

**Inter-American Development Bank
Technical Cooperation Program (Trust Fund Financing)**

TC BRIEF

BR-T1039

I. GENERAL INFORMATION

- **Name of the TC Project:** Brazil Country Environmental Analysis
- **Name of the Trust Fund:** The Netherlands-IDB Partnership Program in the Environment (NPE)
- **Team Leader/Members:** Leader: Maria Claudia Perazza (RE1/EN1); other members: Héctor Malarín (RE1/EN1); Mario Gallego (RE1/EN1); Eduardo Figueroa (COF/CBR); and Alicia S. Maldonado (RE1/EN1)

- Beneficiary country:** Brazil
- **Executing Agency:** Inter-American Development Bank. Environment and Natural Resources Division, Regional Operations Department 1 (RE1/EN1)
- **Financing plan:**

IDB: Netherlands Partnership Program in the Environment (NPPE)	US\$	120,000
BID:	US\$	30,000
Total:	US\$	150,000
- **Tentative dates:**

Approval: June, 2006	Execution: 6 months
Disbursement:	8 months

II. BACKGROUND

- 2.1 Brazil possesses one third of the world's tropical rain forest, 11% of the world's stock of fresh water, the second longest coastal shore, and its savanna has the highest biodiversity in the world. Traditionally, Brazil has based its economy on the extraction and processing its natural resources. The forest sector alone is responsible for 4% of the GDP.
- 2.2 Managing natural resources is crucial for a country with such natural wealth, and it is appropriate that Brazil benefits from its natural resources. However, despite its importance, Brazil faces major challenges to reverse a trend of unsustainable use of the country's natural resource base. Protection of the environment is urgently needed since much of the damage is irreversible, as the near disappearance of Brazil's *Mata Atlântica* clearly demonstrates.
- 2.3 In the Amazon, limiting open access to the interior, while promoting sustainable use of its natural assets is key to avoiding irreversible damage that could foreclose future options. Other ecological systems such as the *Cerrado* and *Caatinga* are under environmental pressure from new agricultural land use, requiring swift implementation of protection measures through zoning activities and improved enforcement.
- 2.4 The direct relationship between poverty and environmental degradation is evident in the urban areas in Brazil, where urban degradation due to lack of clean water and sanitation affects the poor disproportionately. Priorities to move the brown agenda must consider the need for review of strict technical standards that preclude provision of water and sanitation services to the poor,

work with municipalities to expand successful solutions to improve solid waste management and to streamline integration of urban planning and slum upgrading.

- 2.5 The current Technical Cooperation is intended to continue the dialogue and provide analytical work on environmental issues that will assist the GOBR, in the context of its engagement with the Bank, in continuing the integration of economic, social and environmental components of sustainable development into mainstream planning and decision-making processes.

III. OBJECTIVES

- 3.1 The objective of this Technical Cooperation is to prepare a Country Environmental Analysis (CEA) for Brazil, which has the following goals (i) place environment squarely within the context of the country's socio-economic development; (ii) identify opportunities that demonstrate synergies between good environmental governance and sustainable economic development; (iii) identify environmental risks that can threaten or undermine economic and/or social development; and (iv) consolidate environmental information and analysis (including indicators and baseline data) that will enable the Government of Brazil (GOBR) and the Bank to establish priority actions to promote environmental mainstreaming, to monitor the performance of these actions and to define key strategic areas for improving environmental management.
- 3.2 To achieve this objective, the CEA will be strategic, meaning it will focus on placing environmental issues in Brazil into the context of the sectors or areas that are the most relevant to the country and its engagement with the Bank. The CEA will also be strongly analytical, meaning that the findings and recommendations will be well supported with quantitative and/or rigorous qualitative information, and the emphasis should be on essential facts, linkages and dynamics, rather than detailed descriptions and background information.

IV. DESCRIPTION

A. Key elements

- 4.1 The CEA will provide input to the Bank's Strategy being developed and the operational programming with the Country. Furthermore, the methodology to be applied shall be consistent with the priorities reflected in the Bank's Environment Strategy and the Institutional Strategy.
- 4.2 The preparation of the CEA will be structured in three phases:
- a. Analysis of the current state of Brazil's environmental resources, with a special focus on areas of particular concern to Brazil, identified through a dialogue with stakeholders and focus groups in Brazil, such as: (i) sustainable use of key natural ecosystems; (ii) cross-sectoral issues affecting them; (iii) the existing environmental governance framework; (iv) the Country's development priorities and plans; and (v) the assistance programmes of bilateral, multilateral and international organizations.
 - b. Identification and analysis of the priorities for environmental actions in Brazil, based on this analysis, using a set of prioritizing criteria specifically developed for this CEA. The aim is to clearly determine the environmental opportunities and risks associated with key areas of social and economic development in the country. To achieve this goal, the analysis must be focused and well balanced at the same time, to take into consideration the complexity and diversity of the issues as well as the scope of the Bank's dialogue with the country.

- c. Formulation of recommendations for Bank support and financing based on this analysis, the dialogue with stakeholders, as well as the Bank's portfolio in Brazil and its strategy and comparative advantage in the country. Given the breadth of Brazil's key economic sectors and its environmental heritage, the assessment, and the recommendations made to the Bank on the basis of the CEA, shall emphasize two priority areas - environmental management and innovation (to address negative externalities of key economic activities) and biodiversity and forests (to sustain Brazil's ecologically and economically valuable rainforests).

- 4.3 The CEA will be carried out by the Consultant in close collaboration with local environmental and other government agencies, as needed, and with the Bank Project Team. Stakeholders will also be identified and consulted selectively in all phases of the CEA preparation, and attention will be given to analyzing the impacts and risks that may affect women, indigenous peoples, and the poor.

B. Consulting services required

- 4.4 The Consultants will present the preliminary analyses, findings and recommendations through a series of workshops in Brazil, with the support of a Draft CEA report. The final results, including the feedback received, will be presented in a final CEA report.
- 4.5 The TC will finance a consulting firm or a association of firms with experience and technical expertise in preparing country-level strategic environmental analyses, in particular in South American countries. The selection process will be carried out in accordance with the Bank's procurement rules.
- 4.6 Qualifications of the consultants: the core team for this project consist of a minimum of five consultants: a project team leader with extensive experience in multidisciplinary team coordination, and management of projects involving strategic assessment integrating environmental, social and economic considerations in a developing country context (possible backgrounds for the position include Geography; Natural Resources Economics, Environmental Planning or related fields); (ii) institutional specialist with experience in analyzing environmental governance frameworks, in Latin American countries (preferably in Brazil); (iii) natural resources economist, with experience in cross-sector analysis and private sector development; (iv) a specialist in environmental sciences with experience in the assessment of impacts of development projects; (v) a specialist in development policy and planning. The Consultants have the flexibility of proposing additional specialists for the team, within the limits of the available budget .

C. Outputs

- 4.7 The main expected result of the CEA is an improved understanding by the GOBR, the Bank, local communities, the private sector and other stakeholders in Brazil of the major natural resource constraints facing the country and the priority actions required to promote environmentally sustainable socio-economic development.
- 4.8 The three expected products of this Technical Cooperation are: (i) an initial report presenting the detailed work plan to be submitted shortly after the start-up of the project; (ii) a draft CEA report with the preliminary results of the consultant's work that will serve as the basis for discussion in a series of workshops with stakeholders in Brazil; and (iii) the final CEA report on the findings and recommendations, to be submitted after a workshop in Washington, D.C. to disseminate the results within the Bank, which incorporates the feedback received on the draft report including the feedback received during the workshops.

D. Duration

- 4.9 The project will be executed within 6 months, with a disbursement period of 8 months.

V. COST AND FINANCING

- 5.1 The total cost of the project is US\$150,000, which will cover the cost of contracting consulting services and related costs, specifically travel and per diem expenses, as well as the costs of report production. Funds to the amount of US\$120,000 have been allocated to this project by the The Netherlands-IDB Partnership Program in the Environment (NPE). The Bank will provide the remaining funds through administrative budgetary allocation at SDS/ENV, under the 2006 Sustainability Initiative. Since the Country Environmental Analysis is primarily an input to the Bank's programming with the country, no counterpart financing or co-financing are being solicited. A detailed cost table is presented in Annex I.

VI. TECHNICAL AGENCY AND EXECUTING STRUCTURE

- 6.1 Technical and administrative responsibilities for the project rests primarily with the Environment and Natural Resources Management Division of the Regional Operational Department 1. The Team Leader for this Technical Cooperation is Maria Claudia Perazza (RE1/EN1). (e-mail: mariacp@iadb.org; phone: 202-6232888; fax: 202-6231417). Technical support for the project will also be provided by the Country Office in Brazil, specifically by Eduardo Figueroa (e-mail: eduardoaf@iadb.org; phone: (55-61) 317-4022).

VII. MAJOR ISSUES

- 7.1 A potential risk to a timely and successful execution of this project is the difficulty of hiring a highly qualified consulting firm to carry out the CEA, which requires diverse technical knowledge, strong analytical skills, solid experience with strategic planning and with stakeholder consultations, and the ability to draw the findings from the assessment clearly and concisely, considering the breadth and complexity of the environmental issues a country the size of Brazil. The mitigation of this risk will be addressed during the project preparation through the design of detailed Terms of Reference that include specific methodological requirements for the CEA, as well as minimum qualifications required from the team of consultants.
- 7.2 A second risk regards the level of participation of key stakeholders, especially from government agencies, which is essential to the quality of the analysis. To mitigate this risk, the project is being discussed with the GOBR since its inception, including the scope of the TOR for the CEA, and stresses active dialogue between the government, other relevant stakeholders and the consultants.

VIII. SOCIAL AND ENVIRONMENTAL STRATEGY

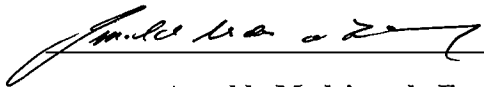
- 8.1 The CEA will complement the forthcoming Bank Strategy with Brazil. Through the dialogue with stakeholders in the country, it is designed to identify non-financial products, technical cooperation and grant-financed operations that can assist the GOBR and the Bank in establishing the foundation for a more sustainable development of Brazil. Given the nature of the project, no direct environmental or social impacts are foreseen.

IX. RECOMMENDATION

- 9.1 Maria Claudia Perazza, designated team leader for the project in reference, recommends the approval of this operation and the use of resources from the The Netherlands-IDB Partnership Program in the Environment (NPE) totaling up to US\$150,000 in order to finance the corresponding project.

X. CERTIFICATION

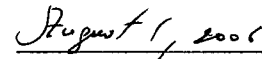
- 10.1 I certify that this operation was approved for financing by the donor of The Netherlands-IDB Partnership Program in the Environment (NPE) through an e-mail dated April 20, 2006 signed by Aart van der Horst from the Dutch Ministry of Foreign Affairs and addressed to Ricardo Quiroga. Also, I certify that resources from the The Netherlands-IDB Partnership Program in the Environment (NPE) are available for up to one hundred twenty thousand dollars of the United States of America (US\$120,000) in order to finance the activities described and budgeted in this document. The commitment and disbursement of these resources shall be made only by the Bank in US Dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.



Arnaldo Medeiros da Fonseca Jr.

Chief

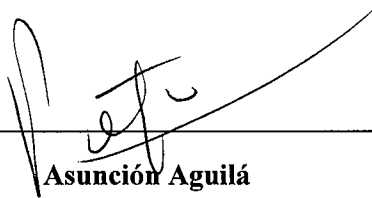
Technical Cooperation Coordination Unit



Date

XI. APPROVAL:

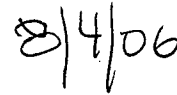
Approved:



Asunción Aguila

Chief

**Environmental & Natural Resources Management
Division, Region 1**



Date