Cuiabá – Santarém)
CAS             Country Assistance Strategy
CGIAR            Consultative Group for International Agricultural Research
CMU             Country Management Unit
DEC             Development Economics Department
DGF             Development Grant Facility
EC              European Commission
ESSD            Economically and Socially Sustainable Development
FY              World Bank Fiscal Year (July 1 – June 30)
GDG             Global Development Gateway
GDLN            Global Distance Learning Network
GEF             Global Environment Fund
GOB             Government of Brazil
GTA             Grupo de Trabalho Amazônico (Amazon NGO Network)
IAG             International Advisory Group
IDB             Interamerican Development Bank
IFC             International Finance Corporation
IMF             International Monetary Fund
LCR             Latin America and Caribbean Region
LCSES           Latin America and Caribbean Economically and Socially Sustainable Management Unit
LEGEND          Legal Department Environment Unit
MDG             Millennium Development Goals
MMA             Ministry of Environment
NFP             National Forest Program
NGO             Non-governmental Organization
PAS             Plano Amazônia Sustentável (Sustainable Amazon Plan)
PCF             Prototype Carbon Fund
PLANAFLORO      Agricultural Development Plan of Rondónia
POLONOROESTE    Northwest Region Agricultural Development Program (1980s)
PRLES           Programmatic Reform Loan for Environmental Sustainability
PROBIO          National Biodiversity Program
PRODEAGRO       Agricultural Development Plan of Mato Grosso
RFPP            Pilot Program to Conserve the Brazilian Rain Forest
RFT             Rain Forest Trust Fund
RFU             Brazil Rain Forest Unit
RMA             Rede Mata Atlântica (Atlantic Forest NGO Network)
WBI             World Bank Institute
WWF             Worldwide Fund for Nature
Executive Summary

This Business Plan describes the mission, objectives, business environment and strategy of the Brazil Rainforest Unit (RFU), which is attached to the Brazil Country Management Unit (CMU). It explains how the Unit needs to evolve in order to respond to the changing business environment, and how it hopes to meet the challenges of the years to come. The Plan establishes a view of the future, shows where and what we want to be, maps out where we intend to go, and describes the actions we will take to get there.

The RFU’s continued existence and work program do not depend only on its role in a future phase of the Pilot Program to Conserve the Brazilian Rain Forest. The new engagement of the Bank in the Brazilian Amazon region, combined with the Government’s emerging new strategies and plans, and the changing expectations of the donor community, require that the RFU develop its role and scope beyond the Pilot Program and offer lessons and experiences beyond Brazil.

Within the Bank, the Unit aspires to become a center of knowledge sharing on environmental policies and natural resource management in the Amazon Basin and Brazil’s Mata Atlântica (Atlantic Rain Forest). Externally, the Unit expects to act as facilitator between the Brazilian Government and the international donor community. In the case of the latter, it will aim at enhancing partnerships by improving both communication and understanding between the donor community and its conservation concerns on the one hand, and the development aspirations of Brazil and other Amazon basin countries on the other. Likewise, it would support the donor community in optimizing its financial and technical assistance for Brazilian development efforts.

While the Business Plan covers a four-year period, the RFU sees its activities extending beyond the planning horizon of the Brazil CMU’s recent CAS (2004 – 2007), which coincides with the time frame for which funding for the Unit from the Rain Forest Trust Fund is available.

The Unit’s strategy is based on the following eight pillars:

- continuation of exemplary teamwork across sectors;
- fulfillment of the Bank’s trustee duties;
- generation and management of knowledge related to tropical rain forests;
- coordination among partners and strengthening of partnerships with and among all stakeholders;
- action in support of regional development initiatives;
- support to governments in formulation of policies for sustainable development;
- improvement of institutional capacity; and
- fund raising.
The implementation of many elements of this Business Plan will depend, among other factors, on successfully stimulating the demand for the Unit’s services within the Bank and from external partners, on the allocation of adequate budget resources, and on the ability of the Brazilian Government to build up management capacity for its Sustainable Amazon Plan, complete the Ministry of Environment’s internal restructuring, and strengthen management capacity for the Pilot Program. These factors call for a phased strategy, divided into near-term actions and work in the medium and long term.

To fully appreciate the context and intentions of this Business Plan, it should be read in the light of other recent, complementary Bank documents developed with a view towards a comprehensive approach to the challenges of sustainable development in the Amazon. Of particular relevance are the new Brazil Country Assistance Strategy 2004–2007, the Bank’s Strategy for Bank Assistance to the Amazon Region and the RFU’s Financial Report 2003.
What and Who We Are

The World Bank’s Rain Forest Unit (RFU) is part of LCSES\(^1\). We, the Unit, are a dedicated, multidisciplinary core team of Bank staff located both in Brazil and at headquarters. Our team works towards the sustainable development of South America’s tropical rain forests in partnership with governments and donor clients, and within the framework of the Bank’s respective country, regional and sector work. In Brazil, we work within the context of the Pilot Program to Conserve the Brazilian Rain Forests (RFPP) and the Brazil CAS. We are also in the process of getting involved with other Amazon basin countries.

Our Mission

Our mission is to contribute to the protection and sustainable development of the tropical rain forests of South America and to support Amazon basin countries so that they may achieve the Millennium Development Goals, particularly with regard to the environment (MDG 7). Engaged over the long term, we want to help people in the Amazon basin countries recognize the importance of this unique resource for themselves and future generations. We strive to create an environment where options for rain forest use and conservation are tested, and where the good ones are widely adopted. In doing so, we focus especially on the needs of the poor.

Our Vision

We envision Brazil and other Amazonian countries that have developed their social capital, institutions, policies and technologies, and have created wide popular support for the conservation and sustainable use of rain forest natural resources, without any need for further external support through projects or programs. They should, however, be recognized and compensated by the rest of the world for the global environmental services they perform.

Our vision for the team is to be respected for our knowledge, experience, ideas, dedication and willingness to cooperate and share knowledge with all partners, and to be at the center of what the Bank does and knows in terms of natural resources, environment and community development in the Amazon.

\(^1\) Economically and Socially Sustainable Development Management Unit for Latin America and the Caribbean.
Our Objectives

A. We aspire to become the Bank’s center for knowledge sharing on environmental and natural resource management in the rain forest biomes of the Amazon Basin and the Mata Atlântica (Atlantic Rain Forest). With the long-term, sustainable development of these biomes in mind, we aim to:

- promote analytical thinking in support of strategic policy improvements and long-term action;
- maximize the learning and piloting impact of the Pilot Program on government programs and policies, communities and private agents;
- lead the implementation of the Bank’s Country Assistance Strategy for Brazil with regard to rain forest regions, especially with respect to the Amazon. We aim to do this in partnership with other sectors (FPSI, HD, PREM), bringing to bear the accumulated expertise, lessons and best practices in new Bank operations and analytical work; and
- generate, share and disseminate relevant knowledge and lessons within the appropriate community in the Bank, and with those groups in Brazil and other rain forest countries that have an interest. This would include governments, civil society, the private sector, and end users of knowledge and technology in the field.

B. As facilitators between Brazil and the international donor community, we aim to:

- foster communications and mutual understanding between the international donor community and its conservation concerns on the one hand, and the development aspirations of Brazil and other Amazon basin countries on the other hand; and
- assist the international donor community in optimizing its technical and financial assistance to the Brazilian development efforts in the Amazon and Atlantic Forest.
Our Current Context

Our Business Environment

Our current business environment is characterized by three interrelated elements, with each having their own dynamic:

- New Government Initiatives
- The Pilot Program and its future
- Bank's new engagement in the Amazon

* The projects and initiatives in the three groups are:

**Government Initiatives:**
- Sustainable Amazon Plan (PAS)
- Sustainable Development Plan for the Region of Influence of the BR-163 Highway
- Deforestation Control Program (Inter-ministerial Working Group on Deforestation in the Amazon)
- National Forest Program (NFP)

**Pilot Program to Conserve the Brazilian Rain Forest:**
- Natural Resources Policy Sub-Program
- Extractive Reserves Project
- Indigenous Land Project
- Demonstration Projects
- Indigenous Peoples Demonstration Projects
- Support for Scientific Research for the Amazon II
- Forest Resources Management Project
- Floodplain Resources Management Project

- Amazon Fire Prevention and Mobilization Project
- Ecological Corridors Project
- Monitoring and Analysis Project
- Sustainable Businesses Project
- Atlantic Forest Sub-Program
- GTA Institutional Strengthening Project
- RMA Institutional Strengthening Project

**World Bank Projects (ongoing and planned):**
- Tocantins Rural Infrastructure Project
- Amapá Sustainable Communities Project
- Pará Rural Development Project
- Amazon Protected Areas Project (GEF/Germany/WWF)
- Amazonas Integrated Health, Water and Sanitation Project
- Project to Support the NFP
- Programmatic Reform Loan for Environmental Sustainability (PRLES) and TA Loan
- Amazon Aquatic Resources Project (GEF)
- National Environment Program II
- Carbon Finance Initiative
- Natl. Biodiversity Project PROBIO (GEF)
The Pilot Program and Its Future

The Pilot Program to Conserve the Brazilian Rain Forests (RFPP) was launched in 1992 as a joint effort between donor countries, the Bank and Brazil to reduce the rate of deforestation and to promote sustainable development in rain forest regions. Also in 1992, the Brazil Rain Forest Unit – our Unit – was established to assist the Government of Brazil in developing and implementing the Program and to coordinate among the donors. The Pilot Program is unrivaled in the world in terms of its ultimate goals (sustainable land use in a vast region of unique natural resources), depth and breadth of approach, number of donors and partners involved, and impact (see Annex 1). From an original $275 million, the Program has grown to some $420 million. Yet after these twelve years, it has now arrived at a critical crossroads.

All of the projects originally proposed are underway or have been completed, and a few have even entered a second phase. The Program has left its marks in terms of public opinion and awareness, its impact on the environmental policy framework, stakeholder mobilization, knowledge generation and institutional development. It is being challenged to graduate from a “pilot” program to a broader, “mainstream” program and movement. Since the Participants Meeting in Cuiabá (2001), a new agenda for the future of the Pilot Program has been in the making, but Government proposals are only now forthcoming. In view of this new agenda and the ongoing projects with their fiduciary commitments, it can be expected that the Pilot Program will continue for at least another four years. Depending on the final form of the government proposal for the Pilot Program’s future, and its acceptance by stakeholders, this Business Plan may require adjustments, as will the Program’s governance arrangements.

In our view, the future Pilot Program should include the following sectors:

- Developing and maintaining a strong analytical capacity that will:
  - extract, validate and disseminate lessons and relevant knowledge from project and program experiences;
  - monitor and analyze trends in the Amazon; and
  - prepare proposals for the improvement of policies and government programs.

- Training and capacity building, exchanges and field visits, communication and maintenance of a clearinghouse for work and best practice throughout the region, including stronger contacts with other Amazon Basin countries.

- Continuation of highly focused piloting through selected projects in areas that have not received sufficient attention in the past such as land tenure, extension, sustainable settlements, indigenous NRM, ranching, etc.

- Advising government, donors and lending agencies on priority interventions for the region, either as freestanding projects or as components of other investment operations.

- Supporting civil society organizations’ roles in learning, disseminating, policy discussion and mobilization of popular support.

- Promoting synergies with other regional government initiatives.
Accordingly, we envisage the following **roles for our Unit** in the future Pilot Program:

- Lead, stimulate and enrich the tasks of **learning and analyzing**;
- Promote and catalyze the **mainstreaming** of Pilot Program experiences and lessons in its own operations in the region;
- Serve as secretariat and strategic **coordinator for the donor community** for a cross-sectoral development program for the Amazon with the aim of supporting the region-wide aid group lead by Brazil;
- Assume the role of advisor and facilitator for **cross-sectoral linkages of Bank operations** as defined in the **CAS** (e.g. PRLES, ARPA, NFP);
- Provide information to clients both within and outside the Bank on project opportunities and best practices for tropical natural resources management; and
- Continue its fiduciary responsibility for ongoing projects.

**Recent Brazilian Government Initiatives**

A second, related group of elements that define the context of our work in the future consists of recent federal proposals for action in the Amazon region.

The government has recently released a proposal to coordinate and synergize the **control of deforestation** in the Amazon. President Lula established a Permanent Inter-Ministerial Working Group that will be guiding and monitoring the implementation of this Action Plan, which has made use of Pilot Program experience and the Bank’s “Policy Notes”. Many of the anticipated activities could be supported by the **RFPP** itself and by the Bank in the form of grant-funded projects, economic and sector work, or technical assistance loans.

Secondly, a draft regional development plan, “**Plano Amazônia Sustentável**” (PAS) has been prepared jointly by the Ministry for National Integration (lead) and the Ministry of the Environment in an effort to formulate national guidelines and strategic, long-term plans for the sustainable development of the Amazon region, as requested by President Lula and the Amazonian governors in May 2003. The draft is under review by the governors and civil society organizations. Once adopted, the PAS could serve as a powerful instrument for the alignment of investment proposals (such as those in the Multi-Year Plan - PPA), of externally funded projects, and of federal or state natural resource policies. Lessons and experiences from the Pilot Program will be available to be fed into the plan as it evolves over time.

Thirdly, the Federal Government has drafted a proposal for dealing with land occupation along the **Cuiabá-Santarém highway (BR-163)**. We see this as a priority area of support not only for the Pilot Program but for the Bank and other bilateral and multilateral agencies as well.

The RFPP received strong attention and interest at the August 2004 Board presentation of the Bank’s Programmatic Reform Loan for Environmental Sustainability (PRLES). The discussions underlined not only the Pilot Program’s importance in the Bank’s Country Program but made it clear that the Bank...
intends to align its future lending in the Amazon closely with the priority topics that were, in the past, focal points of the Pilot program.

**World Bank Country Assistance Strategy and Involvement in the Amazon**

In a meeting with the governors-elect and representatives of civil society, the private sector and academia in Belém in November 2002, President Wolfensohn offered the Bank's support for a new series of investments for environmental conservation and poverty reduction in the region. He envisioned a program that would go beyond piloting, “make a difference” and be supported by bilateral and multilateral partners. Such a concrete region-wide program has not (yet) been discussed or drafted; the "Amazônia Sustentável" proposal (PAS, see above) has taken precedence over a more concrete program that can be readily financed. The Bank has never-the-less moved to make the Amazon region a new focus of its Country Assistance Strategy 2004-2007 (CAS):

The Bank believes that it can best contribute to sustainable development in the Amazon through three lines of action:

- **Poverty reduction** (a more equitable Brazil). Pursue policies and investments to increase income and improve living conditions for the urban and rural poor, especially in the consolidated frontier (Rondônia, Mato Grosso, and Pará), the poorest municipalities, and the poorest neighborhoods of Belém and Manaus.

- **Environmental conservation** (a more sustainable Brazil). Increase support for federal and state policies and programs that seek to sustainably manage natural resources, conserve biodiversity, and protect environmental services in the Amazon, with a geographic focus on areas with critical biodiversity value, crucial environmental services, and cultural heritage.

- **Conditions for economic management** (a more competitive Brazil). Enhance institutional capacity (public, private, and civil society), improve land use management, and support environmentally sound economic activity and infrastructure, especially in the poorest areas of the Amazon and in areas with serious or anticipated land use conflict.

Support would be provided through loans (to federal, state, and municipal governments), sector work, policy analysis, knowledge management, and promotion of partnerships. The major regional opportunity for guiding Bank contributions would be the federal Amazônia Sustentável program, with its linkages to the federal Multiyear Plan (PPA). A second opportunity will be the Bank’s response to growing state and municipal demand for assistance in the Amazon. A third opportunity would be for Bank assistance to the national government in reforming key financial and development mechanisms. Finally, the Bank can play a supporting role through its involvement in the second phase of the Pilot Program to Conserve the Rain Forest.”

Elements of Bank involvement in the Amazon, outside the Pilot Program, are the ARPA project, the PROARCO project, a planned project supporting the National Forest Program (NFP), a growing GEF portfolio, carbon finance initiatives, PRLES, the National Environment Program, a loan to Tocantins on rural infrastructure, and negotiation of a loan to Amapá. Discussions are ongoing with Pará and Amazonas states on rural projects, and with stakeholders in Manaus towards a Cities Alliance Partnership. Contacts are also being maintained with the governments of Mato Grosso and Rondônia.
Opportunities

Within the context outlined above, there are thus several opportunities to be seized in the pursuit of our objectives:

- **Government** has shown renewed interest in applying lessons learned from the Pilot Program and in being more actively engaged in its future. There is greater interest and openness at the highest level of MMA, and an new interest to work with the Bank as partner in endeavors beyond the Pilot Program (e.g., PRLS, NFP, GEF etc.). With the changes in government teams, the Bank represents an important source of institutional memory and continuity.

- **The Bank** has shown a new interest in re-engaging in the Amazon, as stated in the recent CAS 2004-2007, and the Bank’s management has demonstrated renewed enthusiasm for the Pilot Program itself. Bank management is keen on a stable, long-term role for a specialized unit that exceeds the duration of the typical project cycle, for country assistance strategies or even for managers in the Bank, which covers other countries besides Brazil.

- **Mainstreaming operations** such as NFP, ARPA, and operations in the states of Amapá, Amazonas and Pará are being planned or implemented with Bank involvement, while IDB supports operations in the area of ecotourism in the Amazon, sustainable development in Acre and a national rural land register.

- **A new partnership with WBI**, which currently supports the Natural Resources Policy Project of the Pilot Program, is expected to expand eventually to include the entire Pilot Program.

- **New opportunities for forest-related operations** have opened up with the Bank’s new Forest Policy and Strategy and Brazil’s interest in Bank support for its National Forest Program.

- **While there has been change in terms of turning over ownership and coordination of the Pilot Program to MMA, there is also some disillusionment with this arrangement. Some donors favor thus once again stronger role for the Bank in the Program. A new contribution to the Rain Forest Trust Fund by Germany signals a desire for the continuity of the initiative and of the Bank’s role. The rapid progress on the PRLES (approved on August 24, 2004) offers unprecedented leverage to engage the Brazilian Government in policy dialogue.**

- **Petrobras, Eletrobras, BASA, Suframa, Sudam, Banco do Brasil, CVRD and other large corporations and institutions are changing their focus on regional development and can play a major role in sustainable development in the Amazon.**

- **Almost all Amazonian states have expressed their interest in working with the Bank (with the exception of Acre, which is already IDB’s client, and Roraima).**

- **Recent federal proposals for the Amazon offer natural opportunities for a substantive engagement of the RFPP and the Bank in initiatives like the PAS, the Inter-ministerial Group on Deforestation Control, and the working group on the BR-163.**

Other countries with similar forest biomes can benefit from the experience of the Pilot Program, just as Brazil can benefit from experiences in other rain forest countries in the Amazon, Central America, West Africa, Madagascar and East Asia. Bank management and donors are calling for a more intensive
exchange across countries. Some donors are already taking a more regional, Pan-Amazonian approach, and the Amazon countries have just founded the Organization of the Amazon Cooperation Treaty, and have established a permanent secretariat of the Treaty in Brasilia. Some initiatives of knowledge-sharing with rain forest regions such as the Congo Basin, Madagascar and Indonesia have already been promoted by the Bank and can be developed further.

These factors present increasing opportunities for the RFU within the Bank and with governments, providing knowledge, lessons, coordination, risk assessment and operational support across countries and sectors.
Strengths and Weaknesses

Brazil can be deepened further.

- The Bank enjoys considerable respect from federal and state governments for its analytical strengths, advice in project design, client focus and knowledge of Brazil’s political, economic, and social context, government priorities and development strategy. The Bank is recognized for brokering partnerships, both within the country and internationally, with the IMF and other development banks, with governments and international civil society and private sector organizations. It is also sought after for its convening power, and for its access to the private sector. Bringing this ready access to bear in the Program’s project routine, however, has been somewhat elusive, especially with regard to working with the IFC.

- Our Unit has a unique blend of professionals based in Brasilia and Washington, combining a broad range of expertise in the areas of natural and social sciences. The current blend of expertise can be complemented by drawing on a multitude of skills within the Bank and its operations worldwide. In addition to highly qualified staff, the Unit has developed an unusually cohesive team spirit, extraordinary motivation, and above average teamwork skills. However, the originally generous staffing of the Unit has weakened recently, with outgoing staff members not being fully replaced by new ones.

- The Unit can build on the Bank’s rich operational experience and institutional knowledge in Brazil, including in the Amazon and the Northeast, in the fields of poverty reduction, water management, urban management, infrastructure, health, education, public sector management, private sector development, environmental management, and carbon finance. For the Amazon region, it relies on the accumulated experience from the Carajás, POLONOROESTE, PLANAFLORO, PRODEAGRO, ARPA, PROBIO and National Environment Projects, apart from the Bank’s worldwide experience and knowing "best practices" in tropical natural resource management. It has already developed liaisons with Bank business units that pursue programs related to our own objectives. Knowledge management and staff training are increasingly important as instruments to bring to bear the wealth of the Bank’s knowledge when faced with Brazilian and Amazonian challenges. In practice, however, much better use can be made of the available knowledge, experience and lessons, and this requires effective knowledge transfer mechanisms in both directions.

- Our Unit in particular has helped improve the Bank’s relations with civil society organizations through its work within the Pilot Program. Still, in some sectors of the government, the donor community and Brazilian civil society, there remains a certain negative image born of past experiences that is difficult to shake. Much work remains to be done in terms of cooperation with and integration of the private sector, which is so vital to the future of the Amazon.

- The Bank has a tradition of self-evaluation, of drawing lessons from experience and of honest discussion of its track record, as shown in recent completion reports for the PLANAFLORO and PRODEAGRO projects. Departments such as the Operations Evaluation Department and the Quality Assurance Group help in this process but can be involved more systematically and regularly.

- The Bank has high standards of project design and quality, sound social and environmental
safeguards, and internationally accepted administrative, financial and procurement procedures. Yet our procedures and standards are often perceived as cumbersome and causes of delay by government clients, NGOs and even by some donors. The "cost of doing business" with the Bank is widely considered as high.
Strategy, Actions and Short and Long-Term Results

The foregoing discussion suggests that the Unit's activities may extend well beyond the planning horizon that is relevant for the most recent CAS 2004 - 2007 (which also coincides with the time frame for which RFT funding has been assured). Its strategy is based on the following eight pillars:

1. Continuation of exemplary teamwork across sectors;
2. Fulfillment of the Bank's trustee duties;
3. Generation and management of knowledge as a center of reference;
4. Coordination and building of partnerships between all stakeholders;
5. Support of regional development initiatives;
6. Supporting all levels of government in policy formulation towards sustainable development;
7. Improvement of institutional capacity; and
8. Fund raising.

As will become apparent, the implementation of many of our planned actions depends on the successful stimulation of demand for our services in the Bank and in countries of the region, and on the allocation of adequate budget resources. This calls for phasing our strategy and actions. We have therefore distinguished between a nearer term (until the end of FY05) and the medium and longer term in most of the following action and result groups for the above pillars.
1 - Do exemplary team work across sectors

Actions

Short Term:
- Identify the skills and expertise needed to carry out the strategic functions of the Unit, and assemble a strong and effective team, including strengthening the Unit’s own staff and skill mix;
- Serve as the main conduit of Bank support for implementing the PAS and the Deforestation Action Plan.

Medium and Long Term:
- Continuously promote the common spirit, goal orientation, enthusiasm and coherence of the team;
- Create and maintain effective links to other “sectors” (e.g., social, urban, and infrastructure) and bind them into analyses, planning, and implementation.

Results

Short Term:
- The team has been strengthened in its own staffing and by cross-support. In particular, expertise has been developed in new and relevant areas of natural resource economics. For other strategic themes such as zoning, land titling, environmental services and carbon finance, urban development, alternative energy, etc., top Bank professionals have been enlisted;
- The Business Plan is accepted as the central guidance for the team, it has been articulated within the Bank, and is periodically reviewed;
- Weekly Unit meetings, as well as an annual staff retreat, are held for goal setting and exchanging relevant information;
- The Unit participates in relevant meetings of other sectors, and reciprocal invitations are issued.

Medium and Long Term:
- There is a motivated, cohesive, effective team;
- The Unit constitutes one of the Bank’s best practice examples for implementing cross-sectoral programs.
2 - Carry out the Bank's duties as trustee impeccably

**Actions**

- Pilot Program projects perform the fiduciary role of the Bank vis-à-vis the donors. Apply high standards and best practices in project preparation, appraisal, supervision and evaluation;
- Maintain a dialogue with and obtain training support from the CMU's Implementation Team;
- Judiciously manage the Rain Forest Trust Fund and other trust funds;
- Report regularly and clearly on the use of trust funds and related activities.

**Results**

*Short Term:*
- Best practices in project preparation, appraisal and supervision are applied in all operations and recognized as such by our clients;
- Trust fund resources are being spent in a responsible and transparent manner, and clean independent audit reports are issued annually;
- Annual progress reports on trust fund use and project implementation (the latter jointly with GOB) are published.

*Medium and Long Term:*
- There is a motivated, cohesive, effective team;
- The Unit constitutes one of the Bank's best practice examples for implementing cross-sectoral programs.
3 - Generate and manage relevant knowledge. Communicate for change

**Actions**

**Short Term:**
- Use internal knowledge transfer mechanisms in the Bank effectively, including WBI, GDLN and the Global Development Gateway (GDG); make ourselves more visible internally and externally;
- Integrate relevant lessons and experiences in CAS implementation and in project concepts and designs across sectors, incl. GEF and IFC operations;
- Identify target groups, key messages and desired behavioral changes for each strategic element. Communicate messages and disseminate information within the Bank and to outside audiences (government, civil society, donors, etc.).

**Medium and Long Term:**
- Orient our own and our partners’ work to generate relevant, valid knowledge;
- Invest in the team’s knowledge management through training in communication, attendance at congresses and exchanges with other basin countries;
- Draw valid lessons from the experiences of relevant projects and programs;
- Facilitate the transfer of relevant, valid and applicable knowledge within Brazil, among Amazon basin countries and with other rain forest countries;
- Help build effective dissemination and extension mechanisms in Amazon countries that convey know-how to those who need and can use it.

**Results**

**Short Term:**
- Effective mechanism(s) for the continuous exchange of relevant knowledge between the Bank and the Unit are established;
- WBI, GDLN and GDG cooperate with the Unit on knowledge transfer;
- An effective internal and external communications strategy is in place and being carried out (target groups identified, needs assessment conducted, communication tools selected, work program developed, etc.).

**Medium and Long Term:**
- Effective strategy for documenting experiences and results, learning, and disseminating lessons is implemented (revised Monitoring and Analysis Unit or new, independent institutional structure set up for this purpose);
- Strategic analytical and advisory work carried out, requests for advice and knowledge are received from Bank and external parties, answered satisfactorily;
- Lessons learned are disseminated to different audiences through publications, up-to-date website, courses, lectures and presentations at conferences;
- Transfer of relevant knowledge/know-how to end-users is being piloted;
- We are recognized as center of reference for rain forest knowledge within the Bank.
## 4 - Coordinate among partners, build or strengthen partnerships

### Actions

**Short Term:**
- Obtain a clear understanding and agreement on the Bank's and the Unit's role vis-à-vis governments and donors under the Pilot Program;
- Adapt governance arrangements of the Pilot Program to changed expectations and the Bank's new role;
- Shift donor coordination and support from the current model to a new, region-wide support group of donors, multilateral institutions and NGOs and continue to coordinate among donors and government(s) in the new framework;
- Base the partnership with GOB on trust and a shared vision, beyond MMA as the main partner and beyond the Pilot Program as the main activity, and provide continuity through changing administrations and teams;
- Consolidate links with Bank-funded state projects, SAL, and GEF projects, and take an active part in GEF program formulation in Amazon countries;
- Initiate partnerships with relevant Bank units (DEC, Land Thematic Group, LEGEN etc.) on relevant analytical work (e.g., environmental law issues, land titling etc.).

**Medium and Long Term:**
- Consolidate partnerships with important donors; bring in new active donors;
- Support the institutional strengthening and greater financial independence of the NGO networks in the Amazon and Atlantic Rain Forest;
- Explore possibilities of collaboration with regional development banks;
- Develop a dialogue with the private sector, especially on cattle ranching, soy cultivation and timber extraction, and with development agencies in rain forest regions;
- Push for streamlining and simplification of procedures related to Pilot Program consultations and relevant administrative processes.
Results

Short Term:

- The mission, role and broad content of the future Pilot Program are defined, accepted and ratified by a Participants Meeting or similar decision-making forum;
- There is consensus among donors on areas that would benefit most from further external (grant) funding;
- A region-wide donor support group to assist the Brazilian Program for sustainable development of the Amazon has been discussed and established once consensus has been reached between the Government and its partners in development. The functions of this donor support group largely replace the existing RFPP coordination mechanism;
- The Bank's role is clear, accepted and recognized.

Medium and Long Term:

- The Unit has active partners in all relevant ministries and agencies, including Casa Civil, and is engaged in an active continuous dialogue with them;
- Bank work in the region is being implemented in accordance with lessons learned;
- Donors are re-engaging with considerable new funds;
- There is an ongoing dialogue with relevant private sector groups and other important agencies such as BASA, SUDAM, SUFRAMA, PETROBRAS, ELETRONORTE, CVRD, BNDES, BASA, Banco do Brasil, EMBRAPA, etc.;
- Application and administration of grant funding is more streamlined and flexible; relevant government regulations have been modified;
- ngo networks are stronger and more active, and are more effective in acquiring funds for development purposes from sources other than the RFPP.
5 - Initiate strategic action in support of regional development initiatives

Actions

Short Term:
- Follow up on windows of opportunity with GOB on interventions to contribute to the implementation of the action plans (PAS, Deforestation Control, BR-163), and insist on the positive involvement of state and municipal governments, civil society and the private sector;
- Develop a priority list of analytical work jointly with AMA, and plan for its implementation*;
- Strengthen linkages and information flow with PNF, IDB and GEF initiatives such as ARPA, and with Bank-funded state projects;
- Review current models of monitoring at project level.

Medium and Long Term:
- Identify and initiate new pilot projects (with built-in learning strategy, and within the topics listed above), where there is demand and opportunity;
- Integrate the Bank's pioneering work on Carbon Finance Business in the Unit's main work program;
- Identify opportunities to collaborate with projects in neighboring countries and engage in a partnership with the Amazon Treaty Secretariat.

* The following are our thematic preferences:

- Options for the effective resolution of land tenure and land titling issues in the North
- Region-wide zoning and developing mechanisms for conflict resolution
- Steps towards creating more effective institutions for environmental management
- Dynamics and economics of soy expansion
- Impact of selected PPA infrastructure projects on the dynamics of regional development
- Certification potential for beef and soy products
- Rural extension needs for sustainable agriculture/forestry and production
- Design of a regional information network
Results

Short Term:
- The Bank has contributed to GOB’s regional action plans and is respected and consulted as partner in planning and implementation;
- Agenda of priorities, themes, and schedule for analytical work has been set;
- New pilot projects have been identified, with action plan for preparation.

Medium and Long Term:
- Agenda of analytical work reviewed and revised;
- Results of analytical work produced according to schedule, disseminated and discussed in a variety of fora;
- NFP, IDB initiatives, carbon finance, GEF and state projects are integrated in the Unit’s wider portfolio;
- Advice on carbon finance mechanisms and technical assistance has been offered to clients in the region;
- Relations, and possibly cooperation, with the Organization of the Amazon Treaty have been established.
6 - Help governments make sound policies towards sustainable development

**Actions**

*Short Term: Brazil only*

*Medium and Long Term: Brazil and other Amazon basin countries*

- Carry out or support solid studies and proposals as a basis for policy change;
- Highlight the importance of policy relevance and possible policy change in all ongoing and future studies and lessons;
- Be present in policy discussions and maintain policy dialogue with governments at all levels (federal, state and municipal), even if selectively;
- Provide a platform for the most diverse actors and stakeholders to meet, including those perceived as adversaries (loggers, ranchers, soy farmers) and those responsible for policy-making.

**Results**

- Audiences, partners and themes/issues scanned and selected for policy dialogue;
- Adequate material for communication and discussion is available at the right time and place;
- Studies and analyses are relevant to current policy issues and contain suggestions for possible change;
- In addition to the analytical work mentioned above, selected studies to support critical policy change are carried out by the Bank itself, with its own funds;
- Relevant "Policy Notes" are periodically updated, and specific policy recommendations are made and defended;
- The Bank remains respected, recognized and sought after as an even-handed convener of meetings with relevant stakeholders.
7 - Enhance institutional capacity

Actions

Within the Bank:

• Expand partnership with WBI, seek partnership with Global Development Gateway and Global Distance Learning Network;
• Create links with other departments in the Bank Group (ENV, GEF, CGIAR, IFC, PCF);
• Promote the exchange with colleagues in operations working on other rain forest countries.

In Government:

• Help GOB establish solid coordination, analytical, knowledge management and policy formulation functions through a technical assistance grant;
• Maintain links and dialogue with government and Bank staff on the PRLES and associated Technical Assistance Loan;
• Support the design of selected state projects/loans and ensure that applicable lessons from past lending and the Pilot Program are applied.

Among Amazon Countries:

• Maintain a dialogue with the Organization of the Amazon Treaty.

Results

Short Term:

• WBI partnership initiated;
• Talks with GDLN, GDG, ENV, GEF, CGIAR, IFC and PCF held;
• MMA capitalizes on links between the Unit’s work and the ENV-SAL; through training and capacity building;
• Support provided to restructure MMA’s internal RFPP management and coordination mechanisms;
• Bank/MMA workshop on operational and strategic topics held;
• Training of new GOB staff on Bank procedures conducted.

Medium and Long Term:

• Loans to states incorporate relevant lessons learned;
• Activities with Global Development Gateway and GDLN initiated;
• Technical assistance project and grant implemented;
• Dialogue with Permanent Secretariat of Amazon Treaty active.
8 - Help raising funds

Actions

Short Term:
- Assist GOB in estimating external funding needs for the implementation of the future Pilot Program and the Deforestation Control Action Plan;
- Increase the Bank’s contribution to some of the RFPP’s activities (such as financial contribution from the Bank’s own resources, like seed funds, WBI support, AAA, preparation and supervision funds, etc.).

Medium and Long Term:
- Identify donors and financiers for an overall regional program, including non-government sources, and raise funds, together with governments, for programs, projects, analytical work and communication initiatives;
- Promote the idea of compensation for global environmental services (provided by Brazil and other countries by maintaining their rain forests) among developed countries.

Results

Short Term:
- Financing needs for the future phase of RFPP, PAS, and other region-wide projects and programs are defined by purpose and magnitude;
- Bank contribution to the RFT has been approved;
- Indirect Bank contributions to the objectives of RFPP, such as analytical and advisory work have been made more visible.

Medium and Long Term:
- Loans to states incorporate relevant lessons learned;
- Activities with GDN and GDLN initiated;
- Technical assistance project and grant implemented.
How We Get There

Institutional and organizational actions

The Unit was initially created to perform services exclusively for the Rain Forest Pilot Program. As such, it had developed some autonomy (although still under the supervision of the Brazil Country Director). However, it also became rather isolated from the Bank's mainstream work and personnel partially due to its location in Brazil, while Unit staff members have increased their engagements in other projects and work programs. The intended new roles call for a reversal of independence and isolation. This has already begun over the recent years, aiming towards full integration into the Bank's regular country management and assistance structure and the sector (knowledge) families.

It is useful to distinguish between the Unit itself, with its own staff and budget resources, and the larger team that will work together to carry out the various functions and achieve the intended results. The Unit will be at the core of mobilizing the larger team, catalyzing action, managing knowledge flows, etc., but it cannot and should not do this alone. The Unit will be small, but organizational arrangements within the Bank and credibility derived from its skills, knowledge and connections will ensure that it can perform both a lead and a coordination role in the Bank's program in the Amazon, and serve as a center of reference for the complex issues of sustainable development in rain forest regions.

The following arrangements will help implement the strategy and achieve results:

- **The Brazil CMU will stimulate the formation of a team of staff working across sectors on Amazon issues and projects.** The team will meet twice a year, and will maintain an active internal dialogue and knowledge exchange on issues, programs and projects. The CMU Director will be involved in these meetings.

- **The Unit's leader will become the "region manager" for the Bank's assistance strategy for the Amazon region, and will have a guiding, not an executive function.** He will lead the Bank's Amazon team, and report to and advise the Brazil Country Director and Sector Leaders on issues related to natural resource management. The Unit leader should participate in the CMU's regular Sector Leader meetings.

- **Knowledge and experiences from the Pilot Program and earlier Bank projects in the Amazon and Mata Atlântica will be made available to other teams, staff and projects with a regional focus, such as those of the Northeast region.**

- **Our work will be made known and recognized by LCSES, central departments, networks, GEF and IFC, through specifically planned presentations, mutual staff visits and other communications.** A growing number of LCSES staff would be invited to participate in missions, events and other work of the Unit. Unit staff will in turn participate in initiatives, missions and events related to natural resources management and rain forest issues in other LCR countries, including visits to those countries.
• Once the Business Plan and its work program have been approved, the Unit manager will inform the relevant Bank units and clients about our scope and services.

• The flow of knowledge, experiences and best practices within the Bank, with Brazil and other rain forest countries, will receive priority attention with enhanced staff and financial resources (see below), and will be backed up and leveraged by LCSES management.

• The Unit will agree with WBI on a cooperation program, and will liaise with the Global Development Gateway to include knowledge and best practices on rain forest sustainable development and conservation in the agenda and content of the Development Gateway. The Global Distance Learning Center in Brasilia will be used for exchanges, courses, etc., with audiences in Brazil and LCR countries.

• As part of the definition of the Pilot Program's future governance, changes to the Rain Forest Trust Fund Resolution will be discussed and agreed upon with donors and GOB, and a revised Resolution will be presented to the Bank's Board together with a progress report on the activities and achievements of the Pilot Program. This presupposes that significant additional resources for the program's future may be garnered from its participants.

• The Unit will seek a contribution from the Bank itself to the Rain Forest Trust Fund, as well as to the Unit’s budget, so that it may perform the range of tasks that are beyond the scope defined by the coordinating and fiduciary functions mandated by the (current) RTF Resolution. Based on a recent survey of donor sentiment, such a contribution would also be crucial to convincingly convey that the Bank sees itself as a partner on equal footing with other donors, without relinquishing its lead position.

The Unit will seek an understanding with donors and GOB on its new role and on the use of Rain Forest Trust Fund resources for that role, ensuring that Bank budget funds will be available for those functions and activities not approved for RTF funding by the donors.

Within the context of the Bank’s CAS, we will pro-actively scale up our interaction with relevant agencies and ministries of the Brazilian Government, including the CASA Civil (Presidency). Interaction would consist of suggesting, proposing, catalyzing, bringing people together, and offering policy and knowledge support. We would not deal only with the Ministry of Environment, although liaison with that Ministry will continue to be essential.

Agreement with GOB on the scope, principles, operating rules and composition of a "region-wide donor support group" would also be a priority activity.
Human Resource Needs and Investments

The Unit is smaller today than it was in the late Nineties, mainly due to the slowing down of Program activities. Several higher-level Unit staff are working on LCSFS projects not directly related to the Pilot Program, thus reducing the staff cost charged to the Program. This blending of Pilot Program tasks with other (“mainstream”) Bank work has stimulated professional development and cross-fertilization with other relevant Bank operational units.

Today, the Unit itself has the following staff:

<table>
<thead>
<tr>
<th>Function / Discipline</th>
<th>Type</th>
<th>Location</th>
<th>Remarks and time spent on RFU tasks (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit Manager / Natural Resource Management and Forestry Specialist Anthropologist</td>
<td>International</td>
<td>Brasilia</td>
<td>Is also responsible for Forest Sector Loan (50%)</td>
</tr>
<tr>
<td>Social Development Scientist</td>
<td>International</td>
<td>Headquarters</td>
<td>Also works on other ESSE projects (50%)</td>
</tr>
<tr>
<td>Biodiversity Specialist</td>
<td>International</td>
<td>Headquarters</td>
<td>Also works on other ESSE projects (30%)</td>
</tr>
<tr>
<td>Forestry Specialist</td>
<td>International</td>
<td>Headquarters</td>
<td>Also works on other ESSE projects (60%)</td>
</tr>
<tr>
<td>Natural Resource Management Specialist</td>
<td>Local</td>
<td>Brasilia</td>
<td>Also works on other ESSE projects (50%)</td>
</tr>
<tr>
<td>Rural Development Economist</td>
<td>Local</td>
<td>Brasilia</td>
<td>Works mainly on Carbon Fund, Brown Agenda projects (20%)</td>
</tr>
<tr>
<td>Social Development Specialist</td>
<td>International</td>
<td>Headquarters</td>
<td>Also works on other ESSE projects in the region (30%)</td>
</tr>
<tr>
<td>Communications Specialist Biodiversity / Forest Policy Specialist</td>
<td>Local</td>
<td>Brasilia</td>
<td>Recently hired (70%)</td>
</tr>
<tr>
<td>Operations Analyst</td>
<td>Local</td>
<td>Brasilia</td>
<td>Multitasking in several support functions (90%)</td>
</tr>
<tr>
<td>Local Support Staff</td>
<td>2 local, 1 international</td>
<td>Brasilia and Headquarters</td>
<td>Support also general ESSE work, not only RFU (70%)</td>
</tr>
</tbody>
</table>

If the Unit is to perform its new role effectively, certain changes and improvements within its core staff will be necessary. As can be seen from the foregoing table, the Unit's current work program is being carried out by the “fulltime equivalent” of roughly four professional staff. Given the Business Plan's future work program, it is suggested that at least two senior-level team members should be hired for the Unit.
The table below identifies the technical disciplines required to address the Unit's future work program. Also shown is a rating of our relative strengths in those disciplines:

<table>
<thead>
<tr>
<th>Skill</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forestry and natural resource management</td>
<td>Strong</td>
</tr>
<tr>
<td>Biodiversity conservation</td>
<td>Strong</td>
</tr>
<tr>
<td>Natural Resource Economics Agronomy</td>
<td>Weak</td>
</tr>
<tr>
<td>Weak</td>
<td></td>
</tr>
<tr>
<td>Rural Development</td>
<td>Medium</td>
</tr>
<tr>
<td>Alternative energy</td>
<td>Weak</td>
</tr>
<tr>
<td>Anthropology</td>
<td>Strong</td>
</tr>
<tr>
<td>Community-driven development</td>
<td>Medium</td>
</tr>
<tr>
<td>Science and Technology</td>
<td>Medium</td>
</tr>
<tr>
<td>Private sector/small enterprise development</td>
<td>Medium</td>
</tr>
<tr>
<td>Rural infrastructure</td>
<td>Weak</td>
</tr>
<tr>
<td>Poverty links to NRM</td>
<td>Weak</td>
</tr>
<tr>
<td>Carbon finance</td>
<td>Strong</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>Strong</td>
</tr>
<tr>
<td>Trust fund management</td>
<td>Strong</td>
</tr>
<tr>
<td>Operations / Procurement</td>
<td>Medium</td>
</tr>
<tr>
<td>Communications</td>
<td>Strong</td>
</tr>
</tbody>
</table>

The following areas are currently not covered by Unit staff, but are or could be covered by Bank specialists at headquarters and in the Brasilia Office, as well as by international or local consultants:

- Environmental and natural resource economics
- Rural infrastructure
- Fisheries and aquaculture
- Poverty analysis and reduction strategies
- Environmental law
- Institutional analysis and strengthening
- Land tenure, land regularization and titling, and
- Learning and knowledge management.

Estimating the staff requirements of the core unit is challenging, as many functions do not require a fulltime assignment or presence in Brazil. Project supervision, for example, does not necessarily need a task manager from the Unit, provided that adequate budget is available for cross-support. Similarly, skills qualified as medium, weak or absent in the foregoing table can also be engaged through cross-support as part of the broader Amazon region, except as indicated below.

With a view to the thrust of the Unit's work, it is essential that ample staff time be available within the Unit to cover the following functions and skills:

- Expertise on zoning (land use planning) and its technical and political aspects, associated with a deep understanding of the issues of conservation, natural resource management,
“environmental services”, agriculture and forestry. This will be covered by assigning existing local staff to the Unit (in process).

- Review, compilation, distillation and sharing of relevant knowledge, experiences, lessons learned and best practices in Brazil and in the Bank. This warrants a fulltime international staff member with a broad sectoral horizon, experience in natural resource management issues, and strong analytical skills.

- Policy dialogue, analytical and advisory work (AAA), focused on rain forest sustainable development and conservation, and on the analysis of the political economy of the region. This also calls for a highly qualified, preferably international staff. This would best be a Natural Resource/Environmental Economist, with skills in study design, policy analysis and formulation, and communication of complex issues and solutions.

- The latter two functions should be provided by international staff assigned to the Unit, preferably as a contribution of the Bank itself towards the Unit’s mission.

**Financial Resource Needs and Funding**

Implementing the strategy and achieving the results outlined in the foregoing sections necessitates substantial financial resources. The Unit requires an annual budget of some $1.5 million to continue managing the existing Pilot Program portfolio, and expects to count on resources from the Rain Forest Trust Fund for this purpose through FY08.

However, our role will go beyond that performed thus far under the Pilot Program, even under a revised mandate for the Bank (provided that donors agree). With reference to the CAS and the Deforestation Control Action Plan, the project portfolio besides the Pilot Program may add some $750 million in lending operations over the next three years. Preparation and supervision of new Bank or GEF-funded projects is expected to rely on the considerable participation of Unit staff. Such costs must be met from the Bank’s or GEF’s budget.

In so far as we become the lead unit for the Bank’s strategy and assistance program in the Northern/Amazon region (and possibly for the Atlantic Rain Forest as well), and as we develop our capacity as a center of reference for generating and transferring knowledge, the Bank should make budget resources available to cover additional staff time, travel, consultants’ fees and other expenses to make these services possible. Raising external resources through trust funds for specific functions or activities will also be explored.

The following table shows an estimate of the Unit’s annual costs and a suggested mix of funding for the eight strategic lines of action in this Business Plan. It does not include any allowance for the preparation, appraisal and supervision of new Bank-financed projects, but does include a provision for related analytical and advisory services (AAA). Funding as detailed in the table is expected in addition to past Bank support of work related the Pilot Program’s objectives, as has been already the case over the years in the form of AAA services, research, WBI assistance and use of facilities such as GDLN (see Annex B).
### Resources from the Rain Forest Trust Fund

The Bank has been reimbursed for its efforts as trustee and coordinator of the Rain Forest Pilot Program since the Rain Forest Trust Fund’s inception in 1992. Other program-related expenses from the RFT, such as the cost of Participants Meetings, the International Advisory Group, institutional and mid-term reviews, and project preparation work, were also covered from the RFT. Overall Bank spending between FY93 and FY04 from the RFT amounted to about $26 million (average $2.2 million per year). Most of these expenditures were covered from the RFT’s interest earnings. Spending has decreased from FY99 through FY04 to about $1.44 million. The following figure shows the historical development of Bank spending from the RFT:

#### Table: Estimated Annual Cost and Share

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Estimated Annual Cost ($'000)</th>
<th>RFT</th>
<th>Bank Budget</th>
<th>Other Trust Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team work across sectors</td>
<td>100</td>
<td>20%</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Trustee’s duties</td>
<td>850</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generate and manage knowledge</td>
<td>300</td>
<td>30%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>Coordinate and build partnerships</td>
<td>50</td>
<td>90%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Support for policy change</td>
<td>200</td>
<td>50%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td>Communicating for change</td>
<td>200</td>
<td>70%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>Fund raising</td>
<td>50</td>
<td>90%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Enhance institutional capacity</td>
<td>100</td>
<td>30%</td>
<td>50%</td>
<td>20%</td>
</tr>
<tr>
<td>Administrative overhead</td>
<td>300</td>
<td>50%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Overall Share</td>
<td></td>
<td>69%</td>
<td>25%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,150</strong></td>
<td><strong>1,475</strong></td>
<td><strong>545</strong></td>
<td><strong>130</strong></td>
</tr>
</tbody>
</table>
Expenses in FY04 were made up of the following amounts, according to function:

<table>
<thead>
<tr>
<th>Function</th>
<th>Spending FY 04 US$'000</th>
<th>FY 05 Estimate US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision of projects and grants</td>
<td>489.1</td>
<td>601.4</td>
</tr>
<tr>
<td>Pre-investment work for new projects</td>
<td>68.0</td>
<td>0.0</td>
</tr>
<tr>
<td>International Advisory Group</td>
<td>105.2</td>
<td>138.4</td>
</tr>
<tr>
<td>Program coordination</td>
<td>116.0</td>
<td>127.8</td>
</tr>
<tr>
<td>Communications, knowledge management and participation in outside events</td>
<td>154.1</td>
<td>248.0</td>
</tr>
<tr>
<td>Team management and trust fund administration</td>
<td>179.2</td>
<td>124.8</td>
</tr>
<tr>
<td>Overhead</td>
<td>327.3</td>
<td>299.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,439.1</strong></td>
<td><strong>1,539.7</strong></td>
</tr>
</tbody>
</table>

**Projection of Rain Forest Trust Fund Cash Flow and Expenditure**

The Rain Forest Trust Fund had a cash balance of about $21.2 million on June 30, 2004. Virtually all of these funds ($20.8 million) are already committed under current and future project grants. The table below shows the current and expected portfolio of grants from the RFT for projects and the NGO networks, and a projection of remaining disbursements:

<table>
<thead>
<tr>
<th>Grants Contracted</th>
<th>Grant Amount (US$)</th>
<th>Disbursed by June 30, 2004</th>
<th>Disbursement Projections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY05</td>
<td>FY06</td>
<td>FY07</td>
</tr>
<tr>
<td>Demonstration Projects</td>
<td>3,939,130</td>
<td>3,939,130</td>
<td>-</td>
</tr>
<tr>
<td>Extractive Reserves</td>
<td>4,000,000</td>
<td>3,236,133</td>
<td>200,000</td>
</tr>
<tr>
<td>Floodplain Res. Mgmt.</td>
<td>2,000,000</td>
<td>951,619</td>
<td>300,000</td>
</tr>
<tr>
<td>Forest Res. Mgmt.</td>
<td>2,000,000</td>
<td>1,355,395</td>
<td>300,000</td>
</tr>
<tr>
<td>Indigenous Lands</td>
<td>2,100,000</td>
<td>1,591,698</td>
<td>350,000</td>
</tr>
<tr>
<td>Natural Res. Policy Project</td>
<td>20,000,000</td>
<td>14,576,430</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Science Ctrs. &amp; Directed Research</td>
<td>8,500,000</td>
<td>8,476,776</td>
<td>-</td>
</tr>
<tr>
<td>Science Ctrs. Emergency</td>
<td>500,000</td>
<td>468,657</td>
<td>-</td>
</tr>
<tr>
<td>Analysis and Monitoring Project</td>
<td>2,000,000</td>
<td>820,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Ecological Corridors</td>
<td>5,000,000</td>
<td>860,641</td>
<td>600,000</td>
</tr>
<tr>
<td>MMA Program Coordination</td>
<td>500,000</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td>Mata Atlântica Sub-program (FAO)</td>
<td>800,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>RMA Support I</td>
<td>360,000</td>
<td>360,000</td>
<td>-</td>
</tr>
<tr>
<td>GTA Support (1996)</td>
<td>178,000</td>
<td>178,000</td>
<td>-</td>
</tr>
<tr>
<td>GTA Support (2002)</td>
<td>1,200,000</td>
<td>841,855</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>53,077,130</strong></td>
<td><strong>38,156,334</strong></td>
<td><strong>3,850,000</strong></td>
</tr>
</tbody>
</table>
Given the commitments of Germany and the EC to make further contributions into the RFT (€5.0 million and €3.5 million, respectively), assuming a certain (optimistic) flow of disbursements under grants committed, and estimating future earned income from investment of undisbursed funds, there remains an as yet uncommitted amount of about $8.9 million. The cash flow projections are shown in the following table.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Through June 30, 2004 (Actual)</th>
<th>FY 2005</th>
<th>FY 2006 Projections</th>
<th>FY 2007</th>
<th>FY 2008 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Balance</td>
<td>0.00</td>
<td>21.59</td>
<td>17.21</td>
<td>13.48</td>
<td>5.51</td>
</tr>
<tr>
<td>Contributions</td>
<td>62.66</td>
<td>3.03</td>
<td>6.66</td>
<td>0.61</td>
<td>-</td>
</tr>
<tr>
<td>Investment Income</td>
<td>22.94</td>
<td>0.65</td>
<td>0.69</td>
<td>0.54</td>
<td>0.22</td>
</tr>
<tr>
<td>Grant Disbursements</td>
<td>-38.16</td>
<td>-5.40</td>
<td>-8.57</td>
<td>-6.62</td>
<td>-4.45</td>
</tr>
<tr>
<td>Bank Expenses</td>
<td>-25.86</td>
<td>-1.65</td>
<td>-1.50</td>
<td>-1.50</td>
<td>-1.00</td>
</tr>
<tr>
<td>Other uses (to be determined)</td>
<td>-1.00</td>
<td>-1.00</td>
<td>-1.00</td>
<td>-0.28</td>
<td>-3.28</td>
</tr>
<tr>
<td>Ending Balance</td>
<td>21.59</td>
<td>17.21</td>
<td>13.48</td>
<td>5.51</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Out of the uncommitted current and future funds, we assumed that the Bank's expenses for the Pilot Program (including those of the International Advisory Group) as well as fees charged by the Bank would be funded with a total of $5.5 million from FY05 through FY08. The balance of $3.3 million could be used for other Program initiatives. Based on the recommendations of the 11th meeting of the Joint Steering Committee of the RFPF, the bulk of these funds should be applied to emergency actions in support of mitigating and controlling impacts in the BR-163 corridor and to the coordination of the Pilot Program by MMA.

An annual amount of about $1.5 million from the RFT will be adequate for the Bank and the Unit to perform the expected functions, assuming that additional Bank budget funds and resources from other donor funds would be available to supplement RFT resources, as suggested in the section on funding sources above.
Risks and Critical Assumptions

The success of the Unit’s mission and performance under this Business Plan will depend on some risk factors that are largely beyond the control of the team or the Bank. We assume that:

- MMA will consolidate its organizational capacity to coordinate the Pilot Program and other programs housed in MMA, and continue to provide ownership and leadership. In particular, it will provide its own staff and funds for coordination. Risk level: medium.

- The Brazilian Government supports the Unit’s enhanced role for the Amazon and beyond, especially since this may interfere with national interests. The donor community’s acceptance and support of the Bank’s role are also important. Expanding our work beyond the national borders of Brazil into other Amazon basin countries is also dependent on our ability to identify and catalyze clients’ demands in these countries. Risk level: medium.

- MMA, the Ministry of National Integration and the CASA CIVIL manage to increase the "transversal aspect" of the PAS, to implement the deforestation control program and other policies affecting the rain forest regions, and do so with support from all ministries. Risk level: high.

- As a result of regular consultation and dialogue, donors will develop strong working relationships, both among each other and with the Bank, avoiding the counter-productive criticisms of the past. This is important for the Bank, as it is torn between standing back and supporting government ownership, thereby appearing passive, or playing a more active role by pushing its policy reform agenda, running the risk of seeming arrogant. We must strike an acceptable balance between these positions. Risk level: moderate.

- Clients and stakeholders understand and accept the limitations to the Bank’s flexibility, as we are bound to observe Bank rules. Risk level: moderate.

- There will be a demand within the Bank, from Brazilian clients, and clients in other Amazon countries for the services of the Unit. Risk level: medium.

- The necessary resources for the Unit’s work will indeed be available from the Rain Forest Trust Fund, from the Bank’s administrative budget and from additional donor trust funds. Risk level: medium/high.
Conclusion

While the Rain Forest Unit's engagement in the Pilot Program has yielded significant and tangible results thus far, the Business Plan makes it clear that much work remains to be done. Sustainable development, natural resource management and conservation economics are themes that transcend nearly all sectors. They will continue to be challenges in the Brazilian Amazon and in the region as a whole. The formation, strengthening and continued support of a specialized team with a proven ability to contribute to the identification and implementation of practical and timely solutions must therefore be essential elements of the Bank’s instruments that are used to address the problems at hand.

This Business Plan, together with the CAS’ sub-national strategy "Towards a More Equitable, Productive and Sustainable Amazon", describes how the Brazil CMU's Rain Forest Unit expects to engage in the issues currently at hand, and how it will proactively respond to new challenges over the years to come. The account that has been presented here should serve to convey our vision. We hope that it will assist in garnering the necessary support both from within the Bank and from its partners in development to help the Rain Forest Unit achieve its goals.
Annexes

A - The Rain Forest Pilot Program

Description

The Rain Forest Pilot Program, which was started in 1992, is a joint initiative of the Brazilian government and civil society and the international community. The Brazil Rain Forest Unit was established then as an instrument to fulfill the Bank's mandate under the Rain Forest Pilot Program, particularly in its role as trustee of the Rain Forest Trust Fund (RFT) and other related trust funds, and as coordinator among donor countries and the Brazilian government. The Bank will continue to play this role, as twelve projects are currently being implemented with funding from the RFT and bilateral funds. It is the Bank's responsibility to supervise these projects, at least through the year 2006. The Ministry of the Environment, specifically its Secretariat for Amazon Coordination, has the lead of the Program. It has held this position particularly since 1999, when Brazil's "ownership and leadership" in the Program was stressed, as opposed to the World Bank's (perceived) leading role, which it has since moved to reduce.

The Pilot Program's long-term objectives are to:

- Demonstrate that sustainable economic development and conservation of the environment can be pursued simultaneously in tropical rain forests (Amazon and Atlantic forests);
- Preserve the biodiversity of the rain forests;
- Reduce the rain forests' contribution to the world's greenhouse gas emissions;
- Set an example of international cooperation between industrial and developing countries on global environmental problems.

The program is not expected to achieve these objectives by itself. It is essentially a pilot program and is therefore meant to try out, experiment, and learn about new ways to protect the forests and to make sustainable use of them. As such, it should be judged by the degree to which lessons are effectively learned and applied in wider policies, programs and projects in Brazil. Scaling up the lessons will respond to the persistent call for "mainstreaming".
Lessons learned are expected to be applied in other rain forest countries as well. The Program participants have adopted in 2001 the following **Program Mission Statement:**

"To contribute to policies that promote conservation and sustainable development of Brazil's Amazon and Atlantic rain forests, including due attention to the livelihoods of local populations, by pursuing the following objectives:

- Generating, validating and disseminating knowledge within Brazil and the Amazon and Atlantic Forest regions;
- Catalyzing the adjustment of policies and mobilizing political support for their adoption and their effective implementation;
- Promoting and selectively supporting the mainstreaming and scaling-up of successful experiences and models;
- Strengthening capacity in public, private and civil society institutions to implement such policies and apply new knowledge."

**Principal Results**

Examples of some of the Rain Forest Pilot Program's principal results to date are the:

- Demarcation of 59 indigenous territories covering an area of about 454,000 km² (equivalent to Germany, Switzerland and the Netherlands combined, or 10% of the area of the Amazon);
- Establishment and consolidation of four extractive reserves totaling about 21,000 km² in the Amazon, involving the direct participation of traditional communities in the protection and management of natural resources;
- Introduction and acceptance of the concept of rain forest corridors in Brazil;
- Technical and financial support for funding over 200 demonstration projects of communities and local organizations in the Amazon and Atlantic rain forests, aimed at developing sustainable development alternatives;
- Training of more than 12,000 Amazonian smallholder producers in fire prevention and control techniques through partnerships with local associations and civil society organizations;
- Development of innovative approaches to environmental monitoring, licensing and law enforcement, with a focus on controlling deforestation and illegal logging;
- Strengthening of state and municipal environmental agencies to implement decentralized environmental management, and strengthened the Public Attorney's Offices in nine states as principle enforcement agencies. In particular, the establishment of an effective new method of controlling and eventually reducing deforestation by the state of Mato Grosso, to be adopted by other Amazon states;
• Creation and support of NGO networks that link 700 NGOs in the Amazon and Atlantic rain forests and facilitate greater participation of civil society in the Brazilian policy dialogue;

• Public-private partnerships for products to be produced and marketed under innovative, sustainable conditions in the rain forests;

• Strengthening of scientific research centers and promotion of directed research for the benefit of the sustainable use of rain forest resources in the Amazon.
B - Relevant Analytical and Advisory Work Funded by the World Bank and the Pilot Program to Conserve the Brazilian Rain Forest

B-1. Work Funded by the World Bank


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B-2. Work Funded by the Rain Forest Pilot Program (Rain Forest Trust Fund)


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C - References and Web Links

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