

Curitiba, June 23, 2006

CONFIDENTIAL

Mr. Eduardo Abbott
Executive Secretary
Inspection Panel
World Bank

Subject: Inspection request for project P070552 (Paraná Biodiversity Project – Global Environment Facility)

Mr. Executive Secretary,

The [] is a third sector organization founded in [] in Curitiba, Paraná State, Brazil. Its mission is to work for the conservation of nature by protecting native areas by carrying out environmental education programs and by developing models for the rational utilization of natural resources.

In the State of Paraná, where our activities are focused, the biomass of the Atlantic Forest, as well as the biomass in the Araucaria and Natural Forests, are subjects of great priority. []

The purpose of this letter is to submit formally an inspection request for the World Bank Paraná Biodiversity Project—ID P070552—which is supported by GEF, and has the Government of the State of Paraná as executor. To substantiate this request for inspection, we refer to the letter and annexes [in its entirety] sent to the World Bank by the Atlantic Forest NGOs Network (letter 019/06/RMA/CG dated March 21, 2006) and signed by its General Coordinator, Ms. Miriam Prochnow. We hereby respectfully request that the above-mentioned correspondence together with all its annexes be considered an integral part of this request.

The main complaint is that methodology changes to the Paraná Biodiversity project that occurred after project approval caused a redirectioning of activities, thus not allowing the achievement of originally expressed goals. This fact can be easily ascertained by checking the indicators established when the project was prepared.

It should be noted that the State of Paraná now has in its territory natural areas that are extremely threatened, such as the Araucaria Forest (0.8% of what is left in advanced state

of conservation in 2001—FUPEF, UFPr—PROBIO, MMA), and that the main objectives of the Parana Biodiversity Project were:

“Support biodiversity conservation and sustainable natural resource management in two highly threatened ecoregions in the State of Parana, the Brazilian Inland Atlantic Rainforest and the Araucaria Forest.”

“Design and implement a model for improving biodiversity in Paraná.”

Considering the objectives of the Paraná Biodiversity Project and the activities now being implemented, it could be easily concluded that activities aimed at effectively detaining the destruction process of the last existing preserved natural areas are not being implemented. Hence, the project objectives are far from being achieved.

Redirecting substantial project resources to the recovery of degraded areas, instead of carrying out activities focused on areas still well preserved, represents an unacceptable strategic error which could have grave consequences since it could lead to the loss of substantial resources during probably the last significant opportunity to make an effort to preserve the region’s biodiversity. It is important to note that destruction of natural areas is still ongoing, in some cases even with the endorsement of the Government of the State of Paraná, through its licensing unit, the Paraná Environmental Institute (IAP).

The largest social damage caused by the misdirected implementation of the project is the loss of a unique opportunity to reverse or minimize the serious loss of biodiversity biomass in question, at least in the areas where the project is being implemented. This was the only major investment already directed to the plateau region of the State of Paraná, where practically all natural areas of this biomass have already been destroyed. Besides, opportunities to implement new modalities of public policy through innovative and effective activities for the conservation of the remaining natural areas, which would influence the behavior of the State’s inhabitants, are being lost.

In this respect, and based on the statements contained on the annexes to the document sent from the Atlantic Forest Network to the World Bank, we request that an Inspection Panel process for this project initiated. With this, we hope that the project can be quickly redirected towards the achievement of its original objective.

To conclude, we would like to respectfully request that the name of the [] kept confidential by the Inspection Panel, given that the Atlantic Forest NGO’s Network of which [] is leading this effort, and it is possible that retaliation could be taken against [].

Respectfully,

[Logo]

Official Communication No. RMA/CG

Brasília, March 21, 2006

To:

John Briscoe – Brazil Country Director, World Bank – Brasília, DF
Laura Tuck – ESSD Director for Latin America – Washington, DC
Executive Secretary The Inspection Panel – Washington DC

Subject: **Request for technical audit of the Paraná Biodiversity Project – World Bank / GEF / Government of the State of Paraná.**

Dear Sirs,

The Paraná Biodiversity Project is the result of an effort by agencies of the Government of the State of Paraná, Brazil to support initiatives aimed at preserving this state's biodiversity. No assistance of that magnitude had been obtained until then for the indicated regions, especially for the Araucária Forest, which in 2001 had less than 0.8 percent of remnants in an advanced stage of conservation. (Fupef-UFPPr/Probio-MMA).

In its first phase, funds from the GEF (Global Environment Facility)/World Bank on the order of approximately US\$8 million were donated to the Paraná government in the expectation that the historic pressures on natural areas of the *planalto* regions of the state would be attenuated, so that real progress would be made in the effort to conserve the biodiversity of the biomas occurring in these areas, all of which are in critical condition and severely threatened.

During the technical preparation of the Project, a series of indicators was established to ensure proper evaluation of the efforts made. Particularly, the attempt was made to construct a refined structure of indicators capable of a reading focused on the biodiversity issue, the central theme addressed by this Project. That way, execution would be conditioned to the focal point of its existence, and within GEF objectives.

Despite this, after four years of execution (the project was begun in 2002), there is an obvious lack of synchronization between what was originally proposed and the orientation given to the Project. Methodological changes were made soon after its approval and, from then on, two preponderant developments came to reflect the inconsistency in the use of GEF/WB funds.

1. During the past four years, there have been hundreds of reports of destruction of the remaining native areas in the biomas that were targeted by the Paraná Biodiversity Project. To curb that process, the Government of the State of Paraná adopted a policy of inspection, arguing that this would make it possible to stem the attack on the last areas in an advanced stage of conservation that still existed. Even so, the areas continued to be destroyed.

2. Independent of these events, the Paraná Biodiversity Project is directing its efforts, focusing on the restoration of degraded areas and acting directly on properties that have been stripped of native areas (Legal Reserve and Permanent Preservation Area), and putting forth a broad effort at planting seedlings. No project action, or only sporadic action, has been directed to properties that had well-preserved areas either.

To sum up, we can state that during the execution of the Paraná Biodiversity Project, a significant number of landowners have been reaching agreements with the state government that guarantee initial

steps will be taken to restore degraded areas. And so, during the coming decades, if the restoration work that has begun is maintained, those areas may become native areas, but without any guarantee that they will have a truly significant biodiversity.

During that same period, hundreds of native areas in an advanced stage of conservation were systematically destroyed, some of them under licenses issued by the state environmental agency, the IAP (*Instituto Ambiental do Paraná*- Paraná Environmental Institute). This destruction was accelerated by a questionable interpretation of environmental laws, by the absence of a definition of the concept of biodiversity conservation in the execution of the Project; by the strong political influence still present in the State as regards the use of native forests; by the impracticality of conducting a sufficiently effective inspection; by the continued possibility of gaining profits from the sale of timber; by market encouragement of the planting of soybean and *Pinus* sp. monocultures; and by the failure to take action with landowners to make arrangements under which their lands would not be the target of these conventional uses, inasmuch as these are the last existing remnants of biodiversity.

One does not need to be an expert in biodiversity conservation to conclude that the US\$8 million has been used in a strategically mistaken manner. We emphasize that the biomas affected by the Project are on the threshold of disappearance, and there are no prospects of other opportunities in terms of time or money as positive as this initiative by the GEF/WB could be.

If in the past few years during the execution of the Paraná Biodiversity Project energy was spent in planting millions of seedlings in the hopes of reconstituting the original landscape of areas that had been completely degraded and that exhibited extremely low biodiversity while, at the same time, in those same regions, the last areas that were still well preserved and rich in biodiversity are being systematically destroyed, what will be the results of an evaluation of this work that uses the indicators formally defined at the start of the Project? And with whom will the responsibility lie with respect to the results obtained from that evaluation?

Given this scenario, we ask that a Technical Audit be conducted without delay, to assess the results and adherence to the objectives of the Paraná Biodiversity Project, using the established indicators for the Project, as well as to evaluate the current situation as regards nature conservation in the State of Paraná, in the expectation that these will be made public and measures to direct the programmed actions will be implemented.

The attached reference text and reports of deforestations that have occurred in Paraná in recent years are part of this document and will aid in a better understanding of the facts.

It should be explained that these reports, as well as a series of local initiatives aimed at explaining the situation and sensitizing the various levels of the state government and the World Bank team responsible for coordinating the Project have been made throughout the project's execution period. Those parties are fully aware of the approaches and arguments reported above.

Therefore, we are asking you to see that a technical audit be conducted of the Paraná Biodiversity Project – World Bank / GEF / Government of the State of Paraná.

Certain of receiving your attention to this matter, we remain at your disposal for whatever may be necessary.

Respectfully,

[signature]

MIRIAM PROCHNOW, Coordinator General

[Logo]

DEFORESTATION IN PARANÁ

REPORTS ON THE STATUS OF REMNANTS OF ARAUCÁRIA FOREST AND NATURAL FIELDS IN THE STATE OF PARANÁ, WITH COMMENTS ON THE STRATEGY OF THE PARANÁ BIODIVERSITY PROJECT

Summary

The purpose of this document is to corroborate the abundant evidence of the continued suppression, since 2001, of native areas of the Araucária Forest ecosystem in Paraná that are in medium and advanced stages of conservation. This finding should permit visualization of a scenario in which the remnants of the ecosystem are being further and further reduced and the method of dealing with this problem is not supported by the procedures now under way. This conclusion should be useful to foster a more precise orientation of the current strategies of the Paraná Biodiversity Project, begun about four years ago in our state. A sample of news items that have appeared in the press in recent years, reporting incidents of deforestation, supplements this document.

General Scenario

Since 1993, under a federal decree that was extensively debated with all the interested parties, Brazil has prohibited the exploitation of vegetation whose function is to protect species of endangered wild flora and fauna (Art. 7 of Federal Decree No. 750 – 2/10/93).

That same decree provides that *“primary forests or forests in advanced and medium stages of regeneration shall not lose this classification in event of fire and/or unlicensed deforestation.* (Art. 8 of Decree 750). This means that the area cannot be put to any use other than recuperation of the destroyed forest.

The Araucária Forest, which once occupied 76,000 km² of the territory of the State of Paraná, has been reduced to 0.8 percent of the original area, according to a 2001 study by PROBIO/MMA-FUPEF, Federal University of Paraná. It is home to at least four species of flora that are officially considered endangered: *araucária* [needle-leaved pine], *imbuia* [Brazilian walnut], *canela-preta* [*Ocotea pulchella*], and the *xaxim* tree fern.

Reports of both illegal and licensed cuttings (even though prohibited under current legislation) have been a constant in Paraná in the past five years, even with the control tools that exist today.

Although it is awkward for the state government to acknowledge that the 0.8 percent of the remnants that were in advanced stage of conservation in 2001 have now been partially destroyed, it is impossible to ignore the accusations and press reports that tell of cases, and more cases, of deforestation occurring during this period.

The situation today with respect to the Araucária Forest is one of final elimination of its last remnants, and there are no really compelling factors that would limit this. A more appropriate conservation strategy should have been adopted by the Government of the State of Paraná at least 30-40 years ago. Since that did not occur, current interventions should take into consideration the extreme fragility of the situation. The needed change in this situation could be brought about in very little time.

Under these circumstances, there is no room for any superfluous expenditures of energy on mistaken strategies. There is no more time for making mistakes. The environmental cost of a poor choice of a course of action is certainly assuming ever-greater dimensions as years go by.

Recent background on legal measures and incidents of deforestation

In 2001, the National Council on the Environment (*Conselho Nacional do Meio Ambiente*) considering, among other issues, “*the absence of consistent scientific information that would ensure the appropriate and sustainable management of species of endangered flora*” approved Resolution No. 278, suspending authorizations that had been granted either by its own act or by delegation of authority to the other agencies of the National Environment System for cutting and exploitation of endangered species that are on the list maintained by that body, in natural populations within the Atlantic Forest biome.

That same resolution provided that “*The potential exploitation, without a direct or indirect commercial purpose, of native species of endangered flora, for consumption on the rural properties or holdings of indigenous peoples and traditional population groups may be authorized when there is no possibility of using other species, and provided that the following guidelines are observed:*

1. *No more than 15 cubic meters per property or holding may be removed over a five-year period;*
2. *Priority for use of specimens of dead trees or those felled by natural causes; and*
3. *Removal of no more than 20 percent of the stock of adult specimens.”*

In 2002, the Ministry of the Environment published Ministerial Directive No. 507 that identified areas in Paraná that were to be given priority in the creation of conservation units in the Araucária Forest, areas that were supposed to receive special protection from environmental agencies.

During field studies conducted in March 2004 to create the federal conservation units, a clear intensification of deforestation in areas that had been included in the directive was observed. Most of those deforestations were carried out with authorization from the IAP – Paraná Environmental Institute. A preliminary survey of the authorizations issued by various regional offices of the IAP, conducted with the support of the Technical Chamber created for this purpose, confirms the release of volumes hundreds of times greater than permitted by Resolution 278.

Even so, the IAP continued, and is continuing (as of August 2004) to authorize forest management and cutting of *araucária* and *imbuia* in quantities that far exceed the limits established by the resolution, including cutting in areas whose boundaries were drawn by Directive No. 507. A recent example, widely reported in the press, is the deforestation of an area in the municipality of Candói, considered the best part of the *araucária* forest, and one that includes primary remnants. In that area, more than 255 hectares of forest was clear-cut. All the nearby lumberyards openly display enormous inventories of *araucária*, which they justify by exhibiting IAP documents attesting that the timber came from planted forests. Areas like those in Candói are quickly converted to soybean fields or tracts for planting *pinus*, all in violation of Decree 750, which does not permit conversion when the forest was illegally cut down.

In March 2004, violations of federal forest protection legislation led the head of the inspection service of the Office of the Executive Manager of IBAMA [Institute of the Environment and Renewable Natural Resources] in Paraná, to ask for explanations from the IAP as to “*the interpretation of the following instruments: Decree 750/93, CONAMA [National Commission for the Environment] Resolutions 02/94 and 278/01, Ministerial Directive 507, and SEMA Resolution 031/98.*” Among the cases that provoked this consultation was Forestry Authorization 2.749, Protocol No. 56602925, issued to Wilson Dissenha.

On that property, in the village of Santo Antonio do Iratim in the town of General Carneiro, a huge deforestation had been found in February 2003. The removal of secular *imbuia* trees was authorized by the IAP in Forestry Authorization 2.749, issued on March 21, 2003. The authorization permitted the removal of 1,925.84 cubic meters of *imbuia* from an area of 288.83 hectares. The authorization was valid until April 17, 2004 and later extended for three more months. According to a description by the

landowner, given in his application for authorization, these were 1,595 *imbuia* and *araucária* trees that were “dried out” and/or “rotten.”

The IAP also authorized the opening of roads in the forest to remove the timber.

On August 5, 2004, the president of the IAP, Rasca Rodrigues, in an interview published in the Paraná newspaper *Gazeta do Povo* (page 10) on the subject of complaints about the cutting and sale of *imbuia* and *araucária* in that area, stated that the removal of the timber was supported by law and that “*rational management is important, even to ensure that the green trees (sic) can remain standing.*”

The IAP president had been informed that that same property was being evaluated since May 2003 by personnel from the State Department of the Environment (*Secretaria Estadual de Meio Ambiente* – SEMA) and from IAP itself for purposes of creating a state conservation unit.

On August 6, 2004, a meeting was held at the Office of the IBAMA Executive Manager in Paraná, with representatives of the Ministry of the Environment, to assess IAP’s clear violation of federal legislation. The issue was referred to the National Secretariat of Biodiversity and Forests (*Secretaria Nacional de Biodiversidade e Florestas*), of the Ministry of the Environment.

Also on August 6, the governor of the state signed Decree No. 3.453, declaring the area in question to be in the public interest in order that it could be expropriated, along with two others, all owned by Wilson Dissenha. Paragraph One of One of Article 1 of that decree reads: “*The expropriated area shall constitute a full-protection unit intended to preserve a significant sample of the Mixed Ombrófila Forest, which is representative of the ecological region of the Guarapuava Planalto, and its associated ecosystems, in addition to preserving the endangered genetic asset (Araucaria angustifolia), promoting scientific research, environmental awareness, the pursuit of educational and recreational activities, and improving the quality of life of the populations in the vicinity by encouraging sustainable regional socioeconomic development.*”

On August 24, 2004, a helicopter flight over the area—by then declared as being of public utility for purposes of expropriation by the governor of the state—revealed trucks and tractors working unimpeded to cut down and remove from the site a large number of *imbuia* trees. At a nearby lumberyard, huge stocks of *imbuia* were found, as well as trucks unloading gigantic logs. That timber, sawn into boards, was being sold at approximately R\$2,000.00 per cubic meter. As of March 5, 2004, according to information from the IAP office in União da Vitória, 343 cubic meters of *imbuia* had already been processed and about 350 more cubic meters was stacked up awaiting the sawmill, all from “dried-out or rotten” trees.

The removal of a large volume of *imbuia* and *araucária* completely ruins the Mixed Ombrófila Forest, and distorts the intent of Decree 3.453 of August 6, 2004, to “*preserve a significant sample of the Mixed Ombrófila Forest biome.*” Furthermore, it invalidates the bulk of the arguments used to justify cancellation of the payment for the area that was expropriated earlier for the same purpose. Araucárias State Park will be a significant sample only of the transgressions committed against the last remnants of that forest in Paraná and facilitated by the IAP.

More recently, in 2005, an area of approximately 3,000 hectares of natural fields was destroyed near Palmas. That area had already been selected by a federal government task force for designation as a Conservation Unit.

These incidents represent only a very modest fraction of the volume of complaints observed in this short stretch of time. Findings of deforestation not authorized by the oversight bodies are common, and supplement what has been being destroyed with government consent. The existence of a serious crisis of ethical conduct in parts of the environmental agencies themselves is undeniable.

This situation is not of recent vintage, and it must be taken into consideration in making decisions on any type of conservation strategy in Paraná. How can we trust the licensing and inspection structure to

ensure the untouchability of remnants that are protected by law if, in practice, what occurs in many cases is exactly the opposite? Even if we recognize that the existing efforts at licensing and inspection are partially effective, how can we believe they will be sufficient to curb landowners who are regularly induced to shift to activities that are financially attractive and that entail the destruction of their native areas?

Finally, how can we, using conventional and historically inefficient mechanisms, deal with the continued increase in the clearing of land for agriculture, the impressive push to plant monocultures of trees, and the traditional practice of removing native timber?

Examples of innovative actions in Paraná

It is highly unlikely that the trend toward complete destruction of the Araucária Forest, as occurred with the ecosystems in northern and northeastern Paraná that were eradicated in past decades, can be altered unless innovative devices having short-term impact are implemented immediately and are transformed into public policies that are unconditionally supported by the Government.

Although very limited in terms of scale, three examples of initiatives that may come to represent part of the agenda that needs to be developed deserve to be mentioned here. They are already being put into practice.

1. Creation of RPPNs [Private Natural Heritage Reserves] worked out in negotiation with mayors, so that some of the surplus revenues from the ICMS [state value-added tax] generated by the creation of the Private Conservation Unit can be allocated to the landowner to enable him to protect the area;
2. Company adoption of areas in an advanced stage of conservation of the Araucária Forest biome for a period of at least five years, with the possibility of creating an RPPN during this period;
3. Adoption of areas in an advanced stage of conservation by companies that need to supplement their Legal Reserve areas, thereby assuring them of equal recognition for the acquisition or leasing procedures – the System for Maintenance, Recovery, and Protection of the Legal Reserve (*Sistema de Manutenção Recuperação e Proteção da Reserva Legal – SISLEG*).

Multiplication in terms of scale of these procedures, or others that also could result in full protection of those areas still existing, would be an approach consistent with a strategy of biodiversity conservation. Actions of this type complement the efforts by the federal government, which is responsible for the establishment of some Conservation Units in Paraná and Santa Catarina within the Araucária Forest biome.

Paraná Biodiversity

The advent of the Paraná Biodiversity Project (GEF-WB-Government of the State of Paraná), created specifically to combat the loss of biological diversity in this state, represented an unprecedented and very positive expectation that it would generate actions strategically oriented toward this end.

Although it is carrying out activities of importance for conservation, it is believed that the priority focus of that effort should be the native areas of *araucária* forest that are in an advanced stage of conservation.

This reasoning is supported by the fact that those last remaining areas contain the natural formations that are still the least altered of the biome and, therefore, are able to maintain, even if only partially, a more representative biodiversity than secondary areas or areas that have been completely

degraded. This is also true because recent years have seen very heavy pressure from the market on those remaining areas. This pressure can be summed up in four main activities:

1. Illegal removal of native timber by local lumberyards;
2. Management that results in deforestation;
3. Implantation of monocultures of trees, after clear-cut deforestation;
4. Implantation of agricultural monoculture, after clear-cut deforestation.

Those economic demands are very seductive in this region and represent huge investments. They also have plenty of political backing. And they prove that not even the laws that have been enacted, or the inspection effort, or even the environmental education activities are sufficient deterrents to the short-term destruction of areas of the Araucária Forest that are in an advanced stage of conservation in our state.

The absence of tools that would permit working directly with the owners of those lands of crucial importance to the conservation of biodiversity leads those owners to seek alternative uses for their properties in what is recognized as a more standard practice, thus resulting in their destruction.

Therefore, the efforts that the Paraná Biodiversity Project is making outside the policy approach of working with private landowners who possess areas of extreme importance may not achieve the conservation objectives for the biome.

The [accuracy of] this affirmation may be appreciated through the example of the work of restoring degraded areas. Even though a successful effort made it possible to plant native species in Permanent Preservation Areas where the native canopy had been removed, and those restored areas are serving as a bridge among areas in an advanced stage of conservation, the absence of a policy for protecting these better-conserved areas indicates a trend that chronologically is not supported in terms of results.

In other words, decades would be needed to transform the areas now in an initial phase of restoration into mature forest environments. But that process is not keeping pace the uncontrolled trend toward summary destruction of the last remnants that is going on right now, that has not been witnessed and does not need many more years before it is complete. These remnants will be destroyed before the areas under restoration are formed, which means that the measure adopted will no longer make any sense.

To conclude, we see as a procedure of absolute priority a revision in the strategy of the Paraná Biodiversity Project that, although it is unable to resolve the serious structural, economic, political, and cultural demands involving the nature conservation agenda in the State of Paraná cannot, on the other hand, fail to make its limited investments so that they focus on what is of greatest pre-eminence in the battle for perpetuating the Araucária Forest biome.

NGO Network of the Atlantic Forest – RMA

Rede de ONGs da Mata Atlântica – RMA