

Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

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THE BRAZIL RAIN FOREST PILOT PROGRAM

TRANSITION TO PHASE TWO

I. Introduction

In response to a decision by the donor agencies present at the 1996 Participants' Meeting in Bonn, the Pilot Program has organized a donors' meeting in Paris on April 15-16, 1997. This meeting will provide an opportunity for the donor agencies to discuss in detail funding needs for the Program and to clarify the mechanisms by which Program-related initiatives are supported. It will also enable donors to review the recent progress of the Pilot Program since Bonn and assess its strategic directions for the future, including the nature and timing of a second phase.

During our September 1996 meeting in Bonn we presented a paper "The Brazil Rain Forest Program: Lessons Learned and Implications for the Years to Come" which sought to analyze the Program progress to date and to stimulate a discussion of its future path. We view this document and the Paris meeting as a continuation of that discussion. We summarize below the main points of that paper:

1. **The program founders judged correctly the importance of a program that is (1) large, (2) pilot in nature, (3) integrated, and (4) international. An important objective of the Paris meeting is to reinforce these characteristics of the Program, especially its integrated and international nature.**
2. **The program's pilot nature requires that it be judged by its effectiveness in providing a clear sense of direction for the future. This is the major objective of the Monitoring Project currently under preparation with RFT resources.**
3. **We need to complement ongoing activities with concerted efforts to build lasting political support for both sound resource management and protection of biodiversity in the Amazon and Atlantic rain forests. Building local political support for sustainable development is an important objective of nearly all Program projects, especially Natural Resources Policy, Extractive Reserves, Environmental Education, and Demonstration Projects. Further efforts are being discussed, including mechanisms to use resources more strategically within a biodiversity strategy.**
4. **A program designed to bring benefits to communities accepting environmental limitations will require mobilizing new sources of resources. We propose exploring strategies for involving the private sector and international beneficiaries of improved environmental conservation in Brazil. Work with the private sector in Brazil has commenced. Further work with our international partners is required.**
5. **While Brazil has made substantial progress in formulating and implementing environmentally sound policies, further progress is required to integrate the Pilot**

Brazil Rain Forest Pilot Program

Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

Program into a larger policy framework aimed at promoting sustainable development and protecting biodiversity. The framework for policy integration is in place through the Integrated Policy of the Amazon, and the recently completed MMA document, *A Agenda Amazonia 21*. The Monitoring and Evaluation unit and the Nucleus for Support for Integrated Policies in the Amazon will provide much of the substance to be incorporated into this framework.

We propose for discussion that funding for a phase two, reflecting these principles, be ensured in the 1998 Participants meeting. By this time all of the original list of projects would be under implementation, with several nearing completion. Sufficient implementation will have taken place to have a reasonable basis of lessons learned to inform the design of the second phase. Activity over the next two years would be focused on preparing the transition to a phase two of the program. Based on the hypothesis that a "Phase Two" pledging would take place in late 1998, we provide below a brief overview of the current financial situation of the Program, discuss the "next steps" that we see as necessary and desirable during the transition phase between now and 1998, and review the various financing mechanisms through which donors can participate in the Program.

II. Summary of Program Financing

Since its inception, the Pilot Program has received pledges of approximately US\$ 250 million from a total of nine countries (G7, the Netherlands, and Brazil), in addition to the European Union, making it the largest and most widely supported source of grant funding for environmental initiatives in a single developing country. Germany, the European Union and Brazil have provided about 85 percent of the overall program funding (Table 1). Established in 1992, the Program began disbursing funds in 1995.

At present, virtually all pledged resources are committed to ongoing projects or to projects under preparation (Table 2). US\$ 171 million (two thirds of the pledged resources) are committed to projects under implementation. An additional US\$ 28 million are committed to two projects already prepared and approved awaiting final signature. Of the remaining four projects, two are considered fully funded in their current phase at the US\$ 46.2 currently pledged. The remaining two projects are facing a shortfall of some US\$ 27 million relative to desirable project size.

For two of the more popular and apparently successful available funds for new initiatives have already or will soon be depleted. Two others are well-advanced in implementation and, if they are to continue, will need new funding commitments in the next 1-2 years. To-date, approximately US\$ 25 million, or 10 percent of the US\$ 250 million in total resources currently committed to the Program have been disbursed (Table 3), that figure is expected to rise to 14 percent by the end of Fiscal Year 1997 (June 30, 1997) and to 35 percent by the end of Fiscal Year 1998.

Brazil Rain Forest Pilot Program.
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

III. Next Steps

Consistent with our Bonn paper, we propose that "Next Steps" be grouped in the following areas:

- A. **Provide continuity to very promising projects.** We should concentrate on promising pilots with a clear link to building local political support.
- B. **Take advantage of emerging opportunities.** Where opportunities to test new ideas consistent with the overall thrust of the Program present themselves, whether due to new technology or new institutional willingness, the Program should be responsive.
- C. **Strengthening the program's strategic focus.** We need to strategically harness resources to make environmentally friendly development locally more attractive than predatory development. This will require creating more partnerships, including with the private sector and other international programs, and ensuring that additional resources are channeled to communities making a commitment to sustainable development principles.

In the following paragraphs we review progress and assess needs in these three areas.

A. Promising Activities

Two projects have recently received funding to provide continuity to ongoing activities. France has provided US\$ 1.7 million (FF 10 million) additional resources to the Demonstration Projects. The European Union has provided an additional grant of ECU 5 million for a new call for proposals under the Directed Research Project.

Additional funding will be required to provide important continuity over the transitional period, especially to projects that have a clear link to building local political support, and are essential to the knowledge needs of the Program. These projects are described below:

Demonstration Projects

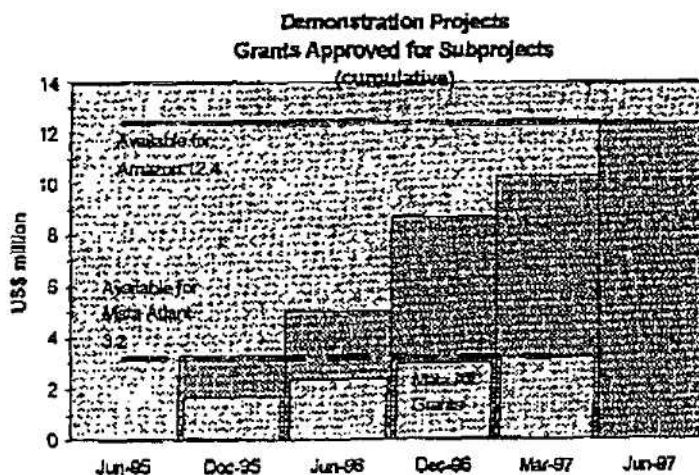
Initiated in 1995, the Demonstration Projects have approved funding of 97 initiatives out of 405 projects submitted. All of these initiatives are carried out by rural community-based organizations in the Amazon and Atlantic forest regions, and many involve support for environmentally sound forms of resource use such as agroforestry, community forestry, or fisheries management. The IAG has specifically highlighted the positive impact of this project on the overall image of the program in regions.

Of the total budget for subprojects of about US\$ 15.6 million, \$13.5 million have already been approved for disbursement to subprojects, and the remaining funds are expected to be approved for disbursement by mid-1997. Funds allocated for the Atlantic

**Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997**

rain forest region have been totally committed already. In the absence of additional funding, this would conclude the process of screening and approval, and the remainder of the project period would concentrate on implementation of ongoing initiatives and their supervision by the Ministry of Environment, donors and the Bank.

However, additional financing is justified. Specifically, additional financing should be provided for community-sponsored projects in municipalities supporting zoning restrictions within NRPP integrated subprojects, communities within the ecological corridors and buffer zones of the Parks and Reserves Project, and the Mata Atlantica. In addition, several new knowledge areas (such as fisheries, pharmaceutical development, and small-farmer intensification activities) might be explored. In the interest of learning lessons improved geographical representation must also be stimulated. The range of possible innovative ideas in the 9 states and nearly 700 municipalities in the Amazon cannot have been adequately stimulated by the 90-100 projects fundable with available resources. Current estimates are that qualified demand for such new projects would be on the order of **US\$ 10 million per year**. As mentioned above, the French Government has already pledged **US\$ 1.7 million** for support of additional initiatives under the Demonstration Projects.



Directed Research

The Evaluation Committee of the Directed Research program met in October 1995, and recommended 23 proposals for funding out of 116 submitted. The total amount of funding committed is **US\$ 5.1 million**, to be disbursed over two years. In addition to the 23 proposals selected for funding, 18 were identified as meritorious but could not be funded for lack of resources. As mentioned above, the EU has provided an additional **ECU 5 million** for a second call for proposals which is expected to be issued soon. It is particularly important that future directed research remain focused on the high priority problems of the protection, conservation and management of the forest and tied to the knowledge needs of the program. Where possible they should be linked directly to existing projects. Key Program-related issues, such as the biological and economical

Brazil Rain Forest Pilot Program

Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

sustainability of non-traditional forest products, land use options in buffer zone areas of corridors, and agrochemical and pharmaceutical application of forest-based genetic resources are not receiving sufficient attention. Qualified demand for additional financing is estimated at **US\$ 10 million** annually.

Science Centers

The Science Centers Project, intended to transform the National Institute for Amazonian Research (INPA) and Goeldi Museum (MPEG) into "Centers of Excellence" has disbursed nearly half of project resources and is expected to complete disbursements within the next year.

A supervision during December 2 to 11, 1996 found considerable progress in rehabilitation of infrastructure, with satisfactory standards of construction. Hiring at the staff has now begun (14 researchers and 16 technicians at INPA and 2 researchers and 12 technicians at MPEG).

Strategic planning under the project has achieved, in some measure, the devolution of directorial powers to the departments and programs in each center. However, it appears not to have been fully internalized and made part of a continuous process within the institution, as was expected. The additional strategic changes needed at INPA or MPEG to turn them into centers of excellence would probably have to be stimulated and encouraged by CNPq or MCT and should be done in the larger context of the research needs of the Amazon Region.

Based on the original needs assessment undertaken in 1992 by the US National Academy of Sciences, remaining financial needs of the Centers is on the order of **US\$ 15 million**. A midterm review of the project is scheduled for mid-summer 1997. An update needs assessment is also under discussion with the US. These activities will provide important inputs to design the most effective possible follow-up to this project.

B. New Opportunities

Fire and Deforestation Control Project

The Fire and Deforestation Control Project is under preparation by IBAMA, in collaboration with local governmental agencies. This project provides a unique opportunity to link the current capacity for remote monitoring of deforestation activity with strategic action on the ground. It aims to take advantage of IBAMA's strengthened commitment to enforce restrictions on forest fires and deforestation, while also providing incentives for forest conservation. It will pilot activities in five strategic areas located along the "arc of deforestation" in the eastern and southern Brazilian Amazon. It is intended to point the way toward greater collaboration by diverse governmental agencies and civil society in curbing deforestation and forest degradation in the Amazon. The desirable size of 4-year initiative is estimated at \$20 million, of which \$2.9 million have

Brazil Rain Forest Pilot Program

Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

been committed by the Rain Forest Trust Fund and the Brazilian government, leaving a **funding gap of US\$ 17.1 million**

Floodplain Resources Management. The Amazon floodplain probably holds the highest potential for sustainable resource use in the Amazon Basin. Yet deforestation and overfishing threaten to undermine the critical services provided by this ecosystem and to eliminate much of its rich biodiversity. The Floodplain Resources Management project will address these issues. Based on a series of studies identifying strategic areas for action, this project will support innovative, pilot initiatives by local communities to manage the floodplain sustainably. The anticipated cost for this 4-year initiative is estimated at \$17 million, of which \$7.4 million have been committed by Germany, the Rain Forest Trust Fund and the Brazilian Government, leaving a **funding gap of \$9.6 million**. A project preparation team has been chosen and is developing the project concept. Appraisal is expected for September, so that the project could enter into implementation in early 1998.

Summary of Needs Prior to 1998 Participants Meeting

Demonstration Projects	\$ 20 million
Directed Research	\$ 20 million
Science Centers	\$ 15 million
Fire and Deforestation Control Project	\$17.1 million
Floodplain Resources Management	\$9.6 million

C. Strategic Focus

Strengthen Local Constituencies. Considerable progress is being made in strengthening local constituencies to support environmentally sustainable development. The Program of Decentralized Execution of the National Environmental Project has supported some 25 municipalities in the region, involving local governments and organized communities in addressing local environmental management. In addition the Ministry has used budgetary resources to support municipal-level environmental projects. Reformulations of the PRODEAGRO project in Mato Grosso and the PLANAFLORO project in Rondonia, have also emphasized a much stronger grass-roots orientation, with a concentrated effort underway to involve *all* the stakeholders of the projects. These efforts are complemented by the formulation of integrated subprojects currently underway under the Natural Resources Policy Project.

Strengthen Private Sector Partnerships. To strengthen private sector partnerships, the Ministry, since our meeting in Bonn, has created a working group, together with the participation of business organizations in the Amazon. The group has proposed the creation of a *Business Forum for the Sustainable Development of the Amazon*. The group is also studying the possibility of creating an *Agency for the*

Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

Sustainable Development of the Amazon that would support regional and outside business interests committed to the environmentally sustainable use of the region's natural resources.

The Green Protocol, a program of the Federal Government created to promote government-supported financing for sustainable development-oriented activities, has yielded its first results in the Amazon. A Program for Support to Extractive Enterprises (PRODEX), recently has been recently created to provide credit to small extractive producers (isolated extractivists or cooperatives) with subsidized credit up to US\$ 12,000. This program, to be implemented by the Banco da Amazonia (BASA) has US\$ 23 million available for 1997. The Secretariat for the Amazon has also joined with the state government of Para to support an association of Amazonian timbermen produce seeds and seedlings of native species destined for forest enrichment.

Strengthen the Biodiversity Strategy. The new Parks and Reserves Project represents a considerable milestone in strengthening the biodiversity strategy. Consideration of how to strengthen these corridors through complementary activities of the Pilot Program is also under way. An important step in this regard is the recent shift of task managership within the Bank of the GEF's PROBIO/FUNBIO project to the Brasilia Resident Mission. This will greatly strengthen coordination between the strategic planning for biodiversity conservation under the GEF with that of the Pilot Program.

How Participants can Help Strengthen the Overall Strategy

As we reported in Bonn the major benefits from protecting the Amazon, conserving biodiversity and reducing emissions of greenhouse gases, are global. For these global benefits to be realized, local actors that depend on the Amazon's resources for their livelihood, must be find sustainable development attractive. The Pilot Programs is doing much in this regard. We could use the international character of the Program to do more, however. In our Bonn paper we suggested possible ways our Partners could help and would like to suggest further discussion of these themes during the Paris meeting.

- Identify international partners to collaborate with the *Business Forum for the Sustainable Development of the Amazon*. This might include, for example help in identifying and accessing markets for sustainably-produced forest products. We would like to propose that the Bank use RFT resources to contract an international consultant to explore possible business partnerships, including with the World Business Council for Sustainable Development. An example of the type of activity we would like to encourage is the current program of Daimler-Benz to work through the Federal University of Para and its community-based Poverty and the Environment in the Amazon Program. In addition to promoting agroforestry and appropriate technology in communities, the program sponsors scientific cooperation between the University and Daimler in the search for fully recyclable or degradable automobile components, which can be community produced and processed
- The Secretariat will follow up on discussions initiated in Bonn, related to the involvement of the European Community Investment Partners (ECIP) program in the

Brazil Rain Forest Pilot Program**Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997**

creation of partners between European and Brazilian entrepreneurs interested in projects oriented towards sustainable development in the Amazon. The World Bank will also explore opportunities with its private sector affiliate, the International Finance Corporation.

- Identify and help establish relationships between Brazilian states and /or municipalities and their counterparts in donor countries, both of which share a commitment to sustainable development. Activities could range from promoting joint environmental education programs to helping to establish business links.
- Seek new partners among other multilateral and bilateral institutions. Among multilateral institutions, the InterAmerican Development Bank and the Organization of American States and the UNDP are potentially important partners. Additional effort to involve non-donor countries could also merit consideration. We propose to the donors that the Bank explore the multilateral possibilities. A strategy for approaching bilateral contacts might also be appropriately discussed in Paris.

IV. Funding Mechanisms and Program Coordination

There are three basic mechanisms for funding projects under the Pilot Program: direct support of core projects by Donor funds deposited in Trust in the World Bank; parallel support of core projects by donor-managed funds; and associated bilateral projects supported by donor-managed funds. According to the Trust Fund Resolution, which established the roles of each of the Participants in the Program, the World Bank applies established preparation, appraisal and supervision procedures for all Pilot Program projects.

In practice, for projects with parallel financing and in bilateral associated projects, the World Bank's coordinating role has been, up to the present, somewhat dependent upon the good working relationships with the Donors and the Brazilian Government. In order to ensure complete transparency with regard to the role of each of the Participants, as well as to ensure understanding of the respective roles among staff in the field, the Secretary of the Legal Amazon and the Manager of the Bank's Coordinating Unit have recently further discussed two issues that have been somewhat ambiguous and agreed proposed procedures for the treatment of (1) ongoing projects for which new (continuation) funding is provided by one or more donor, and, (2) associated bilateral projects. The paragraphs below incorporate these agreements for approval of the donors, and highlight the major role of each of the Participants.

Trust Funds Held by the Bank

The Rain Forest Trust Fund provides partial support to all 12 core Pilot Program projects. Other Bank-held trust funds have been provided by the European Community for support of the Natural Resources Policy, Extractive Reserves, Science Centers and Demonstration projects. In accordance with the Trust Fund Resolution (March 1992), all

Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

project components financed by Bank-managed trust funds projects are prepared, appraised and supervised according to established World Bank procedures. In the case of projects financed with single-donor trust funds held by the Bank, donors actively join the Bank in project preparation and supervision, and generally collaborate in reviewing key project documents

The resources of the Rain Forest Trust Fund (RFT) are fully allocated. The RFT, comprised of resources from 8 donors, is the mechanism through which the Bank represents the larger group of Donors in preparation and supervision of cofinanced projects, and through which it formally participates in projects. Originally fixed at 20% of Program resources, the Fund permits the Bank to fill gaps in projects and, through cofinancing agreements, tie the financing and implementation package together. It also covers the cost of preparation and supervision by the Bank and its administrative expenses.¹ With this Fund fully assigned, the Bank has no formal mechanism through which to participate in projects beyond the 12 currently ongoing or under preparation.

Parallel Financing Managed by Donor

Projects including donor-managed parallel financing are prepared according to Bank procedures with donor participation in preparation varying in accordance with donor field capacity and interest. Depending on the specific financing arrangements, donors may apply their own procedures and standards to procurement and/or disbursement to one or more project components. In the interest of coordination, procurement should be subject to joint review by both the donors and the Bank, while disbursement may be carried out independently by the donors. The Bank retains overall project supervision responsibility, and leads supervision missions in which donors generally participate and often provide strong input to supervision missions' reports. For the Bank to effectively supervise, close Bank-Donor cooperation is required throughout the implementation of the project. At a minimum, consultation and review at the time of procurement decisions is essential if the supervision function is to be carried out successfully.

Continuation Grants for Existing Projects

With the resources available for new subprojects reaching an end we are facing for the first time the question of the relationship of existing agreements under previously approved projects to possible new arrangements in components or projects receiving new financing. Again, in the interest of transparency to the Donors, and clarity of roles in the field, the Government and the World Bank propose the adoption of the following principle:

Where funding to continue activities under an ongoing project is provided, the roles and responsibilities of the Participants remain as approved under the original project

¹ Based on projections of disbursements, preparation, supervision and administrative costs for the 12 original projects in the current portfolio, and interest earnings, the RFT is estimated to be exhausted in 2001 (Table 4).

Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

except as agreed in writing by each of the Donors contributing to the Project, the Government, and the World Bank.

Bilateral Associated Projects

Bilateral Associated Projects are yet to have been fully consolidated into the Pilot Project. The Trust Fund Resolution is clear that all Pilot Program projects, including the bilateral associated projects, should be integrated within a single monitoring and evaluation system for the purpose of generating lessons for the future. The Trust Fund Resolution also gives the World Bank responsibility for appraising the consistency of candidate projects with Program objectives, as well as formal appraisal, according to standard Bank procedures, of all associated bilateral projects.

In our view, the Trust Fund Resolution was correct in requiring full integration of Bilateral Associated Projects in the monitoring and evaluation system. For several reasons we believe it was wrong to require World Bank appraisal of these projects. First the involvement of the World Bank in the appraisal of Associated Bilateral Projects would inevitably reduce the degree of variation in project types and approaches. From the standpoint of learning lessons this homogenizing influence is undesirable. Second, the Bank's Rainforest unit does not have the manpower to carry out such an appraisal of all Bilateral Associated projects.

Reflecting the thinking above, the Government and the World Bank have agreed to propose to the Donors the following procedures and responsibilities for associated bilateral projects:

- The Government and the World Bank will agree on general qualifying criteria for Bilateral Associated Projects;
- All Bilateral Associated Projects shall be formally associated with a core Program project. For example, a project in the area of fisheries would be associated with the Varzea project or one dealing with sustainable forestry would be associated with the Forest Management Project;
- The Technical Secretariat of the core associated project and the World Bank would provide written opinions on the advisability of associating the proposed bilateral project with the Program, including suggesting possible modifications;
- The project will be reviewed and accepted or rejected, possibly with conditions, by the Government's Program Coordinating Commission;²
- All Associated Bilateral Subprojects will agree to cooperate fully with the analytical work undertaken by the Evaluation and Monitoring unit of the Ministry.

² The Program Commission is composed of 17 members of which 12 are representatives of Federal entities, 02 of state environmental/planning entities, and 3 of NGOs.

Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

Proposal for a Participant's Consultative Group

Although the technical issues related to the implementation of the Pilot Program have been successfully dealt with by the technical representatives of the Participants in Brasilia, the Government and the Bank have, on occasion, felt the need for a mechanism to resolve non-technical, policy-related issues, needing Donor intervention, during the twelve-month period between annual Participants meetings.

For technical issues, a Technical Working Committee (TWC) was established by the Trust Fund Resolution of March 1992, comprised of technical staff representing the participants, to be convened by the World Bank to "solicit views on technical issues related to the Pilot Program and to resolve any pending issues with respect to technical collaboration among the participants within the context of specific projects". In its first, and only, meeting, in February 1993, it was agreed that it would not be necessary to schedule regular meetings of the TWC, since it was felt that "smaller groups of specialists, rather than the full TWC, would be able to discuss such technical issues more productively". Today, the World Bank organizes monthly meetings with the technical specialists of the participants, which are, in our opinion, an efficient forum to discuss the technical issues that originally were to be considered by the TWC.

To fulfill the lacuna for policy-related matters, we propose that a Consultative Group be established in Brasilia, with representatives of the Participants with the necessary power to discuss and decide, in consultation with the necessary Donor authorities, policy-related issues which normally would be taken to the annual Participants meeting. Such a Group would be convened by the World Bank whenever necessary or under the request of a Participant. As an example, the issue of policy under continuation grants described above would be decided by this Group, instead of being taken to the annual Participants meeting.

Brazil Rain Forest Pilot Program
Discussion Paper for Donors' Meeting in Paris, April 15-16, 1997

Conclusions

The purpose of this note has been to provide a basis for discussion for our April meeting. We have proposed, to be discussed, that a second phase pledging take place in the 1998 Participants meeting. Following on our Bonn discussion paper, we have outlined the strategic principles that we feel should be the basis of our future work. We would also appreciate feedback from the Participants with respect to this strategy.

Based on the need to provide continuity to what is clearly going well, and taking advantage of new opportunities, we have identified a financing gap of some US\$ 82 million over the next two years. We have also outlined non-financial mechanisms through which our international partners can help, related to creating international private sector and/or civic partnerships.

Finally, we for purposes of information and clarity, we have outlined the various mechanisms through which Donors can financially participate in the Program. We have tried to provide clarity about the difference of each of the mechanisms, and the implications for the roles and responsibilities of each of the Participants.

We hope that this note has been helpful to prepare the Donors for the discussions in Paris. We will remain at your disposition throughout the meetings.

Table 1
Financing of Rain Forest Pilot Program
Core Program
(US\$ Million)

Source	RFT	Project Cofinancing		Total
		Contracted	Pledged	
Germany	19,35	61,46	34,84	115,65
European Union	14,05	34,89	24,55	73,49
Brazil		21,30	11,00	32,30
United Kingdom	2,32	5,70	4,90	12,92
United States	5,50	2,00		7,50
Japan	6,80			6,80
Italy	3,85			3,85
Netherlands	3,24			3,24
France			1,76	1,76
Canada	0,74			0,74
Subtotal	55,85	125,35	77,05	258,24
Interest earned	10,30			10,30
Expenses	-8,60			-8,60
Total (Dec. 1996)	57,55	125,35	77,05	259,94

Note: The subtotal for RFT is different from the total in Table 2, as this table shows the contributions to the RFT, while Table 2 shows allocations of RFT funds to the projects.

Table 2
Pilot Program to Conserve the Brazilian Rain Forest
Current Project Financing
(US\$ Million Equivalent)

Project	RFT	Germany		European Union	United Kingdom	United States	France	Brazil	TOTAL
		Fin. Coop.	Tech. Coop.						
Ongoing Projects									
Demonstration Projects*	3,2	11,9	0,9	4,6	-	-	1,8	4,3	26,6
Indigenous Lands	2,1	17,8	1,4	-	-	-	-	2,2	23,5
Extractive Reserves	3,0	-	-	5,8	-	-	-	0,9	9,7
Science Centers and Directed Research	9,0	-	-	11,3	0,7	-	-	-	21,0
Science Centers Emergency Assistance Project	0,5	-	-	-	-	2,0	-	2,5	5,0
Natural Resources Policy	20,0	23,7	5,8	18,9	5,0	-	-	11,4	84,8
Subtotal	37,8	53,4	8,1	40,7	5,7	2,0	1,8	21,3	170,7
Projects Ready to be Implemented									
Environmental Education	2,3	-	-	5,8	-	-	-	0,8	8,8
Forest Resources Management	2,0	11,9	2,2	-	1,9	-	-	1,4	19,4
Subtotal	4,3	11,9	2,2	5,8	1,9	0,0	0,0	2,2	28,2
New Projects **									
Floodplain Resources Management	2,0	4,7	-	-	-	-	-	0,7	7,4
Fire and Deforestation Control	2,0	-	-	-	-	-	-	0,9	2,9
Parks and Reserves ***	5,0	16,0	-	13,0	3,0	-	-	7,0	44,0
Monitoring, Eval. & Dissemination	2,0	-	-	-	-	-	-	0,2	2,2
Subtotal	11,0	20,8	0,0	13,0	3,0	0,0	0,0	8,8	56,6
TOTAL	53,0	86,0	10,3	59,4	10,6	2,0	1,8	32,3	255,4

Table 3
Brazil Rain Forest Pilot Program
Disbursements: Actual and Projected
For Ongoing Projects in US\$

Project	Source	Actual 6/95	Actual 6/96	Estimated 6/97	Estimated 6/98	Estimated 6/99	Estimated 6/2000	Estimated 6/2001
Natural Resources Policy	EU		1,517,185	2,820,000	6,768,000	12,408,000	18,612,000	19,280,800
	RFT		1,174,108	2,500,000	6,000,000	11,000,000	16,500,000	20,000,000
	KfW		0	1,375,300	5,500,000	12,000,000	19,470,000	23,713,500
	Total		2,691,293	6,695,300	18,268,000	35,408,000	54,582,000	62,994,300
Indigenous Areas	RFT		150,000	400,000	1,100,000	1,800,000	2,100,000	2,100,000
	KfW		250,000	3,702,200	8,700,000	15,500,000	17,785,200	17,785,200
	Total		400,000	4,102,200	9,800,000	17,300,000	19,885,200	19,885,200
Extractive Reserves	EU	202,003	1,678,376	3,520,000	5,500,000	5,772,700	5,772,700	5,772,700
	RFT	100,000	766,993	1,720,000	2,800,000	3,000,000	3,000,000	3,000,000
	Total	302,003	2,445,369	5,240,000	8,300,000	8,772,700	8,772,700	8,772,700
Demonstration Projects	RFT	325,577	821,971	1,640,000	2,400,000	2,900,000	3,000,000	3,000,000
	EU	274,327	274,327	1,374,300	3,300,000	4,000,000	4,618,160	4,618,200
	KfW		2,300,000	5,181,400	8,300,000	11,000,000	11,856,800	11,856,800
	Total	599,904	3,396,298	8,195,700	14,000,000	17,900,000	19,474,960	19,476,000
Science Centers	RFT		2,297,478	6,800,000	8,500,000	8,500,000	8,500,000	8,500,000
Science Ctrs. Emerg. Assist.	RFT		115,197	389,600	500,000	500,000	600,000	500,000
	USAID		599,984	1,429,400	2,000,000	2,000,000	2,000,000	2,000,000
	Total		715,181	1,799,000	2,500,000	2,500,000	2,500,000	2,500,000
Directed Research	EU		545,161	2,000,000	3,800,000	5,564,900	5,564,900	5,564,900
Total		901,907	12,490,789	34,832,200	66,168,000	95,945,600	119,279,760	127,692,100

Funds in European and German currency were converted at the exchange rates of March 21, 1997.

Table 4
Pilot Program to Protect the Brazilian Rain Forest
Rain Forest Trust Fund Cash Flow Projections
 (US\$ Million)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002
Fund Balance at Start of FY	(Actual) 59.5	46.7	43.8	31.9	19.7	8.2	1.0
Contributions	0.0	8.6	0.0	0.0	0.0	0.0	0.0
Investment Income	2.3	1.9	1.7	1.3	0.8	0.3	0.0
Project Disbursements	-5.5	-8.3	-10.8	-11.2	-10.2	-5.8	-1.0
Administrative Expenses	-2.2	-2.6	-2.4	-2.4	-2.0	-2.0	0.0
Pre-Investment Studies	-0.3	-0.7	-0.2	0.0	0.0	0.0	0.0
Fund Balance at End of FY	46.7	43.8	31.9	19.7	8.2	1.0	0.0

Fund balances and disbursements are for consolidated Rain Forest Trust Fund (main fund and all sub-funds).
 The World Bank Fiscal Year runs from July 1 through June 30.
 Future investment income is assumed as 4% of a year's beginning balance.
 The contributions counted in FY 97 are from the European Union (actual) and the Netherlands (expected).

Pilot Program to Conserve the Brazilian Rain Forest

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Interim Participants' Meeting Paris, April 15-16, 1997

Summary of Discussions

Towards Phase II of the Pilot Program

There was general agreement that a thorough evaluation of Phase I should be undertaken prior to launching phase two.

It was agreed that transparent benchmarks for measuring project and program progress would be developed by the World Bank and Government and presented to the Participants for review in the Manaus Participants Meeting in October, 1997.

There was general consensus that a second phase and the transition to a second phase should contain a more important role for the private sector. The German delegation suggested investigating mechanisms to involve DEG, the Bank has begun discussions with the IFC, and contacts between the Brazilian Government and the European Community ECIP are also under way.

It was agreed that it would be desirable that Phase II of the Program have the following dimensions:

- inclusion of new countries in the Program's financing;
- increased role of the private sector in financing Phase II
- increased role of other multilateral sources, e.g., IBRD, IDB, OAS, GEF, etc.
- increased role of GOB in financing of Phase II
- improved analysis of pilots to "graduate" some from grant to loan financing, according to agreed criteria
- improved conceptual integration of the program with other project initiatives of the Brazilian Government aimed at promoting sustainable development in the Amazon
- continued deepening of commitment of Amazon state governments to Program objectives

Most delegations agreed that there should be improved burden sharing of the Program relative to Phase I.

It was also agreed that planning for Phase II, along the above lines, should begin now and that GOB/WB would present proposals for discussion at the Manaus (Oct. 97) meeting.

It was also agreed that while evaluation of Phase I and preparation of Phase II proceeds, continued transitional financing for Phase I projects should be approached positively and pragmatically.

Finally, it was agreed that a firm decision would be taken in Manaus about whether to seek to initiate Phase II in 1998 or 1999, as well as to whether to have an Interim Participants' Meeting in April of 1998.

New Funding

The Government of Brazil and the World Bank agreed to provide a detailed justification for financing needs for the US\$ 82 million identified in the joint Government-World Bank paper by the end of April. One element of this would be progress reports on Demonstration Projects and Directed Research projects. In addition, full information would be provided on the Floodplain Management and Fire/Deforestation Control Projects. This information would be made available as soon as possible. In this context, and subject to normal budgetary procedures, certain donors expressed interest in providing support in the areas identified in the joint paper.

Understandings about Financing Mechanisms

The World Bank will draft a framework agreement outlining the procedures for consultation and review with regard to supervision activities (e.g. procurement and disbursement) between Donors and the Bank in cases of parallel financing of projects. This standard agreement would be modified and agreed by the Bank and the donors on a case by case basis in order to accommodate specific Donor requirements.

The proposal for treatment of continuation grants proposed in the Brazil/Bank joint paper was accepted. This proposal envisions that in cases where continuation funding is provided for ongoing projects, any deviation from understanding reached in original approved project should be agreed in writing among donors participating in the project, Government, and the Bank.

The Government/Bank proposal that there be criteria and procedures governing the recognition of bilateral associated projects was also accepted in principle. Donors emphasized, however, the need to ensure that these procedures be kept as simple as possible. The Bank and Government agreed to circulate draft criteria for inclusion of bilateral associated projects before the end of May, for the consideration of the Participants, with the aim of reaching agreement by all Participants at the end of July. These criteria will inter alia, ensure the coherence, consistency, and integration of the projects within the overall goals of the Program.

Consultation about Technical and Policy Issues

Instead of the proposed consultative group, donors preferred to continue to treat policy issues through written correspondence with the respective capitals (letters of "no objection"), annual participants meetings, or, if necessary, special participants meetings

convened on an *ad hoc basis*. To deal with and decide on technical matters it was agreed to better structure the Monthly Meetings in Brasilia.

Other

The World Bank will provide additional accounting of the administrative costs of the Program at the Manaus Participants' Meeting.

The RFT Grant Agreement for the Forest Resources Management Project was signed. The project will be co-financed by the German KfW and will receive technical cooperation from ODA and GTZ.

A list of participants is attached.