



MEMORANDUM

IDBDOCS#38620120

March 5th, 2014

To: Mr. Walter Vergara
Division Chief, INE/CCS

From: Ms. Axelle Boulay
Team Leader, Climate Change Specialist, INE/CCS

Subject: Non-Reimbursable Technical Cooperation No. ATN/OC-14154-BR (BR-T1284).

I. BACKGROUND

- 1.1 On December 2nd 2013, the Bank approved a non-reimbursable technical cooperation (TC) for an amount up to US\$1,000,000 for the project “Assessment of the impacts of climate on the stability of the Amazon rainforest.” The objective of this TC is to assist the Government of Brazil (GoB), through the Ministry of Science, Technology and Innovation (MCTI), to assess the effects of increased atmospheric CO₂ on the resilience of the Amazon forest (a key factor in the likelihood of a dieback), and its potential economic implications.
- 1.2 The approved TC Document included a table titled “Summarized Budget” on paragraph 3.9, which specified the indicative budget of the project as described below:

Component		IBRD	STIC/IDB	Total	%
Component 1. Economic impacts of Amazon dieback assessed		10,000	-	10,000	0.7%
1.1	Economic impacts of Amazon dieback assessed	10,000	-	10,000	0.7%
Component 2. Technical plan defined		390,000	-	390,000	26%
2.1	Engineering plans defined	390,000	-	390,000	26%
Component 3. Experimental area biophysically characterized		405,500	500,000*	905,500	60.3%
3.1	Protocol for site use and access established; component coordination	155,000	-	155,000	10.3%
3.2	Site meteorology assessed	52,000	62,500**	114,500	7.6%
3.3	Site aboveground ecology assessed	55,000	62,500**	117,500	7.8%

3.4	Site belowground ecology assessed & activities coordinated locally	70,000	62,500**	132,500	8.8%
3.5	Ecosystem model priorities defined	56,000	62,500**	118,500	7.9%
3.6	Supporting equipments/infrastructure acquired	17,500	250,000	267,500	17.8%
Component 4. Project disseminated (outreach)		132,000	-	132,000	8.3%
4.1	Information exchanged internal and externally (workshops)	72,000	-	72,000	4.3%
4.2	Students trained (short courses)	60,000	-	60,000	4.0%
Component 5. Project execution and management		62,500	-	62,500	4.2%
5.1	Acquisition, contracts and payments administered properly	62,500	-	62,500	4.2%
TOTAL		1,000,000	500,000	1,500,000	100.0%
US\$1.00 = BRL\$2.30 ; * 50% as in kind resources					
** in kind resources		66.7%	33.3%	100.0%	

1.3 The Results Matrix was included as a link on paragraph 3.9 of the TC Document. Regarding Component 5 “*Project execution and management*,” it considered the delivery of an annual audit conducted by the external public accountant. Also, the Results Matrix included an amount of monitoring and evaluation reports for each year of execution that did not correspond with the description of quarterly and biannual reports. Below the corresponding part of the Results Matrix

COMPONENT 5- Project execution and management							
5.1	Project execution	CT Execution Unit (CTEU) established.	0	100%	0	100%	Team established and directly involved on project execution.
5.2	Project management	Acquisition, contracts and payments administered properly. Project monitoring reports delivered	0	2	2	4	Trimestral and Biannual reports about project execution (Acquisition, contracts, payments administered and outcomes) delivered to IDB.
5.3	Project Evaluation	External audition	0	1	1	2	Annual external audition realized. The execution agency is audited annually by the Brazilian Public Ministry.

1.4 Finally, the TC document contains no information on presentation of TC financial statements, as well as on the periodicity of monitoring and evaluation reports.

II. REQUEST AND ANALYSIS

2.1 The indicative budget included in the approved TC Document did not consider funds for hiring an independent auditing company to perform the TC external financial auditing in case the public auditing organization would not be able to

perform the expected financial auditing of the project. Therefore, the “Summarized Budget” table should be amended in order to reflect funding distribution in Component 5 for external auditing, as described in the table of paragraph 2.2 hereof.

2.2 In addition, IDB funding for subcomponents 3.3, 3.6 and 4.1 should be amended so that: (i) resources are allocated for the external auditing of the project as described in paragraph 2.1 above (subcomponent 5.2); (ii) all technical consultancies described in the Procurement Plan have the same funding, as they involve the same level of complexity (Item number 6 of the Procurement Plan to be amended corresponding to Component 3) and; (iii) resources allocated to workshops are increased (subcomponent 4.1). Therefore, the “Summarized Budget” table should be amended in order to reflect the proposed changes in the funding distribution of the different Components of the project, as described in the table below:

BENEFITS		Funding source		TOTAL
		IDB SPECIAL	MCTI Conterpart	
Component 1. Economic impacts of Amazon dieback assessed		10,000	-	10,000
1.1	Economic impacts of Amazon dieback assessed	10,000	-	10,000
Component 2. Technical plan defined		390,000	-	390,000
2.1	Engineering plans defined	390,000	-	390,000
Component 3. Experimental area biophysically characterized		389,000	500,000*	889,000
3.1	Protocol for site use and access established; component coordination	155,000	-	155,000
3.2	Site meteorology assessed	52,000	62,500**	114,500
3.3	Site aboveground ecology assessed	56,000	62,500**	118,500
3.4	Site belowground ecology assessed & activities coordinated locally	70,000	62,500**	132,500
3.5	Ecosystem model priorities defined	56,000	62,500**	118,500
3.6	Supporting equipments/infrastructure acquired	-	250,000	250,000
Component 4. Project disseminated (outreach)		135,000	-	135,000
4.1	Information exchanged internal and externally (workshops)	75,000	-	75,000
4.2	Students trained (short courses)	60,000	-	60,000
Component 5. Project execution and management		76,000	-	76,000
5.1	Acquisition, contracts and payments administered properly	62,500	-	62,500
5.2	Project independent auditing	13,500	-	13,500

US\$1.00 = BRL\$2.30 ; * 50% as in kind resources
 ** in kind resources

2.3 Regarding the auditing of the project’s execution, it was agreed with the Executing Agency and IDB’s Financial team that the project will have a final external auditing of the financial statements of the TC performed by the Federal Court of Accounts of

Brazil (TCU), or by an independent auditing company approved by the Bank. Also, considering that for the project management, quarterly and biannual reports are expected to be delivered by the Executing Agency, the corresponding section of Component 5 of the Results Matrix table shall be amended as follows:

COMPONENT 5- Project execution and management							
5.1	Project execution	CT Execution Unit (CTEU) established.	0	100%	0	100%	Team established and directly involved on project execution.
5.2	Project management	Acquisition, contracts and payments administered properly. Project monitoring reports delivered	0	4	4	8	Trimestral and Biannual reports about project execution (Acquisition, contracts, payments administered and outcomes) delivered to IDB.
5.3	Project Evaluation	External auditing	0	0	1	1	Final external auditing performed by the Federal Court of Accounts of Brazil (TCU), or by an independent auditing company approved by the Bank.

2.4 Furthermore, in order to clarify the subject regarding the monitoring reports to be delivered by the Executing Agency and the TC auditing of the financial statements, the following paragraph should be added in the TC Document (section IV, as paragraph 4.3).

4.3 Project management. In order to ensure the timely implementation of the TC's activities and assess their effectiveness in the long-term, the Bank will monitor the execution of the activities, with especial attention to the contracting dates scheduled and met, control of the delivery of goods and services, and other aspects related to project management. The Executing Agency will deliver quarterly and semi-annual progress reports, identifying the performance of the execution, potential problems, and possible corrective measures. Also, the Executing Agency will present financial statements of the TC at the end of the project, audited by an independent auditing firm approved by the Bank or by the external auditors from the Federal Court of Accounts of Brazil (TCU).


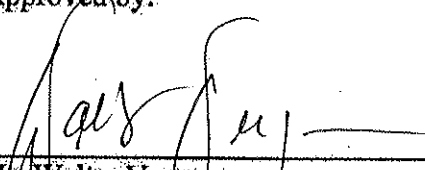
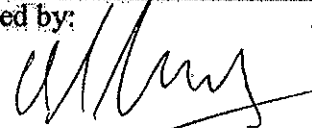
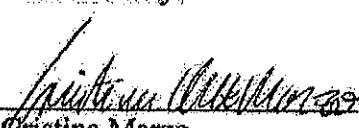
III. RECOMMENDATION

- 3.1 The team recommends to amend the "Summarized Budget" table of the TC Document as established in paragraph 2.2 of this document.
- 3.2 Considering that the Executing Agency will be in charge of providing quarterly and semiannual reports and audited financial statements, Component 5 of the Results Matrix should be amended as established in paragraph 2.2 of this document.
- 3.3 Taking into account that the approved TC document does not contain any information on financial statements and monitoring reports, a paragraph should be added in section IV, page 6, as described in paragraph 2.3 of this document.

3.4 Finally, the Procurement Plan and Terms of References and other project documents will be updated to reflect the changes proposed in this memorandum.

IV. APPROVAL

4.1 In accordance with the table of authority for Non-Reimbursable and Contingent-Recovery Technical Cooperation Operations, (OA-421, dated as of July 5 2012, Section III, item "B"), the Division Chief has the authority to approve the proposed amendments.

Prepared by:  Axelle Boulay Climate Change Specialist (INE/CCS)	Date: 3/6/2014
Approved by:  Mr. Walter Vergara Division Chief, INE/CCS	Date: 3/19/2014
Concurred by:  German Zappani Fiduciary Financial Mgmt. Lead Specialist (FMP/CFR)	Date: 3/12/2014
Concurred by:  Cristina Marzo Attorney (LEG/SGO)	3/10/2014

