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Folder Title:
Brazil Environmental Conference 1991

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G	15	24	6	2

Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Report	Re: US Strategy for UNCED (1 pp.)	10/15/91	(b)(1)	C
01b. Report	Re: Strategy: General (1 pp.)	n.d.	(b)(1)	C
02a. Report	Re: US Strategy for UNCED (1 pp.)	10/15/91	(b)(1)	C
02b. Report	Re: Strategy: General (1 pp.)	n.d.	(b)(1)	C
03a. Report	Re: Strategy: Forests (1 pp.)	n.d.	(b)(1)	C
03b. Report	Re: Strategy: Oceans (1 pp.)	n.d.	(b)(1)	C
03c. Report	Re: Strategy: Climate Change (1 pp.)	n.d.	(b)(1)	C
03d. Report	Re: Strategy: Biological Diversity/BioTechnology (1 pp.)	n.d.	(b)(1)	C
03e. Report	Re: Strategy: Earth Charter and Agenda 21 (1 pp.)	n.d.	(b)(1)	C
03f. Report	Re: Strategy: Financial Resources (1 pp.)	n.d.	(b)(1)	C
03g. Report	Re: Strategy: Institutions (1 pp.)	n.d.	(b)(1)	C

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Collection:

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**US STRATEGY
for UNCED**

OVERALL

Recognizing that the preparatory process and the Rio meeting are likely to be chaotic, highly politicized, and high profile, we should focus our efforts on: (1) targeting achievements that serve our interests and demonstrate an appropriate commitment; and (2) averting bad ideas. Even if the Conference is a mess, we will be positioned to point to accomplishments (or at least a positive agenda we sought to press). Moreover, having our own agenda will better position us to block a last minute rush by Conference participants to poor ideas. We have a good record and good proposals; we should get credit for them. Also, it's hard to beat something with nothing.

POSSIBLE ACHIEVEMENTS

- 1. ● Conclusion of a Statement of Principles on Forests *Per JWS - risky slope*
- 2. ● Conclusion of a Statement of Principles on Oceans *look for US extreme position*
- 3. ● Focus on the conservation of species (including drawing from our good record on habitats), including a process for the "Inventory and Assessment of Biological Diversity". [Note: this is not the same as a convention on biological diversity.]
- 4. ● Agreement on a Process for Technology Cooperation in a market context.
- 5. ● Endorsement of a reconstituted Global Environment Facility as the funding mechanism for international environmental treaties.
- 6. ● To be completed by time of Rio Conference: a satisfactory framework Convention on Climate Change.

NOTE: Concentration on forests and oceans, areas where we are strong, could be the basis of a theme that we're concentrating on approximately 75-80% of the Earth's surface (the figures vary depending on the definition of forests).

CHALLENGES: Problems to Manage

- Earth Charter and Agenda 21
- Financial Resources: sources, amounts and mechanisms.
- Climate Change negotiations and possible UNCED interference.
- Biological Diversity: avoid restrictions on Biological Technology.
- Tropical Rain Forests: develop workable program for Brazilian Rain Forest project endorsed by G-7.
- Institutions: avoid establishing new ones; streamline existing ones.

Assessment

- Chaotic, high profile and highly politicized process and event.
- USG shouldn't be reactive: can get ahead of the curve and identify key proposals we favor that can be accomplished (e.g. forest principles). This helps us set the terms of the debate. We can then emphasize our positive agenda.
- Difficult to control documents like Earth Charter and Agenda 21: focus on getting USG proposals included, stopping bad ideas and limiting the effect of any result if it cannot be salvaged.
- Keep focus on key proposals -- the list of accomplishments we can point to. Avoid being drawn into blackhole of wishlists. (Play offense, not defense, to the degree possible).

USG Work

- PCC review of PrepCom decisions: prepare reports and recommendations for EPRG review.
- Establish small group on financial resources to develop USG proposal for changes in the GEF and to develop strategy for working this issue with major donor countries.
- Prepare specific proposals for inclusion in Earth Charter and Agenda 21; these ideas should promote our themes about research, sustainable development, and the use of economic analysis and market mechanisms.
- Identify EC/Agenda 21 ideas we wish to stop.

External Work

- Demarche key capitals through posts:
 - Reiterate our strong interest in a successful and productive UNCED;
 - Note our general assessment of and concerns about Prepcom process;
 - Indicate our intention to continue to move ahead with specific proposals on forests, oceans, technology cooperation, etc.
- Target appropriate ministries in key capitals on specific issues (e.g., finance ministries on financial resources and GEF).
- Use major international conferences and meetings to further our objectives, e.g. OECD Environment and Development Ministerial (Paris, December, 1991).
- Work issues during UNGA and UNGA Second Committee sessions (September - December, 1991).

**US STRATEGY
for UNCED**

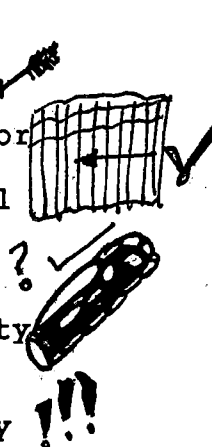
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POSSIBLE ACHIEVEMENTS

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- To be completed by time of Rio Conference: a satisfactory framework Convention on Climate Change.

*Training →
Finance*



NOTE: Concentration on forests and oceans, areas where we are strong, could be the basis of a theme that we're concentrating on approximately 75-80% of the Earth's surface (the figures vary depending on the definition of forests).

CHALLENGES: Problems to Manage

- *What is purpose...?* Earth Charter and Agenda 21
- Financial Resources: sources, amounts and mechanisms.
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will come back to bite us



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EARTH CHARTER

External Work

- Demarche key capitals through posts:
 - Reiterate our strong interest in a successful and productive UNCED;
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- Target appropriate ministries in key capitals on specific issues (e.g., finance ministries on financial resources and GEF).
- Use major international conferences and meetings to further our objectives, e.g. OECD Environment and Development Ministerial (Paris, December, 1991).
- Work issues during UNGA and UNGA Second Committee sessions (September - December, 1991).



Objectives

- Conclusion of a Statement of Principles on Forests.

Assessment

USG tabled set of principles 6/91; UNCED Secretariat draft statement of principles largely reflects USG approach; Prepcom draft includes all USG principles, in various forms; forest items for Agenda 21 were not discussed during Preparatory Committee 3 (Prepcom 3); most key countries constructively engaged in negotiations (exceptions Malaysia, India, Mexico).

USG Work

- Set of Principles agreed interagency/EPRG.
- Review text from Prepcom 3:
 - PCC Working Group to review and forward recommendations to EPRG.
 - PCC to continue work on specific programs or projects to implement Principles (to be included in Agenda 21).
 - EPRG to review and approve PCC recommendations on Principles and specific programs or projects.

External Work

- Use forest-related international meetings to promote our principles, e.g.:
 - World Conference on Parks & Protected Areas (Venezuela, February, 1992).
 - Tropical Forestry Action Plan meetings (TFAP).
 - International Tropical Timber Organization (ITTO) meeting.
- Use UNCED Secretariat meetings to ensure discussions during Prepcom 3 are accurately reflected.
- Use scheduled travel of appropriate U.S. officials to work bilaterally with key countries.
- Demarche core capitals through posts:
 - Like-minded industrial countries (e.g. Canada, Japan, UK, Netherlands, EC, Sweden).
 - Agree on most important principles and possible language.
 - Develop strategy for approaching core producer countries (e.g., Canada has been working with Malaysia).
 - Core producer countries (Brazil, Indonesia, Malaysia).
- Develop strategy for approaching mid-tier producers and others (e.g., Soviet Union, China, PNG, Thailand, Cameroon, Ghana, Cote d'Ivoire, Ecuador, etc.).

Objectives

- Reach Agreement on a Set of Principles on Oceans.
- Adopt a Coherent Strategy and Plan of Action on Measures to Address Land-Based sources of Marine Pollution.
- Adopt an Agenda for Action to Conserve and Protect Ocean Resources, through greater emphasis on Ocean Data and Monitoring and Integrated Coastal Zone Management.

Assessment

U.S. tabled four comprehensive documents on living marine resources, marine pollution, coastal zone management and ocean data and monitoring, and outlined its strategy on each subject areas 3/91; U.S. tabled its Ocean Principles 8/91; Chairman's Working Paper from Prepcom 3 contains many U.S. initiatives and enjoys widespread support (however, the paper also contains unilateral statements that do not reflect UNCED discussions; the section on living marine resources was contentious, especially for the Latins and the EC.

USG Work

- PCC Working Group is reviewing Chairman's Paper and preparing positions for Prepcom 4.
- PCC subgroup on Living Marine Resources is developing a substitute paper that was submitted to the UNCED Secretariat 10/15/91.
- PCC Subgroup on Marine Pollution to follow-up on informal meeting in Land-Based Sources of Marine Pollution (9/30-10-4).

External Work

- An intergovernmental meeting on Land-Based Sources of Pollution will be held in Nairobi, December, 1991.
- Intersessional contacts with the Latins and the EC are anticipated to resolved Living Marine Resources Issues.
- Intersessional contacts with Antarctic Treaty Parties will attempt to resolve references to Antarctica placed in the Chairman's Working Paper by Malaysia for leverage in other UNCED issue areas.
- AID used Central American workshop on Coastal Zone Management to urge support for the U.S. principles on ecosystem management (9/91).
- Contacts with the Secretariat will continue.
- Will demarche all capitals prior to Prepcom 4 to outline U.S. approach on outstanding issues and urge support.

Strategy: Climate Change

Objectives

- Conclusion of a satisfactory framework convention on climate change.
- Avoid UNCED interference in negotiating process.

Assessment

At most, three International Negotiating Committee (INC) sessions remain (December, February and possibly April); negotiating text likely to be produced during or after December session; agreement likely on general obligations but OECD will remain split over specific commitments (targets/timetables); developing countries will condition their participation on provision of funding and technology.

USG Work

- Seek interagency (Bromley Group) agreement for U.S. to play more active role in establishing the structure and process (like IEA country reviews) under the convention and identify additional domestic actions to reduce net emissions.
 - PCC Working Group to develop specific positions on institutions/procedures and forward the Bromley Group.
 - Bromley Group to review and approve PCC proposals.
 - Bromley Group to consider possibilities for additional domestic actions.
- Intensify public diplomacy to demonstrate that the U.S. is ahead of others in most environment areas, responsive to developing country concerns and that our approach to climate is rooted in science and common sense.
 - PCC working Group to finalize and publish an inventory of U.S technology cooperation efforts in progress.
 - Explore with USIA opportunities to promote U.S. environmental record/climate positions and continue domestic speaking engagements.

External Work

- Demarche key OECD and developing country capitals on U.S. proposals for convention structure and process.
- Participate in informal meetings with other OECD countries and INC Chairman to craft a structure and organization for the convention conducive to our approach.
- Use meetings in related fora to push U.S. agenda.

Strategy: Biological Diversity/BioTechnology

Objectives

- Focus on the conservation of species (including drawing from our good record on habitats), including a process for the Inventory and Research of Biological Diversity.
- Avoid restrictions on BioTechnology.

Assessment

Negotiations on a Convention on Biological Diversity seriously off-track; discussions during Prepcom unproductive; proposed focus on conservation of species not broached.

USG Work

- PCC Subgroup on biological diversity should prepare proposal to establish an international process for inventorying and research on biological diversity (working closely with the Smithsonian).
- AID to compile list of U.S.-funded projects related to biological diversity (bilaterally and through multilateral funding mechanisms).

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Strategy: Earth Charter and Agenda 21

DRAFT

Objectives

- If there is an Earth Charter (EC), ensure it either meets our interests or is clearly hortatory.

Assessment

Prepcom 3 produced a long compilation of national proposals of principles grouped under 17 categories; U.S. proposals are all included. No consensus on the form principles should take: most developed countries favor short, non-binding "Earth Charter"; developing countries favor more detailed, development-oriented "Rio Declaration on Environment and Development"; Latins favor legally-binding instrument; Mexico proposed including the principles as the preamble to Agenda 21 rather than having a stand-alone document. Many of the proposed principles are problematic for U.S.; little likelihood we can block or shape them all to our liking. Lack of consensus on form of principles statement gives U.S. flexibility to negotiate adequate place for U.S. proposals.

USG Work

- PCC Subgroup on Legal Issues to review text from Prepcom3 and agree on negotiating position/acceptable language for each proposed category of principles.

External Work

- Use UNEP Legal Experts meeting (10/30-11-2) to promote U.S. principles.
- Consider working on margins of ongoing negotiations (e.g., climate, biological diversity) to promote U.S. principles.
- Use meetings with UNCED Secretariat (and contact with Czechoslovak Working Group Chair) to stress importance of U.S. principles in final output of UNCED.
- Demarche core capitals through posts:
 - Seek agreement of industrial democracies (e.g., Canada, Japan, EC, Nordics) to more detailed treatment of democratic principles.
 - Approach key developing countries (China, Brazil, India, Nigeria, Mexico, Chile, Colombia, Peru) for support of U.S. principles.
 - State clear U.S. position on other proposed principles.

~~CONFIDENTIAL~~

DECLASSIFIED
PER NSC WAIVER #2021-02
By MM NARA, Date 7/16/2021

Objectives

- Endorsement of reconstituted Global Environmental Facility in World Bank as the funding mechanism for international environmental treaties; avoid establishment of multiple funds.
- No commitment to "new and additional" financial resources.
- Develop guidelines for financing sustainable development.

Assessment

Proposals from developing countries emphasize providing "new and additional financial resources" (above 0.7% GDP) and creation of a new "Green Fund" and separate funds for specific issue areas (e.g. climate change, biological diversity, forests). All OECD countries, except the US, express willingness to accept language on "new and additional" financial resources; most prefer GEF as general funding mechanism but have concerns about its present operation; some may be willing to consider special funds within the GEF to finance specific conventions (similar to the Montreal Protocol Fund). Canada remains reluctant to accept GEF.

USG Work

- Task force to develop proposal for specific changes in GEF, addressing:
 - Responsiveness of Bank to donor concerns.
 - Transparency of process
 - Integration of UNEP and UNDP in planning and selection process.
 - Use of Scientific and Technical Advisory Panel (STAP).
 - Participation of recipient countries.
 - Participation of NGOs.
 - Relationship of GEF to international environmental conventions (existing and being negotiated).
 - Overall Bank approach to sustainable development/integration of environmental objectives into country development strategies.

External Work

- Review general concerns with other donor countries, particularly G-7, during World Bank Annual Meeting.
- Follow-up demarche with Finance Ministries in major donor capitals.
- Work with major donor countries to agree on specific changes in GEF; present united front at GEF Participants meeting (Geneva, December, 1991).
- Work with other donor countries in OECD DAC and preparations for Environment and Development Ministerial (12/91) to develop guidelines for financing sustainable development.

~~CONFIDENTIAL~~

Strategy: Technology Cooperation

DRAFT

Objectives

Assessment

USG Work

External Work

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2008
By SCS NARA, Date 7/1/15

~~CONFIDENTIAL~~

Objectives

- Promote "Unitary UN" policy in regard to UN activities in environment and development by securing UNCED decisions to reorganize and better coordinate existing entities (e.g., UN Environment Program (UNEP), UN Development Program (UNDP)).
- Avoid establishing new institutions or making new financial commitments related to institutions, especially in regard to assessed contributions.

Assessment

The U.S. has taken the lead in developing and presenting proposals for institutional improvements. Other countries have received the U.S. proposals in a generally favorable manner, but are not as far advanced in their thinking, and seem inclined to postpone definitive decisions until the larger UN reform process culminates in 1992. That would unnecessarily delay practicable improvements in the UN's efforts related to environment and development.

USG Work

- Further refine U.S. proposals for UN system-wide coordination among government as well as UN agencies related to environment and development activities.
- Integrate U.S. position on financial mechanisms and/or institutions into this broader coordination scheme.
- Elaborate final details of recommended changes to our enhancements of specific UN entities, especially UNEP.
- Define and secure interagency agreement on measures to better promote and support environment or sustainable development programs at regional and national levels.

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

BARBER B. CONABLE
President

MSF / File
7.3.91
cc: EPC, MTC, NHK
cc: Chewson, state
J. Preston, state
H. Yee, Tsy

July 2, 1991

Dear Colleagues:

As you know, at the Houston summit last year, the heads of state of the Group of Seven requested that the World Bank, in cooperation with the Commission of the European Communities (CEC), prepare a proposal for a pilot program to counteract the threat to tropical rainforests in Brazil. It is my pleasure to submit to you the attached proposal, prepared by the Government of Brazil with technical input from staff of the World Bank and the CEC. The proposal is accompanied by a cover note that reflects the joint understanding and agreement of the management of the World Bank and the staff of the CEC. The cover note proposes the establishment of a trust fund under the Global Environment Facility. However, the intention is not to exclude other options. The exact management of the fund and the participation of various agencies will need to be considered by the donors and the Government of Brazil.

Sincerely,

Barber Conable

Mr. Rosario Bonavoglia
Mr. E. Patrick Coady
Mr. Fritz Fischer
Mr. Jean-Pierre Landau
Mr. David Peretz
Mr. N. Frank Potter
Mr. Masaki Shiratori

attachment

cc: Mr. Jacques Delors, President, Commission of the European Communities
Mr. Paulo Ximenes-Ferreira, Alternate

PILOT PROGRAM TO PRESERVE THE BRASILLIAN RAINFOREST**Introduction**

1. At the Houston Meeting in July, 1990 the G-7 Heads of States called for the World Bank, in cooperation with the Commission of the European Communities (CEC), to prepare a proposal for a comprehensive pilot program to counteract the threat to tropical rainforests in Brazil. The Government of Brazil (GOB) expressed its support for such an initiative and formed an Interministerial Commission to oversee preparation of such a proposal. As part of the process of preparing the proposal, staff of the World Bank, the CEC and the GOB held three tripartite meetings and a series of technical missions and discussions. World Bank staff also periodically briefed the Executive Directors of the World Bank representing the G-7 countries, and in response to their requests, and in collaboration with CEC staff, prepared the recommendations set out below regarding the size and activities of the proposed program.
2. The resulting GOB proposal for a pilot program to be executed over a five-year period is attached. The management of the World Bank and the staff of the CEC endorse the objective of the Brazilian proposal and support the establishment, under the administrative umbrella of the Global Environment Facility, of a Rainforest Fund to carry out activities to support that objective. The program would pertain mainly to the Amazon Rainforest but would also provide limited support to preserve the Atlantic Forest.
3. The objective of the pilot program is to maximize the environmental benefits of Brazil's rainforests consistent with Brazil's development goals, through the implementation of a sustainable development approach that will contribute to a continuing reduction of the rate of deforestation. The attainment of this objective would: demonstrate the feasibility of harmonizing economic and environmental objectives in tropical rainforests; help preserve the huge genetic resources of the rainforests; reduce the Amazon's contribution to global carbon emissions; and provide another example of cooperation between developed and developing countries on global environmental issues. Preservation of biodiversity, reduction in carbon emissions, and new knowledge about sustainable activities in tropical rainforests represent benefits that are global in scope and justify financial transfers from the international community to Brazil.
4. The GOB has already committed its own resources for conservation activities in its rainforest areas, including through normal World Bank financing, and is committed to undertaking the activities outlined in the attached proposal with its own resources. New and largely concessional resources would permit more rapid, wide-ranging implementation of these activities than could otherwise be undertaken, given the government's limited resources and other priorities.
5. A mechanism, the Global Environment Facility (GEF), is already in place by which to channel concessional resources to developing countries to address global environmental objectives. Some portion of the proposed pilot program in Brazil could be financed from the Global Environment Trust Fund (GET) under the GEF. However, existing GET resources are inadequate to address the scope and urgency of the threat to Brazil's rainforests, or to realize the potentially large joint benefits to the global community of the proposed pilot program in Brazil. The establishment of a Rainforest Fund under the GEF would permit supplemental global resources to be channeled to Brazil, while at the same time minimizing administrative costs and ensuring close technical

cooperation with other global programs. Finally, a Rainforest Fund under the GEF could eventually be extended to cover other countries with threatened rainforests.

Background and Rationale for Donor Support

6. Conserving the Amazon and Atlantic rainforests would provide benefits to the global community because together they represent the largest repository of biodiversity in the world and because conservation of the Amazon forest would lead to reduced emissions of carbon gases. These rainforests also provide regional and local benefits through their influence on hydrological cycles and thus local climate, the protection they afford to watersheds, and as homes to indigenous communities with distinctive cultures.

7. Beginning in the 1960s, public investments in roads and other infrastructure and public policies supporting colonization encouraged migration into the Amazon and resultant deforestation. Lacking suitable technology, many farmers practiced an unsustainable form of slash-and-burn agriculture with annual crops. Logging increased; squatters, miners and loggers made frequent incursions onto indigenous lands and brought disease and environmental damage. Investments in hydropower dams and in exploitation of major mineral deposits also contributed to deforestation. Legislation encouraged landholders seeking to legalize their titles to clear forest by defining cleared land as "improved." Fiscal incentives encouraged investment in cattle, sawmills and other enterprises without environmental restrictions. Although new parks and other conservation units were created, the Government lacked resources to protect and manage these areas adequately.

8. As a consequence of these activities and policies, deforestation in the Amazon accelerated, reaching a peak in 1987 when the combination of an unusually dry year and uncertainty over future land legislation caused an unprecedented amount of forest clearance and burning. By 1990, an estimated 8% of the Amazon rainforests had been deforested.

9. Policy Changes. The years 1988-91 proved to be a watershed in the evolution of Brazilian environmental policy. The changes in policy are set out in detail in the attached GOS proposal (pp. 3-5).

- o In 1988 and each year thereafter the federal government has sponsored a special program to prevent forest burning.
- o In early 1989, the Nossa Natureza Program established a National Environmental Fund (FNMA) with the participation of non-governmental organizations (NGOs) on its board; temporarily suspended fiscal incentives for development in the Amazon; and repealed laws encouraging forest clearance as a way of gaining title.
- o In 1990 the GOS created an Environmental Secretariat, SEMAM, reporting directly to the President and under it a single national environmental agency, IBAMA, combining four separate agencies into one. All federal ministries were given responsibility for establishing sectoral plans consistent with environmental objectives.
- o Also in 1990, President Collor appointed an internationally known environmentalist as Secretary of SEMAM, and the GOS established the

- 3 -

National Environmental Program with support from a large World Bank loan to strengthen IBAMA and to protect major ecosystems nationwide.

- o Over the same period, the government instituted new regulations aimed at forest use by industry, initiated a review of federal infrastructure projects and greatly reduced credit subsidies for agriculture and livestock activities (partly as a result of general fiscal austerity).¹

- o In 1991 fiscal incentives for the Amazon and Northeastern regions were officially restored. Congress rejected proposals of the executive branch that would have set market rates of interest for credits under the program. However, the legislation does explicitly restrict subsidies for ranching to areas designated as appropriate on environmental grounds, and mandates environmental licensing for all projects benefiting from incentives.

10. Partly as a result of these changes, and partly as a result of natural and market conditions, rainforest clearing in the Amazon has declined each year since 1987.

11. Existing Constraints. To firmly secure for the future the environmental benefits of the rainforests in Brazil requires that three critical constraints be addressed.

- o First, the present largely positive direction of this administration's environmental policy must be consolidated at the federal level between the administration and Congress and must be reinforced at the state and local levels. This implies that pricing, fiscal and investment policies at federal, state and local levels would be consistent with environmental objectives. Policy in Brazil is the outcome of complex interactions among the executive and the legislature at the federal level, and among and between federal, state and local administrators and political representatives. Public opinion, a growing number of organized interest and consumer groups, and a sophisticated press are also important factors in Brazil's open political system. Improved public understanding of the benefits and the costs of rainforest protection and increasing accountability of public institutions on environmental matters are critical to consolidation of a sound policy on rainforest issues.

- o Second, relatively weak state and local as well as federal institutions that are responsible for enforcing environmental laws, require strengthening in terms of management, technical skills, and adequate equipment and other infrastructure.

¹ Brazilian environmental legislation is advanced in other respects. Farmers and ranchers in the Amazon region must obtain permits before clearing and burning land and may not clear more than 50% of the forest on a given property or along watercourses or at the headwaters of streams. Loggers can cut timber only after submitting forest management plans to IBAMA, and IBAMA closely monitors the transport of logs and operation of sawmills.

① Political support for "existing" pro-environment direction

② Strengthen local, state & Fed capacity (enforcement etc.)

- 4 -

- 9 Third, continuing investments in natural and social science research and field applications are needed (a) to ensure that the economic benefits of genetic biodiversity in Brazil's rainforests can be realized, and (b) as a basis for the development and dissemination of sustainable approaches to economic exploitation of the forests.

③
Research

12. The pilot program is designed to address these needs. Its design reflects concern with all three constraints. The design also represents a new approach to development in rainforest areas in Brazil, marking a profound change from the views and programs of just a few years ago.

The Pilot Program

13. The pilot program has two main parts: structural programs, in which the emphasis is on strengthening of government institutions; and demonstration projects, in which the emphasis is on support for and promotion of grassroots initiatives. The content of each proposed activity is described in detail in Section IV of the attached proposal. Below we describe briefly each major activity, and indicate our recommendation for emphasis in a first phase.¹²

- (a) **Conservation Units:** Conservation units and indigenous areas in the Amazon, already legally established, would be demarcated and equipped with needed infrastructure.¹³ These investments would complement those financed under a World Bank loan, and those already proposed by the GOB for financing by the GET. The first phase would include preinvestment activities (reconciling policy and legislation, development of flexible mechanisms for handling land tenure irregularities, and development of detailed management plans for specific units); and financing for demarcation of three indirect-use conservation units (in which no economic activity is permitted); three national forests; four extractive reserves; and six indigenous reserves.
- (b) **Natural Resource Management and Degraded Areas:** Activities would address production, regulation and marketing of fishing and forestry products that are commercially viable and environmentally sustainable, and recovery and reuse of deforested areas. The first phase would consist of formulation of working procedures and program development, and studies of the environmental, social and economic consequences of any investments in recovery of degraded areas.
- (c) **Environmental Zoning:** This program would, once follow-up enforcement capacity is in place, help finance regional and local environmental zoning to guide future public investments and to ensure appropriate use of any fiscal incentives. Emphasis in the first phase would be on support for information systems and on building capacity to carry on zoning exercises at the state level.

pay for
"conservation"
units 4

¹² The proposed first phase set out in the attached proposal would be fully assessed by staff of the international implementing agency and approved on an annual basis in Brazil by the Coordinating Commission.

¹³ Conservation units would also be supported in the Atlantic Forest, as described in Appendix II of the attached proposal.

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- (d) **Scientific and Technical Support:** Trust funds would be established under the management of the federal Secretariat of Science and Technology to support INPA (Instituto Nacional de Pesquisas Amazônicas) and the Museu Paraense Emílio Goeldi (also a research institute). The purpose of the trust funds would be to provide a permanent base of sustained support for these two existing centers of excellence of scientific research in the Amazon Region. The trust funds would finance infrastructure and the creation of endowed chairs or topping up of salaries, to ensure that these institutions can attract and retain the best possible talent worldwide as well as in Brazil. An additional trust fund should be considered to provide similar support to other research institutions in the Amazon region, to strengthen the agricultural, biological and social sciences relevant to protection of the Amazon rainforests. Emphasis would be on collaboration among local, national and international centers. In addition, a program of support for basic and applied research aimed at better understanding of the Amazon environment should be established under the management of the Secretariat of Science and Technology, similar to existing research support programs, including PADCT (Program for the Support of Science and Technology). Research grants would be available on a competitive basis to staff at all national institutions, private and public. International and transregional scientific cooperation in funded research would ensure high scientific standards. Advanced training and a scientific information system would also be financed. First phase activities include making arrangements for trust funds, setting priorities and appraising plans for strengthening centers of excellence, and defining the scope and procedures for the research grants program.
- (e) **Monitoring and Enforcement:** A set of activities is proposed to strengthen the capacity of public agencies, especially of the nine state environmental agencies in the Amazon region. Emphasis would be on establishing measures and means to monitor environmental quality including forest cover, fauna, water and air quality, and the status of indigenous people; and to detect infractions of environmental legislation. First phase activities include detailed planning of training programs; design, specifications and site selection for control posts; and development of procedures for augmented monitoring and enforcement.
- (f) **Environmental Education:** Support would go mainly to the Amazon region for preparation and introduction of environmental issues to school curricula. University-level exchanges of information, public education campaigns, and wide dissemination of scientific knowledge are also envisaged. First phase activities include carrying out a diagnosis of current practices and materials in environmental education and design of a comprehensive program of environmental education for the Amazon region.
- (g) **"Free-standing" Demonstration Projects:** Support would go to projects that would test new technologies, organizational forms or techniques to develop sustainable production in the Amazon, or improve conditions for rural dwellers where such support can help reduce itinerant, predatory deforestation. Such projects would be proposed by local or national NGOs, entrepreneurs, local government agencies, and research and extension agencies. Projects sponsored by nongovernment groups could be

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funded through one of three channels: (a) the National Environmental Fund (FONAE), (b) direct (bilateral) grants, and (c) a small grants fund administered independently of the Brazilian Government. Such projects would be judged on their potential to achieve tangible results, their sustainability without continued subsidies, and their replicability. Up to 20 of these free-standing demonstration projects would be supported in the first phase.

- (h) "Area-based" Demonstration Projects: Support would go to projects sponsored by consortia of government agencies and NGOs in selected strategic areas throughout the Amazon. Emphasis in the first phase would be on detailed "project" planning in three specified geographic areas, one in the western Amazon, two in the eastern Amazon.

14. Because this is a pilot program, heavy emphasis will be placed on: monitoring of program inputs, with feedback to redesigning of activities; supervision of implementation by technical staff at the international level; and evaluation of the impacts of activities, both within Brazil, and through an advisory group at the international level.

Recommendations

15. Initial Commitment. The management of the World Bank and the staff of the CRC recommend that the G-7 endorse the objectives of the pilot program and commit themselves to support on highly concessional terms¹⁴ activities in a first phase, estimated to cost about US\$250 million. The duration of the first phase would depend on the pace at which proposed activities can be effectively implemented, but would probably be at least two years. Donors should be prepared to provide US\$50 million for an initial nine-month period, to be disbursed against (a) a set of pre-investment and planning activities, (b) implementation of selected aspects of the existing program that are ready for implementation, (c) initial financing of two trust funds to strengthen scientific centers of excellence and of a small grants program fund for NGO activities, and (d) overhead for technical support functions at the international level.

16. The Full Program. The GOB proposal describes activities to be carried out over a five-year period at an estimated cost of US\$1.6 billion. These activities would complement those being financed through existing World Bank loans and those proposed by the GOB for financing under the Global Environment Trust Fund. While the precise cost and timing of specific activities require further definition, the magnitude of the potential global and national benefits of preserving the rainforest justifies the sustained commitment of substantial resources.

17. However, neither the estimated costs nor the precise activities and timing proposed by the GOB have been fully appraised by staff of the World

¹⁴ Financing could be in the form of grants, loans on IDA terms, and debt-for-nature swaps to the extent the latter are consistent with the overall approach of the Government of Brazil and creditors to Brazil's external debt. The GOB would provide some counterpart funds (up to 10% for certain parts of the program); state and local governments and residents of the Amazon would also participate in financing.

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Bank and the CEC. Donor commitments to finance specific activities under the first and subsequent phases should be made on a rolling basis, and should depend on: (a) annual assessments of specific program activities and proposals; (b) evidence that the program is administratively manageable; and (c) continuing commitment by the GOB to a policy framework consistent with its own stated environmental objectives. The arrangements proposed below for governance and administration incorporate periodic assessment of the progress of the pilot program and of the consistency of overall policy with program objectives, as a basis for periodic redesign of the program and renewal of financial commitments on the part of donors.

18. Specific policy concerns are development and effective enforcement of environmental safeguards in any new use of fiscal incentives in the Amazon region; regulations relating to land titling and taxation; and infrastructural policy, especially as concerns road construction, mining and power.

19. Governance and Administration. The management of the World Bank and the CEC staff recommend that a Rainforest Fund be established under the GEF, with an appropriate review group including representation of the Government of Brazil and donors to the Rainforest Fund.¹⁵ Technical functions at the international level would be carried out by an implementing agency or agencies appointed by the donors, and would include annual programming in conjunction with the GOB and monitoring and supervising of program activities.

20. The Government of Brazil has proposed an administrative structure and a system of financial flows in Brazil, the outlines of which are acceptable to the World Bank and CEC staff. The structure and functions of these are set out in Section V of the attached proposal. In Brazil, a Coordinating Commission (CC) composed of representatives of concerned Brazilian federal and state agencies under the chairmanship of the Secretariat for the Environment (SEMAM) would set policy and approve annual programs and internal evaluation and audit reports for submission to the review group constituted for the Rainforest Fund. Technical and operational support for the CC would be provided by the strengthened Executive Secretariat of the National Environment Fund (FNMA) of the Secretariat for the Environment. Implementation of specific activities of the pilot program would be undertaken by the relevant federal and state agencies, research institutes, local communities and NGOs.

21. Donor contributions would be credited in foreign exchange to the Rainforest Fund. Funds for specific activities managed by government entities and approved by the Rainforest Fund review group and the CC would be transferred to the executing agencies in Brazil through a special account in the Central Bank, once approved by the Executive Secretariat. Funds would be transferred from the Central Bank through one of several existing funds in Brazil: FNMA (Fundo Nacional de Meio-Ambiente), or FNDCT (Fundo Nacional de Ciência e Tecnologia). Funds for approved activities managed outside of government could be transferred through the FNMA; disbursed directly from bilateral donors to nongovernment groups; or disbursed from a separate fund for small grants to be managed by an independent entity in Brazil such as the United Nations Development Program (See Figure 4 of the attached proposal). The final details of the administrative and financial arrangements should be

¹⁵ The review group would take on many of the functions outlined in the GOB proposal for the "Joint Commission".

approved by the implementing agency or agencies on behalf of the Rainforest Fund review group.

22. The proposed governance and financing arrangements will support a critical objective of the pilot program, i.e., to develop and implement new approaches to managing and financing a large comprehensive program that is also flexible and innovative. At the international level, the proposed structure would rely on an existing mechanism. Within Brazil, the proposed structure would not rely excessively on overburdened government institutions, and would create new opportunities for the GOB to establish dialogue with NGOs and concerned populations. Innovative features include: establishment of trust funds to ensure stable support for independent science and field work of international quality; a small grants program, managed by an independent entity, to provide nongovernment organizations with an additional separate source of funds; inclusion of NGO representatives on the policymaking group in Brazil and on the Executive Secretariat of the pilot program; and involvement of community and other groups in the design and implementation of demonstration projects.

*Copy to
Bob Brainerd /
pls.*

FACSIMILE TRANSMITTAL
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DATE: July 11, 1991

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COMMENTS: