

TC PROFILE

I. BASIC PROJECT DATA

Country/Region:	Brazil , Region 1		
Program Name/Number:	Sustainable Development Plan for the Rio Uruguai Watershed BR-T1018		
Team Leader/Members:	Team Leader: Kleber Machado (RE1/EN1). Members: Maria Claudia Perazza (RE1/EN1), Coral Fernandez (RE1/EN1), Eduardo Figueroa (COF/CBR), and Alicia Maldonado (RE1/EN1)		
Date of Request:	August 31, 2004		
Beneficiary country:	Brazil		
Executing Agency:	Inter-American Development Bank		
Financing plan:	Japanese Trust Fund for Consultancy Services - JCF	US\$	1,200,000
	Local counterpart		
	Santa Catarina State Government	US\$	750,000
	Rio Grande do Sul State Government	US\$	750,000
	Total project cost:	US\$	2,700,000
Technical and Basic Responsibility:	Technical Responsibility: RE1/EN1 Basic Responsibility: CBR		
Tentative dates:	Loan Committee/EVP: 9/15/05	PRE:	9/30/05

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 This Technical Cooperation responds to a request made by the States of Santa Catarina and Rio Grande do Sul to support the preparation of a Master Plan for the Sustainable Development of the Rio Uruguai Hydrographic Region. This Hydrographic Region of approximately 174,300 km² is of great importance to Brazil due to its agro industrial contribution and its hydroelectric potential. Together, with the Paraná and the Paraguai Hydrographic regions, forms the vast Prata Hydrographic Region.
- 2.2 There is not a Sustainable Development Plan for the Rio Uruguai that has resulted from a decentralized and participative planning process for the development of the region. This has generated, among others, problems such as: (i) Conflicts over property rights and use of the resources among users; (ii) lack of legal security over property rights which has hampered private investment in the sector; (iii) disperse regulations and norms, sometimes contradictory; and (iv) different authorities and institutions regulating and overseeing the hydrographic region in the absence of clearly defined regulatory framework to attend to the region and resolve conflicts.
- 2.3 As a result, the Hydrographic Region presents high levels of pollution (industrial, urban, and agro industrial), soil erosion, flooding, change in ecosystem structure, as well as lack of access to drinking water and lack of sanitation. The population of the region is estimated in 3,834,654 habitants, and only 17.2% has access to sanitation, which is below the national average of 52.5%. The percentage of treated sewage in these states is very low; only 6% of the watershed has sewage treatment compared with 17.8% at the national level.

- 2.4 The Governments of the States have created the legal and institutional framework to elaborate the Master Plan for the Region and have established the Sustainable Development Project of Uruguai River Hydrographic Basin – PRÓ-RIO URUGUAI – GUARANI AQUIFER (State Decree no. 42,400 - Clause 1 for the State of Rio Grande do Sul; and State Decree no. 1,669 for the State of Santa Catarina). The specific objectives of this program are: (i) to promote the institutional strengthening and consolidate the legal framework for prevention and reduction of the environmental damage in the watershed; (ii) to elaborate an integrated Plan for the environmental management and sustainable development of the watershed; (iii) to promote the participation of the private sector and the civil society in the sustainable use of the natural resources; and (iv) identify, analyse, prioritise, and execute investments to reduce the pollution of the watershed and to recover degraded areas.
- 2.5 The Master Plan will identify investments and interventions for which financing sources will be identified. The Plan could be used in the coordination and preparation of Bank's loans and interventions in the watershed area, including regional integration programs.
- 2.6 The Bank's strategy with Brazil establishes three objectives: (a) Promote sustainable growth, with stability and environmental sustainability; (b) Reduce poverty, promote social inclusion, and enhance social and regional equity; and (c) Support institutional strengthening and promote democracy and participation. To achieve these objectives, the Bank will focus its cooperation with Brazil on four areas: (a) Productivity and infrastructure, (b) Poverty, equity, and human capital formation, (c) Living conditions and efficiency in cities; and (d) Modernization of the State and institutional strengthening. In addition to these areas of strategic activity, the Bank has assigned priority to certain crosscutting areas: integration; the environment; and reducing regional, gender, and racial inequality. The proposed TC contributes to the Country Strategy in the environment and natural resource area by carrying out activities that will identify measures to curb the environmental impact of productive activities and to improve the environmental quality of the watershed; improve the environmental management and the sustainable use of the watershed; strengthen the coordination capacity of sub-national agencies responsible for environmental monitoring; and increase participation by civil society and the private sector in environmental protection and sustainable economic activities.

III. PROGRAM OBJECTIVE AND DESCRIPTION

- 3.1 The general objective is to contribute to the efforts being undertaken by the Governments of the States of Santa Catarina and Rio Grande do Sul in improving the quality of life by increasing income and employment opportunities and reducing poverty level, regional inequalities, and environmental degradation in the Rio Uruguai Hydrographic Region. The purpose of this TC is to support the States in developing a Master Plan that will serve as a planning instrument for the sustainable development and environmental management of the watershed.
- 3.2 To achieve the aforementioned objectives, the proposed technical cooperation will finance consultancy service and participatory workshops. The Technical Cooperation will have four components:
- a. **Watershed diagnosis.** This component will elaborate a detailed diagnosis of the environmental quality of the watershed, including its relationship with subsurface

waters. In particular it will characterize the region and any factors affecting its environment such as water and sanitation, industrial and agricultural pollution, solid waste, biodiversity, water resources management, flooding, soil erosion control, etc. This diagnosis will serve to identify and prioritize the actions (methodological and otherwise) needed to address the issues identified (see b).

- b. **Institutional Analysis.** This component delineates functions and responsibilities of the two States to coordinate and ensure the participation of all the actors involved in the Rio Uruguai Hydrographic Region. During the formulation of the Plan it will: (i) strengthen the capacity of the States for integrating and coordinating central government and municipal decisions on environmental management at the watershed level; (ii) develop instruments for making compatible the decisions of the sub national and national authorities regarding the rational and sustainable management of natural resources; and (iii) formulate a proposal to improve on private sector participation and to foster Public-Private Partnerships at the sub-national level, formulate an institutional development plan taking into account financial, technical and institutional restrictions.
- c. **Sustainable Development Strategy.** This component will identify and prioritize the actions needed to improve the environmental quality of the region while at the same time achieving sustainable economic growth. Based on the diagnosis of the watershed, the sustainable development strategy will identify and prioritize the actions needed to address the issues identified in a). It will analyze the economic structure of the region, its capacity and potential to generate employment opportunities and increase incomes, and determine under which conditions the region can achieve a sustainable development growth that will allow for a greater impact in reducing poverty levels. Finally a program of interventions will be proposed that can be financed in the future and that will respond to the demand and the objectives set forth in the Master Plan.
- d. **Monitoring and Evaluation System.** This component will support the development of a monitoring and evaluation system that: (i) will include spatial and temporal information of the hydrographic region; and (ii) will serve to monitor and evaluate the implementation of the master Plan. To avoid duplications the system will be based on existing monitoring systems.

IV. COST AND FINANCING

- 4.1 The total cost of the proposed operation is US\$ 2,700,000 and it will be financed with funds provided by the Japanese Trust Fund for Consultancy Services (JCF) for up to US\$ 1,200,000 and with local counterpart for up to US\$ 1,500,000. The resources could be used for financing Participatory Workshops (including travel and per diem of participants), consultancies, and other expenses related to the execution of the TC. The estimated costs are presented in the following table.

Type of Expense	Months	JCF Total	Local Counterpart	TOTAL
<i>Activities of the TC</i>				1.230.000
<i>Elaboration of Watershed Diagnostic</i>	24	500.000	60.000	560.000
Sustainable Development Strategy	24	200.000	20.000	220.000
Institutional Analysis	7	100.000	10.000	110.000
Monitoring and Evaluation System	7	70.000	20.000	90.000
Overhead		250.000		250.000
Other Costs of the TC:				1.320.000
Equipment and training			50.000	50.000
General support			20.000	20.000
Local Personnel			250.000	250.000
Participatory Workshops (includes preparation of Communication Strategy, travel and per diem of participants, moderators, note takers)			900.000	900.000
Publications and Dissemination (Includes Implementation of Communication Strategy)			100.000	100.000
Auditing and Evaluation		40.000		40.000
Contingencies		40.000	70.000	110.000
TOTAL		1.200.000	1.500.000	2.700.000

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The executing agency will be the Inter-American Development Bank in coordination and with the support of the two State Executive Secretariats that have been created for this purpose in the framework of the *Sustainable Development Project of Uruguai River Hydrographic Basin* (See 2.4). The Bank's Office in Brazil with the support of RE1/EN1 will be jointly responsible for supervising the work a consulting firm, in coordination with the Executive Secretariats.
- 5.2 In each State have also been created a Director Council and a Consultative Committee. The aforementioned Executive Secretariats will oversee the elaboration and implementation of the Plan and will be responsible for: (i) guaranteeing that the objectives of this TC and the Plan be met; (ii) providing technical counterparts to the consultants; (iii) facilitating and ensuring the coordination between the consultants and local organizations and private and public institutions that bear relevance to the project; (iv) providing support personnel, office space, telecommunication and transportation; and (v) coordinate activities regarding the financing for the execution of the Master Plan. The coordination mechanism between the two Executive Secretariats has been finalized in the form of a *Protocol of Intent* and its is waiting to be signed by the Governors of both States.

VI. MAJOR ISSUES

- 6.1 The major issues that will have to be addressed during preparation of the Plan of operations include: (i) the bi-state nature of the execution arrangement which will require to coordinate every aspect of the execution of this TC; and (ii) the multi-institutional arrangement for the elaboration of the Plan that will require multiple instances of consultation and discussion of the proposals and demands that will require a great effort of coordination and supervision during execution.

VII. ACTION PLAN

- 7.1 The project team and the beneficiary agencies will develop a plan of operations for this operation, which could be presented for approval during the four quarter of 2005. A mission may also be needed to finalize details during the preparation of the plan of operations.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 This operation will have positive environmental and social impacts in view of the fact that all the activities to be financed are intended to create, develop and strengthen local public and private capacities that will allow achieving a rational and sustainable development of the Rio Uruguai Hydrographic Region. This operation will not require measures to mitigate possible impacts since the Plan will seek to solve environmental and social problems within the framework of sustainable economic growth and development. This operation will produce a Master Plan, which will result from an all-encompassing and participatory consultation exercise where sub national governments, Regional Development Secretariats, Regional Development Councils (CODERES), Basin Committees and civil society are fully engaged in the preparatory process.
- 8.2 The Plan resulting from this operation will include environmental and social contingency measures to deal with undesirable environmental and social impacts, as well as to maximize environmental and social benefits of the development of the watershed. Additionally, the Plan will include strengthening of the regional capacity for managing the watershed, especially of the State Governments, the Basin Committees, Regional Development Secretariats, and the CODERES.