

# Darwin Initiative for the Survival of Species

## Half Year Report Form

<b>Project Title</b>	ENHANCING BIODIVERSITY CONSERVATION IN BRAZIL THROUGH THE USE OF AN ECONOMIC INCENTIVE
<b>Country</b>	BRAZIL
<b>Organisation</b>	WWF-UK
<b>Project Ref. No.</b>	162/12/015
<b>Report date</b>	17/10/2003

**1. Outline progress over the last 6 months against the agreed baseline timetable for the project (if your project has started less than 6 months ago, please report on the period since start up).**

The project had originally been planned to start in April 2003, but delays in the formal process involving project approval with Darwin resulted in the project only officially starting in July. This delay caused some activities, which depended on availability of funds, to be postponed.

Nevertheless, most of the planned activities were accomplished. Both target States, Mato Grosso and Pernambuco, signed working agreements with WWF Brazil.

The State of Mato Grosso held a high-profile event on June 6<sup>th</sup> to launch the ICMS Ecologico monitoring programme in that State. This event was held during the week of celebrations of the World Environment Day (June 5<sup>th</sup>) and the signing of the agreement with WWF-Brazil by the State Governor was the main act during the celebration. WWF Brazil produced a press release for the event, a banner and a newsletter (200 copies). The newsletter contains general information about the project and the main conservation results of the ICMS Ecologico in this State during the past year.

In the State of Pernambuco, the agreement was also signed by the State Governor and it was done during the celebration of the 500 years of the discovery of the Fernando de Noronha Arquipelago, one of Brazil's most beautiful marine national parks. Here again a banner and a press release were produced.

Through these agreements, both governors committed not only to support and participate in the project through working with WWF Brazil in order to create the monitoring systems, but also to adopt the recommendations made by the two relevant working groups. In both States, WWF Brazil and the relevant State Secretariats for the Environment agreed on the participants of the working groups, and preliminary indicators and a database were also established.

These activities had been planned to take place during the first three months of the project, had it started on time (April). However, due to the late start, they had to be rushed, but we were able to accomplish these results by the end of August, less than two months after the project actually started in July.

In addition to the above-mentioned activities, WWF Brazil also drew up the relevant TOR and hired the consultants involved in the project, both those in Brazil and in the UK (Maryanne Grieg-Gran from IIED).

With regards to the consultants, we had to overcome an obstacle, since the Brazilian consultant who had initially agreed to doing the job, eventually declined and we had to start a search process to identify a replacement.. Given that this is a project which is based on strong partnerships with both State governments, we invited them to help find a solution for this issue.

Given the marked differences between these two States (Pernambuco is located in the semi-arid, poverty-stricken Northeast of Brazil, whereas Mato Grosso is located in the Cerrado savannas and Pantanal floodplains of western Brazil), the State Governments suggested that a biodiversity expert could be hired for each state. This would allow for the incorporation of specific biological characteristics into each monitoring system. Therefore, instead of hiring one Brasilia-based expert, WWF Brazil hired two local experts, one in each State. This was done at no additional cost for the project, by adding the savings made in the travel budget line resulting from the use of two local (as opposed to the one Brasilia-based) consultants. Summary CVs are available upon request.

In both States the consultants have already started to gather information for the preliminary database, as an input to the two planning workshops (one in Pernambuco and one in Mato Grosso) scheduled for November.

WWF Brazil also participated in the World Parks Congress, in Durban, where it presented an update on the current status of the ICMS Ecologico and an analysis of the current situation regarding the Tax Reform process. The presentation was made in partnership with Professors Fernando Almeida and Peter May from the University of Rio de Janeiro, who are both experts on the ICMS Ecologico. A Newsletter was produced for the Congress and 2000 copies were distributed.

**2. Give details of any notable problems or unexpected developments that the project has encountered over the last 6 months. Explain what impact these could have on the project and whether the changes will effect the budget and timetable of project activities. Have any of these issues been discussed with the Department and if so, have changes been made to the original agreement?**

As stated in the logical framework, there is a risk that the Tax Reform planned by the new Lula Government have a negative impact on the ICMS Ecologico. The debate surrounding the Tax Reform in Brazil has become very heated. This debate has not yet finished but some proposals presented to the Brazilian Congress can seriously jeopardize the ICMS Ecologico.

In order to prevent the possible demise of the ICMS as a fiscal instrument, WWF Brazil, along with other NGOs and approx. 10 Federal Deputies (equivalent to MPs in the UK), have been carefully monitoring the debate and intervening at every opportunity. A "A Pro-Ecological Tax Reform Parliamentary Movement" has been formed, and WWF Brazil has been very actively supporting the work of this alliance.

In face of this, WWF Brazil asked its State partners to analyze the potential effects of the proposed changes on the project activities in their States. In both cases (Mato Grosso and Pernambuco), the State Secretariats for the Environment believe that the ICMS Ecologico will be spared by the Reform. However, even if a decision is made to eliminate the ICMS Ecologico in its current formulation, another equivalent tax mechanism will have to be developed and the monitoring systems developed through this project can be a useful tool in defining the new mechanism.

**3. Are there any other issues you wish to raise relating to the project or to Darwin's management, monitoring, or financial procedures?**

The original coordinator of this project (Analuze Freitas) has been invited to join the government, and has therefore left WWF-Brazil. She has been replaced by Miss Ludmila Caminha, who has been involved with the design and initial implementation of this project since February 2003.