



AMAZON FUND

ACTIVITY REPORT 2017

MESSAGE FROM THE MINISTER OF THE ENVIRONMENT

The Amazon is the largest tropical forest in the world and one of the greatest treasures of Brazilian society. This privileged position, of retaining the most part of the Amazon in our territory, also gives us the responsibility to ensure the maintenance and sustainable use of its resources, as well as of all the populations that depend on it for survival. This responsibility falls on our country, but its consequences affects the entire planet.

Brazil assumed this commitment and, since 2004, with the installation of the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), it was possible to reduce deforestation rates by almost 75%. In 2017, specifically, there was a 12% decrease compared to the previous year, reversing an uptrend noted since 2015. However, it is still a big challenge. The economic, social and institutional factors that lead to deforestation are not yet controlled. It is necessary to ensure compliance with the Brazilian Forest Code and the new National Policy for Native Vegetation Recovery (PROVEG), to promote the creation and the consolidation of the protected areas, to regulate the allocation and the occupation of public lands, to promote the development of more sustainable economic activities and the transition to a low-carbon economy, taking advantage of the full potential of development of new technologies that Amazon offers.

Thanks to the good results and commitment that Brazil has shown in recent years, it has been possible to constitute one of the world's largest funds for forest management: the Amazon Fund. Since the beginning of its operation, in 2008, the Amazon Fund has been one of the most important instruments to ensure and enhance the commitment of our country with the conservation and sustainable use of forests. By 2017, 15 projects had been concluded and 95 projects supported, distributed between public bodies and institutions, third sector organizations, universities and international cooperation agencies.

This year was also when two important public calls of the Amazon Fund were launched. The first, for the consolidation and strengthening of sustainable and inclusive value chains, has the goal of promoting the value chains based on the sustainable use of natural resources and strengthening community endeavors to keep the forest standing and promote opportunities for financial sustainability and conservation of biodiversity. The second, for the recovery of native vegetation, has the goal of promoting forest recovery and the recovery of other forms of native vegetation of the Brazilian Amazon, in addition to strengthening the technical and managerial structure of productive chains associated with the sector, to stimulate the environmental regularization of rural properties and the recovery of protected areas, indigenous lands and other public domain lands. The projects to be supported through these calls will be fundamental to collaborate with the implementation of important Brazilian environmental policies, such as the National Plan for Strengthening of

Extractivism-Based and Riverside Communities (PLANAFE) and the National Plan for Recovery of Native Vegetation (PLANAVEG).

The success of the Amazon Fund so far should be celebrated, but it is important to recognize that the challenges we have ahead of us will be even bigger, thus requiring improvements and new initiatives. Brazil assumed ambitious commitments in its Nationally Determined Contributions (NDC) presented to the Paris Agreement, from the elimination of illegal deforestation to the recovery of forests and pastures. The fulfilment of these commitments will show that it is possible to reconcile economic development and environmental conservation. To this end, a composition of efforts with the involvement of different spheres and areas of the government, the private sector, civil society, and of the legislative and judicial powers is urged.

With this challenging, but also optimistic scenario, the Ministry of Environment reinforces its commitment with the Amazon Fund. This instrument will continue to fulfill its role of supporting the consolidation and improvement of public policies, focusing on preventing, monitoring and combating deforestation, and also promoting the conservation and sustainable use of tropical forests in Brazil and other parts of the world.

May 2018

Edson Duarte

MINISTER OF THE ENVIRONMENT



MESSAGE FROM THE PRESIDENT

In 2018, the Amazon Fund completes ten years of existence. It is fully established, being a world reference in the promotion of sustainable development in tropical forests.

Since its creation, we have valued the publicity and transparency of the activities supported, and the annual report is one of the main instruments of communication with society, along with the website. Showing the numbers and telling the stories that are happening all over the Amazon – in the rivers, forests, laboratories and small rural properties, and even in the skies, where satellites and helicopters perform the important function of supervision – is an important legacy of the Fund.

There were many highlights in 2017, since the Amazon Fund undertakes multiple lines of action, from fundraising and monitoring of projects, to the training of actors and encouragement to new projects. Twelve projects were approved and, with this, the Fund ends the year with a portfolio of 95 projects supported (of which 15 have been completed). Disbursements reached a new record, totaling R\$ 224 million and representing a 67% growth in relation to the previous year.

In 2017, two public calls were also launched, which together totaled a volume of up to R\$ 350 million intended for new projects in the coming years: one focused on the selection of proposals which are aimed at the consolidation and strengthening of sustainable value chains, and the other, aiming to support the actions of plant cover recovery in the Brazilian Amazon.

We received with satisfaction the positive results achieved by Brazil in 2017 in the reduction of deforestation, and we know that many of the actions supported by the Amazon Fund contributed to this. We will advance in the challenge of finding a model of sustainable development for the Amazon that encompasses responsible occupation and environmental protection. In this context, we have reinforced the commitment of BNDES to participate in this journey with the various sectors of society and of the Brazilian State, which have also undertaken this mission.

In this report, we share information about the approved projects, the results of the projects completed in the year, the general data about the activities of monitoring and evaluation of the Amazon Fund, and more.

Enjoy!

May 2018

Dyogo Henrique de Oliveira

PRESIDENT OF BNDES

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INTRODUCTION

Context

The Amazon Fund is a pioneering initiative to finance actions to Reduce Emissions from Deforestation and Forest Degradation (REDD+). Its concept was presented by Brazil at the Conference of the Parties (COP 13) held in Bali in 2007, under the United Nations Framework Convention on Climate Change (UNFCCC), and its creation was authorized by Decree 6,527, dated August 1, 2008, of the Presidency of the Federative Republic of Brazil.

The fund receives voluntary donations for nonrefundable investment in actions to prevent, monitor and combat deforestation, besides promoting the conservation and sustainable use of the Brazilian Amazon region. In addition, up to 20% of the fund's resources may be allocated to support the development of deforestation monitoring and control systems throughout Brazil and in other countries with tropical rainforests.

The Amazon Fund relies on a solid participatory governance system led by the Amazon Fund Steering Committee (COFA), which is in charge of setting its guidelines and monitoring its results. It is a tripartite committee, chaired by the Brazilian Ministry of the Environment (MMA), with 23 members drawn from three groups: Federal Government, state governments and civil society. The Amazon Fund also has a Technical Committee (CTFA) comprising renowned experts responsible for attesting the amount of reduction of carbon emissions from deforestation calculated by the Ministry of the Environment.

Following the creation of the Brazilian National Strategy for Reducing Emissions from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Forest Management and Increase of Forest Carbon Stocks (ENREDD+), and the establishment of the National REDD+ Commission (CONAREDD+),¹ the Amazon Fund became eligible to receive payments for REDD+ results achieved by Brazil and recognized by the UNFCCC.

Management of the Amazon Fund was entrusted to BNDES, which is responsible for raising and investing funds, monitoring and supervising supported initiatives, submitting accountability reports and communicating results in a continuous and transparent manner, in addition to being in charge of the COFA executive secretariat.

By the end of 2017 the Amazon Fund had received R\$ 3,123,091,258.23 in donations, 93.3% of which from the government of Norway, 6.2% from the government of Germany – through KfW Entwicklungsbank – and 0.5% from Petróleo Brasileiro S.A. (Petrobras).

The Amazon Fund reached the end of 2017 with a portfolio of 95 supported projects, 15 of which have been concluded. Funds assigned to these projects total R\$ 1,563,932,024.95, 56% of them already disbursed.

¹ The rules and criteria for raising and using funds from payments for REDD+ results shall be defined by CONAREDD+, which shall be responsible for coordinating, monitoring and supervising the implementation of ENREDD+. The full text of Decree 8,576/2015, which created CONAREDD+, can be accessed at: <http://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2015/Decreto/D8576.htm>.

Amazon Fund objectives

To achieve its objectives, the Amazon Fund supports projects related to preventing, monitoring and combating deforestation and promoting the conservation and sustainable use of the Brazilian Amazon in the following areas specified in Decree 6,527/2008:

- I. management of public forests and protected areas;
- II. environmental control, monitoring and inspection;
- III. sustainable forest management;
- IV. economic activities developed from the sustainable use of vegetation;
- V. Ecological and Economic Zoning (ZEE), land-use planning and landholding regularization;
- VI. conservation and sustainable use of biodiversity; and
- VII. recovery of deforested areas.

The decree also provides for the use of up to 20% of the fund's resources to support the development of deforestation monitoring and control systems in other Brazilian biomes and in tropical rainforests in other countries.

Initiatives eligible for support from the Amazon Fund must comply with the Action Plan for Prevention and Control of Deforestation in the Brazilian Amazon (PPCDAm), ENREDD+, state plans to prevent and combat deforestation, COFA guidelines and criteria, and BNDES operational policies.

The Amazon Fund at BNDES

BNDES, a federal state-owned company founded in 1952, is the main instrument to finance long-term investments in all segments of the Brazilian economy, encouraging innovation, regional development and socioenvironmental development.

BNDES' mission is to foster sustainable and competitive development in the Brazilian economy, generating employment as well as reducing social and regional inequalities. The Bank has a track record of significant results for Brazilian economic and social development, introducing innovative practices in management and socioenvironmental responsibility.

Carrying out its various activities requires permanent training of staff, hired through nationwide public examinations. Decision making at BNDES is collective and transparent, based on technical parameters submitted to auditing and control by external bodies set up exclusively for this purpose, including accountability mechanisms.

For BNDES, social and environmental responsibility means valuing the integration of the social and environmental dimensions into its strategy, policies, practices and procedures. As a driver of sustainable development, the Bank has mechanisms that range from analyzing the social and environmental

impacts of funded projects to financing investments that generate direct benefits in environmental quality and reduction of social and regional inequalities in the country.

TO LEARN MORE ABOUT BNDES' SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY:

BNDES Portal >Menu >Social and Environmental Responsibility

Recent developments, challenges and perspectives

The year 2017 was marked by the Amazon Fund's successful effort to act on multiple fronts, including: approval of new projects; raising of additional funds; issuance of two public calls; organization of events to publicize results; collaborative action to increase agility in executing public sector and training projects.

Twelve new projects were approved in 2017 totaling R\$ 235 million in support, a 19.5% increase over the previous year. The Amazon Fund ended the year with the significant number of 95 supported projects. Disbursements during the year, in the amount of R\$ 223.7 million, also represented an increase of 67% in comparison with the previous year.

Support for sustainable production is one of the main purposes of the Amazon Fund, expressed in the first component of its logical framework, seeking to ensure the economic attractiveness of activities that keep the forest standing. In 2017 seven projects were approved specifically related to the development of sustainable productive activities by the Amazon Fund's target groups, namely indigenous peoples, traditional communities, extractive workers and family farmers. These projects were respectively submitted by the following institutions: Interstate Agricultural Development Association (ADAI), Interstate Association of Women Babassu Coconut Breakers (AMIQCB), Conservation International of Brazil (CI Brasil), Life Center Institute (ICV), Amazon Sustainable Conservation and Development Institute (IDESAM), Tropical Forest Institute (IFT), and Forestry and Agricultural Management and Certification Institute (IMAFLOA), which together totaled R\$ 95.9 million in support.

To further strengthen the fund's support in this area, a public call was issued in August 2017 – Consolidation and Strengthening of Sustainable and Inclusive Value Chains – providing for funding of up to R\$ 150 million for ten projects to consolidate or strengthen forest conservation community ventures. The projects must be aggregating (i.e., applicants must aggregate subprojects from other organizations in an integrated and coordinated manner) and address at least one of the following economic activities: timber and nontimber forest management (which may include wild fauna management); aquaculture and fishing; alternative agroecological and agroforestry-based production systems; and community-based tourism.

In support of the implementation of the Forest Code, the projects of the Institute of Man and Environment of the Amazon (IMAZON) and of the Center for the Study of Culture and Environment of the Amazon (RIOTERRA) were approved, totaling R\$ 39.6 million and aimed at supporting forest restoration in small farms. Approval was also granted to support registration with the Rural Environmental Registry (CAR) in the state of Maranhão, worth R\$ 40.5 million. By the end of the year, ten Brazilian states had received resources from the Amazon Fund to implement this important public policy. Considering the supported states, six are part of the Brazilian Amazon and the other four are located in other areas of the country. The decree that established the fund provides for the use of up to 20% of resources outside the Brazilian Amazon for projects to monitor and control deforestation, and COFA maintained support for CAR as one of the priorities in the 2017-2018 period.

In November 2017 the Amazon Fund issued the public call Recovery of Plant Cover, allocating R\$ 200 million to fund up to five plant cover recovery projects, contributing to the technical and managerial structuring of the reforestation productive chain and the environmental regularization of rural properties. Eligible projects should provide for the recovery of a minimum area of 3,000 hectares, addressing different techniques (natural regeneration, densification, planting of seeds or seedlings etc.) and strategic cooperation with potential partners. This call is acknowledged as one of the biggest finance incentives for environmental regularization and recovery of degraded areas in the country.

Regarding public calls for projects to support the implementation of the Land and Environment Management Plan (PGTA) in indigenous lands, the project submitted by the Protected Forest Association (AFP) was approved, in the amount of R\$ 9.1 million. Seven projects in total are being supported for this purpose, amounting to R\$ 72.4 million. The Amazon Fund, in partnership with the MMA and the National Indian Foundation (FUNAI), has consolidated its position as one of the largest supporters of indigenous peoples in the Amazon region, who, with their lands and traditions, are relevant actors in preservation and combating deforestation.

Lastly, the project submitted by the National Institute for Space Research (INPE) was approved, in the amount of R\$ 49.8 million. This provides for the development of deforestation monitoring systems for the Atlantic Forest, Caatinga, Pampa and Pantanal biomes, expanding to the entire country the satellite-based monitoring intelligence deployed since 1988 in the Amazon region and more recently in the Cerrado biome. The project also includes measuring CO₂ emissions from deforested areas in these biomes, making all Brazilian regions eligible to receive REDD+ funds.

The highlight in the institutional agenda is COFA's review of investment criteria and focus areas for the biennium 2017-2018. One innovation relates to the reformulation of the core theme "scientific and technological development" as "science, innovation and economic instruments," more in line with the fourth phase of PPCDAm, which introduced the use of economic instruments as one of the strategies for preventing and combating deforestation. The change will enable the Amazon Fund to support the structuring of microfinance



mechanisms, such as revolving funds for the expansion of sociobiodiversity product value chains. A document was also drafted in partnership with the MMA with guidelines to support state government projects to monitor and combat environmental crimes and violations, aiming to step up the fight against deforestation and forest degradation in the Amazon region.

Another initiative that advanced significantly in 2017 was the Amazon Fund's technical support to improve the performance of projects supported by the public sector, developed in partnership with the German Agency for International Cooperation (GIZ – Gesellschaft für Internationale Zusammenarbeit). Highlights include activities related to project planning, review of processes and definition of suitable models for structuring management units.

Regarding monitoring and evaluation of the results and impacts of supported projects, two effectiveness evaluations, also called ex post evaluations, were carried out. The projects Virada Verde, by The Nature Conservancy of Brazil (TNC), and Municipal Socioenvironmental Management in the State of Pará, by IMAZON, were evaluated by independent consultancy teams under the coordination of GIZ, and the documents produced are available on the Amazon Fund's website. Among other objectives these evaluations allow the Amazon Fund to report on supported projects and their results; verify the contribution of projects to PPCDAm and state plans to combat deforestation; and facilitate institutional learning, providing input to improve project quality and prioritize investments.

Another strategic initiative developed over the year was the analysis of action models that enable the private sector to engage in projects supported by the Amazon Fund. In line with Brazilian environmental policy and adapted to the fund's normative and institutional framework, the search for synergies with the private sector aims, among other objectives, to promote the multiple use of the forest and diversify access channels to Amazon Fund resources.

Prominent among transparency initiatives was the event held on August 9 in Brasilia, *Amazon Fund: Results, challenges and perspectives*, whose opening ceremony was attended by the ambassadors of Norway and Germany. The event presented the Activity Report 2016, the results achieved by the fund and some of the supported projects, ending with the launch of the new public call to foster sociobiodiversity productive chains.

In November the Amazon Fund took part in the 23rd Conference of the Parties to the UNFCCC (COP 23) in Bonn, Germany. On the 14th the fund's team presented the panel "Impacts and Challenges of the Amazon Fund" in the *Amazon Bonn* event. And on the 16th Espaço Brasil held the event *Amazon Fund: Contributing to the achievement of the Brazilian goals*, in which the public call Recovery of Plant Cover of the Brazilian Amazon was launched.

In December 2017 the Amazon Fund received new donations totaling R\$ 271.2 million, R\$ 131.9 million from Germany through KfW and R\$ 139.3 million from Norway. With these contributions, total resources received by



the Amazon Fund amount to R\$ 3.12 billion. The Norwegian government is the largest donor, amounting to R\$ 2.91 billion in donations or 93.3% of the total received. In turn, Germany reinforced its commitment to the Amazon Fund and its donations amount to R\$ 192.69 million or 6.2% of total funds. There is also Petrobras, with R\$ 16.1 million in donations (0.5% of the total).

The year 2018 begins with new challenges. With a mature project portfolio, the Amazon Fund team and the beneficiaries of each project share the mission of progressively spreading their stories and the lessons learned, not only to increase the impact of their initiatives to prevent and combat deforestation, but also to assist other countries to structure themselves to receive REDD+ funds.

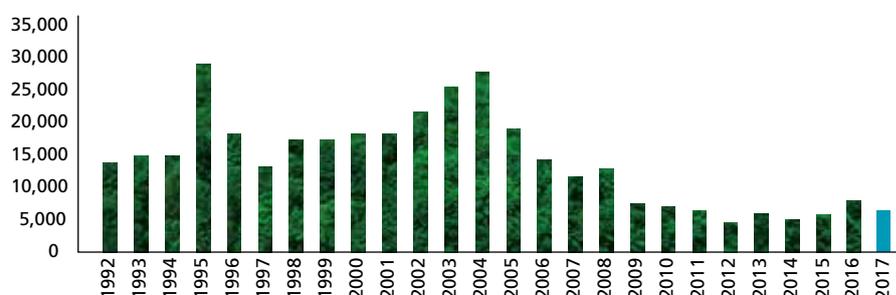
The positive results in deforestation reduction achieved by Brazil in 2017 reinforce the motivation to increasingly contribute to this joint effort undertaken by governments and Brazilian society to build a sustainable development model for the Amazon region, in which environmental conservation and respect to traditional peoples and cultures are protagonists and drivers of the process.

It is necessary to work to enable local solutions to emerge, develop and become increasingly known in the rest of the country, in order to “Amazonize” Brazil and (why not?) the world.

Data on deforestation in the Brazilian Amazon region

Preliminary data from INPE indicate that deforestation in the Amazon region between August 1, 2016 and July 31, 2017 totaled 6,624 km². As can be seen in Graph 1, as of 2004, when the Federal Government instituted PPCDAm, annual deforestation rates in the Amazon region fell significantly up to 2012. The deforestation rate stabilized around 5,000 km² from 2013 to 2015, increased in 2016 and fell again in 2017.

GRAPH 1: ANNUAL DEFORESTATION IN THE BRAZILIAN AMAZON, BY CLEAR-CUTTING (KM²)



Source: PRODES/INPE.

Note: 2017 - preliminary data.

Table 1 features deforestation rates for 2017 in the states that make up the Brazilian Amazon, compared with definite deforestation rates for the previous year.

TABLE 1: DEFORESTATION BY STATE

| States | Deforestation 2016 (km ²) | Deforestation 2017 (km ²) | Deforestation variation 2016-2017 (%) |
|------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Acre | 372 | 244 | -34.4% |
| Amazonas | 1,129 | 965 | -14.5% |
| Amapá | 17 | 31 | 82.4% |
| Maranhão | 258 | 237 | -8.1% |
| Mato Grosso | 1,489 | 1,341 | -9.9% |
| Pará | 2,992 | 2,413 | -19.4% |
| Rondônia | 1,376 | 1,252 | -9.0% |
| Roraima | 202 | 115 | -43.1% |
| Tocantins | 58 | 26 | -55.2% |
| Brazilian Amazon | 7,893 | 6,624 | -16.1% |

Source: PRODES/INPE.

There was a reduction of 1,269 km² (16%) in deforested area in the Amazon region in 2017 (preliminary data) compared with the previous year. A reduction in deforestation was observed in almost all states of the Brazilian Amazon, with the exception of Amapá (which accounted for only 0.5% of total deforestation in 2017).

After two consecutive years of increased deforestation, such reduction is good news. It results from efforts by the Brazilian government and society to reverse the upward trend verified in 2015 and 2016. It is especially significant for occurring in a context of strong fiscal restraint. On the other hand, there is certainly much to be done. The annual deforestation rate seen in 2017 is still 32% higher than in 2014.

It should be noted that the deforestation rate for 2017 is 37% below the 2004-2016 average, or 76% lower than the rate for 2004, which places the dynamics of deforestation in the Amazon region in a more adequate time perspective. In the absence of yet another increase in the deforestation rate, a decreasing trend in the medium term is clear. It is imperative that the downward trend continue, since Brazil's Intended Nationally Determined Contributions (INDC) in the framework of the Paris Climate Agreement calls for zero illegal deforestation in the Amazon rainforest by 2030.





GOVERNANCE,
FUNDRAISING AND
COMMUNICATION

Governance of the Amazon Fund

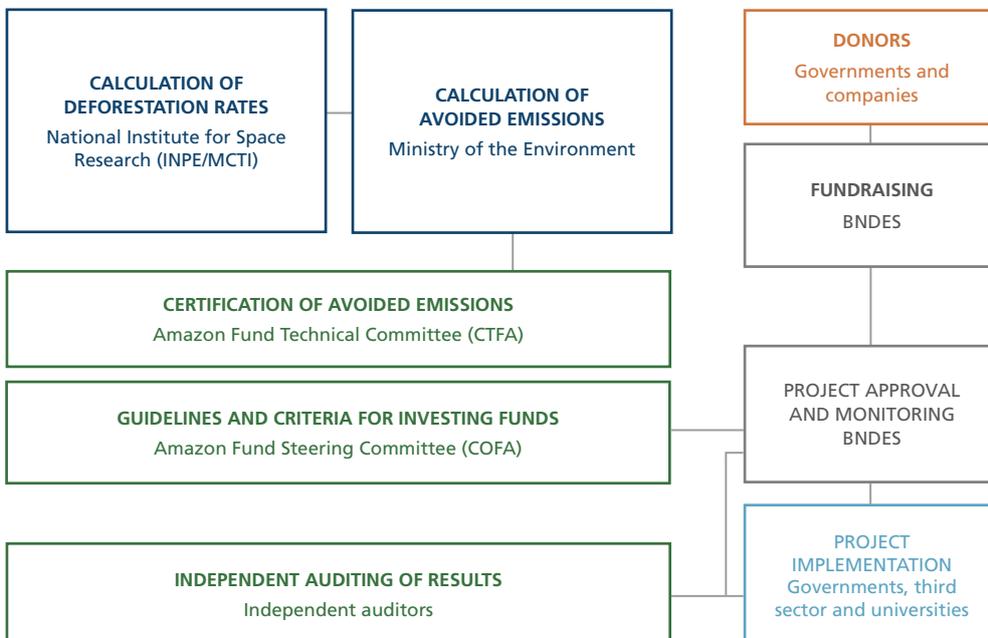
The governance model of the Amazon Fund enables the participation of the various players involved in the initiative, who contribute to the achievement of its goals.

The Amazon Fund relies on a governance structure comprising two committees with representatives from the Federal Government, state governments of the Brazilian Amazon region, civil society (nongovernmental organizations, social movements, indigenous peoples and corporate sector) and the scientific community. In addition, independent auditing processes have been defined to verify the adequate investment of donated resources, as shown in Figure 2.

Following the establishment in 2015 of the National REDD+ Commission (CONAREDD+), in charge of implementing the National Strategy for Reducing Emissions from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Forest Management and Increase of Forest Carbon Stocks (ENREDD+), a new level of governance was created. Within its framework the Amazon Fund has already been considered eligible to receive payments for REDD+ results achieved by the country and recognized by the United Nations Framework Convention on Climate Change (UNFCCC).

The rules and criteria for raising and using funds from payments for REDD+ results shall be defined by CONAREDD+, which shall be responsible for coordinating, monitoring and supervising the implementation of ENREDD+.

FIGURE 1: GOVERNANCE OF THE AMAZON FUND



Amazon Fund Technical Committee

Established by MMA Ordinance 345, dated October 22, 2008, the Amazon Fund Technical Committee (CTFA) is in charge of certifying carbon emissions from deforestation calculated by the Ministry of the Environment (MMA). To this end, it assesses the methodology for calculating deforested area and the amount of carbon per hectare used in the calculation of emissions.

CTFA members meet ordinarily once a year. Renowned for their technical and scientific expertise, they are appointed by the MMA after consulting the Brazilian Forum on Climate Change. The members' term of office is three years, renewable once for an equal period.

Participation in CTFA is considered of public interest and entails no compensation.

Meeting of the Amazon Fund Technical Committee

The tenth CTFA meeting was held on October 4, 2017, when the committee estimated the amount of reduced emissions for the 2016 forest year at 12 million tons of CO₂, and established the Amazon Fund's fundraising limit for this period at US\$ 60,152,400.00.

Since the Amazon Fund was created, CTFA has certified values for reduced emissions as set forth in Table 2.

TABLE 2: ANNUAL MEETINGS OF THE AMAZON FUND TECHNICAL COMMITTEE

| Meetings | Date | Year of reduction | Estimated total of reduced emissions (in million tonnes of CO ₂) |
|------------------|------------|-------------------|--|
| 1 st | 11.10.2008 | 2006 | 200.0 |
| | | 2007 | 303.0 |
| 2 nd | 12.01.2009 | 2008 | 245.7 |
| 3 rd | 12.13.2010 | 2009 | 445.9 |
| 4 th | 10.20.2011 | 2010 | 462.9 |
| 5 th | 11.14.2012 | 2011 | 490.2 |
| 6 th | 11.26.2013 | 2012 | 580.2 |
| 7 th | 9.10.2014 | 2013 | 516.1 |
| 8 th | 11.05.2015 | 2014 | 558.8 |
| 9 th | 11.08.2016 | 2015 | 500.8 |
| 10 th | 10.04.2017 | 2016 | 12.0 |

Source: BNDES.

Amazon Fund Steering Committee

COFA is in charge of establishing guidelines and criteria for investing funds (see Annex 3) as well as approving information on such investments and the Amazon Fund Activity Report.

COFA is a tripartite committee made up of three groups of members: eight representatives from the Federal Government; nine representatives from the states of the Brazilian Amazon region; and six representatives from civil society.²

In 2017, COFA members met in two ordinary sessions. The meetings are registered in Records of Referrals and Themes (RET) which, once approved by members, are published on the Amazon Fund website. In addition to the themes suggested by committee members, at all meetings an analysis of the Fund's projects portfolio was presented by BNDES.

22nd meeting of the Amazon Fund Steering Committee

The first meeting of the year was held on May 9, at BNDES headquarters in Rio de Janeiro, and was opened by the secretary for Climate Change and Forests of the Ministry of the Environment, Everton Lucero, and the managing director of the Public and Socioenvironmental Management Division of BNDES, Marilene Ramos.

The main deliberations of this meeting were the approval of adjustments to the guidelines and criteria for investing Amazon Fund resources and the focus areas for the 2017-2018 period. One of the changes involved the reformulation of the "scientific and technological development" core theme, which was renamed "science, innovation and economic instruments" as a result of a review of the Action Plan for Prevention and Control of Deforestation in the Brazilian Amazon Region (PPCDAm), which introduced the use of economic instruments as one of the new strategies to prevent and combat deforestation. The focus areas and modalities of support for the 2017-2018 period are described below in this report.

During the meeting the Amazon Fund was also authorized to prepare four public calls for the 2017-2018 period with the themes: consolidation of sociobiodiversity production chains; actions in land reform settlements; vegetation recovery in deforested areas; and support to municipalities. The meeting's agenda additionally included the approval of the Amazon Fund Activity Report for 2016.

23rd meeting of the Amazon Fund Steering Committee

The second meeting of 2017 was held at the Princesa Louçã hotel in Belém on October 20 and was opened by the secretary for Climate Change and Forests of the MMA, Everton Lucero, and the managing director of the Public and Socioenvironmental Management Division of BNDES, Marilene Ramos.

At this meeting COFA approved new criteria to support state environmental monitoring projects, with the objective of strengthening and expanding



² The full list of COFA members for 2017 is available in Annex 4.

Amazon Fund support for initiatives to control, investigate and combat environmental crimes and violations, and to prevent and combat deforestation and forest degradation in the Amazon region. The main criteria defined were: (i) the projects must be structuring; (ii) the projects must effectively contribute to the achievement of expected monitoring and control results under PPCDAm and state deforestation plans (PPCD), aimed at repressing harm against flora; (iii) the indicative amount of financial support shall be R\$ 20 million; and (iv) the projects must be executed within a maximum time frame of three years.

During the meeting, the secretary for Extractivism and Sustainable Rural Development of the MMA, Juliana Simões, presented the Bolsa Verde environmental conservation support program, explained the importance of transforming it into an environmental services compensation program and reported that, due to the budget cut incurred by the Federal Government and, consequently, by the MMA, this program shall be discontinued in 2018. Next, COFA analyzed the exemption from additionality of resources in Amazon Fund support for environmental services compensation programs. COFA approved the exemption from additionality of resources in the Brazilian Amazon region for projects related to the Bolsa Verde program and compensation for environmental services.

Focus areas for Amazon Fund support in the 2017-2018 period

The 22nd COFA meeting, held on May 9, 2017, defined the focus areas and modalities of support for the 2017-2018 period. The focus areas are distributed within the core themes of “monitoring and control,” “fostering sustainable productive activities,” “land-use planning” and “science, innovation and economic instruments.” As mentioned above, the core theme “scientific and technological development” was expanded to include the development of normative acts and economic incentives associated with the prevention and reduction of deforestation, being thus reformulated as “science, innovation and economic instruments.” This change enables support for the structuring of microfinance mechanisms, such as revolving funds for the expansion of sociobiodiversity and agroecology product value chains, as well as support to expand the public procurement policy of these products to afford them economic sustainability and larger scale.

At the 23rd COFA meeting, held on October 20, 2017, the committee authorized the exemption of projects related to the Bolsa Verde program and compensation for environmental services from additionality of resources in the Brazilian Amazon region.

The focus areas for the current two-year period (see Chart 1) follow the framework of the core themes of the previous document: (i) fostering sustainable production activities; (ii) environmental monitoring and control; and (iii) land-title regularization and land-use planning – with the exception of the transversal component focused on scientific and technological development, which was renamed “science, innovation and economic instruments”.

CHART 1: FOCUS AREAS AND MODALITIES OF SUPPORT FOR THE 2017-2018 PERIOD

| General guidelines | |
|--|---|
| EXEMPTION FROM ADDITIONALITY OF RESOURCES IN THE BRAZILIAN AMAZON REGION | Projects that aim to continue or enhance environmental surveillance and deforestation control submitted by federal or state bodies or institutions with legal mandate to carry out inspection activities within the framework of the National Environmental System – SISNAMA and projects related to item I12 may be exceptionally exempted from the minimum condition of additionality of resources mentioned in item B7. This shall require a formal consultation with the Ministry of the Environment (MMA) and a statement from the submitting body/institution attesting the nonexistence of sources of funds for the financial aid requested. The aforementioned technical justification and statement are mandatory and must be annexed to the proposal formally filed with BNDES, which will check, for eligibility purposes, adherence to the condition in the scope of Amazon Fund donation agreements. |
| Operational modalities | |
| STRUCTURING PROJECTS | <p>Structuring projects are those that cumulatively meet the following criteria:</p> <ol style="list-style-type: none"> a. Contribute to the implementation of a public policy. b. Present a solution to the problem at hand. c. Have a regional scope (whenever the project is regionally developed). <p>Structuring projects may be proposed by: (a) Federal Government bodies; (b) state government bodies; (c) private non-profit organizations; or (d) companies.</p> <p>The “regional scope” criterion shall be considered fulfilled when, for example, the project’s activities encompass a group of municipalities, settlements or protected areas, a state planning region, the surrounding areas of major infrastructure projects, etc. Regional scale shall be measured according to the characteristics of the project and relevant public policies.</p> |
| PUBLIC CALLS | <p>Besides calls for projects directly issued by the Amazon Fund (BNDES), support for partner institutions to issue public calls for projects will be admitted. Partner institutions shall have proven experience, knowledge and operational capacity to guarantee public calls of high quality and wide scope. Partner institutions here are understood as third sector institutions and federal/state government bodies.</p> <p>The Amazon Fund shall be permanently open to requests by partner institutions for financial support to issue public calls for projects focusing on prioritized initiatives for the 2017-2018 period in the Brazilian Amazon region.</p> <p>Public calls directly issued by the Amazon Fund or indirectly supported through partner institutions shall be publicized and published on the website of the Amazon Fund or of partner institutions, according to each case.</p> |
| Brazilian Amazon region – Monitoring and Control | |
| MONITORING AND COMBATTING ENVIRONMENTAL CRIMES AND VIOLATIONS | Promotion of actions to monitor, investigate and combat environmental crimes and violations, including support for: (i) increased surveillance and investigation capacity of the federal and state governments; (ii) integration of state and federal intelligence and surveillance systems; (iii) integration of surveillance actions among state environmental agencies, IBAMA, FUNAI and ICMBio; (iv) integration of state forest management electronic data to SINAFLO, including authorizations for plant suppression and management plans; and (v) disposal of seized assets. |

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|---|---|
| <p>IMPLEMENTING AND CONSOLIDATING THE RURAL ENVIRONMENTAL REGISTRY (CAR) AND ENVIRONMENTAL REGULARIZATION</p> | <p>Promotion of the environmental regularization process through: (i) support for registration with the Rural Environmental Registry (CAR) of small farms or rural family holdings (up to four tax modules), indigenous lands and quilombola communities; (ii) support for integrating state CAR systems into the SICAR Rural Environmental Registry System and adapting complementary modules of analysis and monitoring, management of State Environmental Regularization Programs (PRAs) and Environmental Reserve Quotas (CRAs); (iii) support for the development and implementation of PRAs; (iv) support for activities to validate CAR registrations; (v) support for the elaboration and validation of projects to recover degraded and changed areas (PRADAs) of small farms or rural family holdings; and (vi) support to structure and operationalize the monitoring of environmental regularization of rural properties.</p> <p>Support for implementing CAR and environmental regularization of rural properties will be done primarily through operations with states, which may close partnerships/contracts to carry out the necessary actions in compliance with the applicable legislation. However, it will be possible to support CAR and environmental regularization projects through other partners in areas not included in projects contracted with states.</p> |
| <p>PREVENTING AND COMBATTING FOREST FIRES</p> | <p>Support for action to prevent and combat forest degradation caused by fires in native vegetation, submitted by government bodies operating in the Brazilian Amazon region, military fire brigades or nongovernmental organizations in partnership with government bodies, primarily in settlements, protected areas and indigenous lands.</p> <p>Support for integration of information on authorizations for fire clearance issued by states with the National Fire Information System – SISFOGO, by integrating the systems.</p> |
| <p>ENHANCING AND STRENGTHENING PLANT COVER MONITORING</p> | <p>Support for monitoring deforestation, changes in land use, forest degradation and fire clearance in the Brazilian Amazon region.</p> |
| <p>Brazilian Amazon region – Fostering Sustainable Production Activities</p> | |
| <p>ECONOMIC ACTIVITIES FOR THE SUSTAINABLE USE OF THE FOREST AND BIODIVERSITY</p> | <p>Structuring, strengthening and consolidating sociobiodiversity and family-based sustainable agriculture production chains, including adding value to the extraction economy, timber and nontimber forest management, aquaculture and fishing, agroecological and agroforestry systems, community-based tourism, sustainable livestock breeding and technical assistance for these activities.</p> |
| <p>BOLSA VERDE PROGRAM AND COMPENSATION FOR ENVIRONMENTAL SERVICES</p> | <p>Strengthening of the Environmental Conservation Support Program – Bolsa Verde and incentives for community-based environmental and ecosystem services.</p> |
| <p>RECOVERY OF DEGRADED AND CHANGED AREAS</p> | <p>Support to implement the National Policy for the Recovery of Native Vegetation – PROVEG, especially the recovery of degraded and modified areas of: (i) small farms or rural family holdings of up to four tax modules, with prioritization for the implementation of PRADAs; and (ii) nature conservation units, indigenous lands and traditional communities.</p> |
| <p>Brazilian Amazon region – Land-Use Planning and Land-Title Regularization</p> | |
| <p>LAND-TITLE REGULARIZATION</p> | <p>Support for the regularization of state-owned lands, with priority for critical areas with large-scale deforestation and land conflicts, including support for the allocation of state-owned land and collaborative efforts of environmental and land regularization. Does not include support for payment of compensation for expropriation.</p> |
| <p>LAND-USE PLANNING</p> | <p>Support for the elaboration, review and detailing of ecological-economic zoning (EEZ), including initiatives to train government and civil society managers and technicians and the design of action plans applying EEZ in other public policy instruments, such as the Multi-Year Plan, Environmental Regularization Programs, environmental licensing and granting of rural credit and rights to use water resources.</p> |

(To be continued)

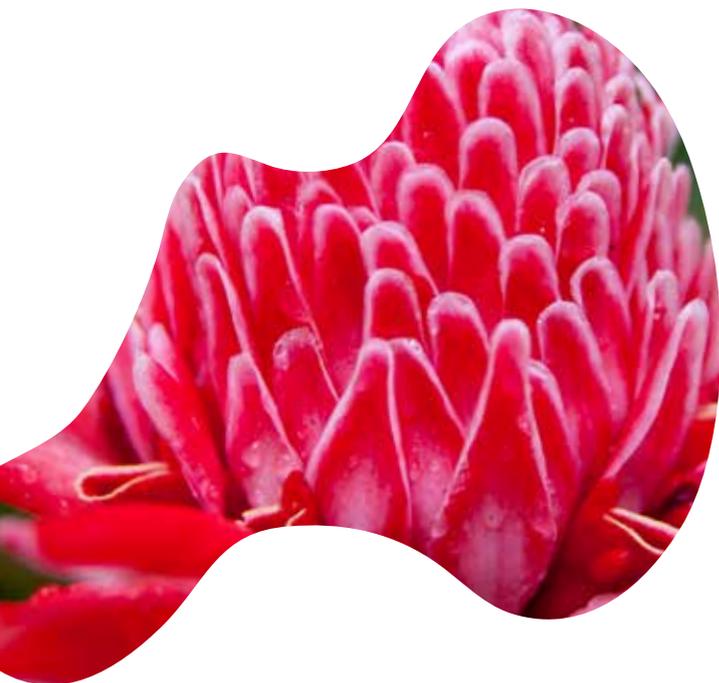
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| | |
|---|---|
| INDIGENOUS LANDS | Support for designing and implementing land and environmental management plans for indigenous lands aligned with the National Policy for Land and Environmental Management of Indigenous Lands – PNGATI, including protection and surveillance of indigenous lands. |
| PROTECTED AREAS | <p>Support for creating, recognizing and consolidating protected areas (protected areas and indigenous lands).</p> <p>Support for forming ecological corridors connecting state and private land, through, among others: (i) creation of protected areas; (ii) improvement of environmental and land management of protected areas, including areas of permanent preservation (APP), legal reserves and of restricted use; (iii) recovery of degraded areas in accordance with the provisions of item I 13 and (iv) formalization of agreements to preserve the corridors.</p> <p>Support for the recovery and maintenance of key areas for management of protected areas in buffer zones, such support being limited to small farms or rural family holdings (up to four tax modules).</p> |
| SETTLEMENTS | Support for environmental and land regularization of settlements, including implementation of the “Green Settlements Program” (Program for Preventing, Combatting and Developing Alternatives to Illegal Deforestation in Amazon Settlements). |
| Brazilian Amazon region – Science, Innovation and Economic Instruments | |
| NEW SOCIOBIODIVERSITY PRODUCTS | Support for scientific and technological research focused on sociobiodiversity product chains, including the development of new products from Amazon biodiversity – pharmaceuticals, phytopharmaceuticals, medicines, cosmetics and other products of interest to the chemical and food industries. |
| SUSTAINABLE PRODUCTION ACTIVITIES | Support for scientific and technological research focused on timber and nontimber forest management, recovery of degraded areas (including species selection, seed management and methods to optimize recovery), crop-livestock-forest integration (CLFi), sustainable fishing and aquaculture, conservation of water resources and soil conservation. |
| SYSTEMS TO MONITOR AND CONTROL DEFORESTATION, FOREST DEGRADATION AND FIRE CLEARANCE | Support for developing, implementing and improving systems to monitor land use and cover and control of deforestation, forest degradation, regeneration and fire clearance to quantify deforestation as a means to aid public policies for preventing and combatting deforestation. |
| STUDIES, PROJECTIONS AND SIMULATIONS | Support for studies, projections and simulations related to land use and cover aimed at assisting the design and implementation of public policies to prevent and combat deforestation and reduce greenhouse gas emissions from deforestation, according to criteria to be defined by COFA. |
| COMMUNITY FUNDING | Support for structuring and transferring financial resources to community revolving funds or similar instruments to enable the expansion of value chains related to forest management, sociobiodiversity and agroecology. |
| PROMOTION OF PUBLIC PROCUREMENT POLICIES | Support for expanding public procurement policies for products stemming from forest management, sociobiodiversity and agroecology, affording them greater support and scope. |

(To be continued)

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| Amazon Fund support in Brazil outside the Brazilian Amazon region | |
|---|--|
| RURAL ENVIRONMENTAL REGISTRY (CAR) AND ENVIRONMENTAL REGULARIZATION OF RURAL PROPERTIES | <p>Promotion of the environmental regularization process through: (i) support for registration in the Rural Environmental Registry (CAR) of small farms or rural family holdings (up to four tax modules); (ii) support for integrating state CAR systems into the SICAR Rural Environmental Registry System and adapting complementary analysis and monitoring modules; and (iii) support for activities to validate CAR registrations.</p> <p>Beneficiaries of CAR supporting projects outside the Brazilian Amazon shall necessarily make financial contributions. In projects in states where the Cerrado, Caatinga and Pantanal biomes account for, cumulatively, more than 40% of the area, financial contributions shall amount to at least 10% of the total project value. In other cases outside the Brazilian Amazon region, financial contributions shall be at least 20% of the total project value.</p> <p>Support for implementing CAR will be done primarily through operations with states, which, within the limits of applicable legislation, may close partnerships/contracts to carry out the necessary actions.</p> |
| DEFORESTATION MONITORING SYSTEMS | <p>Support for projects that contribute to the creation or improvement of forest cover monitoring systems outside the Brazilian Amazon region, according to current guidelines and criteria (see items G 1 to G 20).</p> <p>Support for protection and surveillance in indigenous lands.</p> <p>Promotion of the integration of state forest management electronic data to SINAFLOR, including authorizations for plant suppression and management plans.</p> |
| Amazon Fund support in other tropical countries | |
| DEFORESTATION MONITORING SYSTEMS IN OTHER TROPICAL COUNTRIES | <p>Support for projects that contribute to create or improve forest cover monitoring systems and deforestation control systems in other tropical countries, according to current guidelines and criteria (see items H 1 a H 17).</p> |



Fundraising

Fundraising rules

Raising funds for the Amazon Fund is conditional on the reduction of carbon emissions from deforestation, that is, Brazil must prove it has reduced deforestation in the Amazon region in order to receive new donations.

A simple, conservative method was chosen to calculate the Amazon Fund’s annual fundraising limit, thus ensuring that emission reduction values are not overestimated. Briefly, calculating the reduction of carbon emissions from deforestation is based on the difference between the average historical deforestation rate and the deforested area actually measured in the year of evaluation, then multiplying this result by the amount of carbon in the biomass, in tonnes of carbon per hectare. Thus, the calculation is given by the following equation:

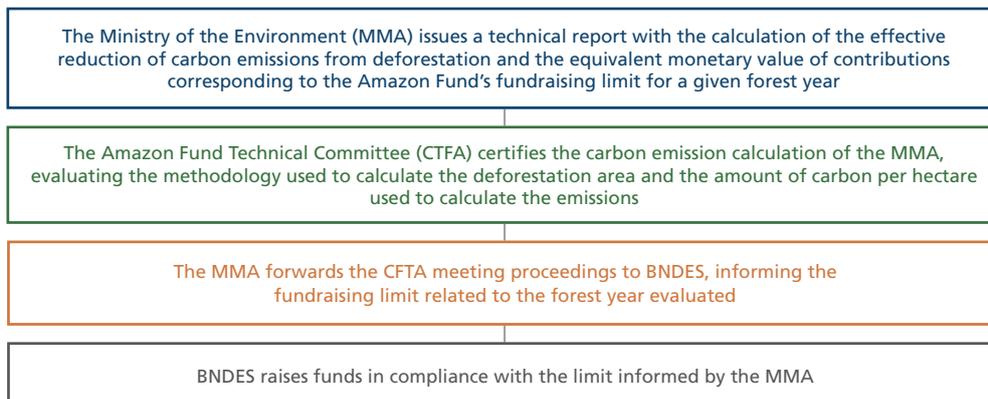
$$ED = (TDM - TD) * tC/ha$$

ED = reduction of carbon emissions from deforestation, in tonnes of carbon (tC)
 TDM = average rate of deforestation (in hectares)
 TD = annual rate of deforestation for the period (in hectares)
 tC/ha = tonnes of carbon per hectare of forest

The deforestation rate in the Brazilian Amazon region is measured by National Institute for Space Research (INPE), a public agency linked to the Ministry of Science, Technology, Innovations and Communications (MCTIC). The MMA is charged with defining the methodology to calculate the Amazon Fund’s annual fundraising limit, while the CTFA specialists are responsible for certifying the effective reduction of carbon emissions from deforestation in a given period, evaluating the methodology for calculating the deforested area and the amount of carbon per hectare used for calculating emissions.

Based on the emission reduction data certified by CTFA, BNDES is authorized to raise donations and issue diplomas acknowledging donors’ contributions. The fundraising flow of the Amazon Fund is describes schematically in Figure 2.

FIGURE 2: FUNDRAISING FLOW OF THE AMAZON FUND



Formalized donations

Based on the annual fundraising limits certified by CTFA, the Amazon Fund has received donations from foreign governments and companies. By the end of 2017, formal commitments of donations to the Amazon Fund had been made in three currencies: Norwegian krone (kr\$ or NOK) for donations from Norway; euro (€ or EUR) for donations from Germany/KfW; and real (R\$ or BRL) for donations by Petrobras, as detailed below. Of this total, R\$ 3,123,091,258.23 (US\$ 1,217,577,214.17) has already been deposited in the Amazon Fund account.³

The Norwegian government was the first – and is to date the largest – donor to the Amazon Fund, having effectively contributed the amount of kr\$ 7,692,680,000.00, equivalent to US\$ 1,142,067,325.62, or R\$ 2,914,355,261.70.

In addition, since 2010 the Amazon Fund has received support from the German government through KfW Entwicklungsbank. By the end of 2017 the government of Germany had contributed a total of € 54,920,000.00, equivalent to R\$ 192,690,396.00 or US\$ 68,143,672.60.

In 2011 the Amazon Fund started benefitting from a third donor, Petróleo Brasileiro S.A. (Petrobras), the first Brazilian company to contribute to the fund. By the end of 2017 Petrobras had contributed R\$ 16,045,600.53, equivalent to US\$ 7,366,215.95.

As established in Decree 6,527/2008, BNDES is obliged to keep separate accounting records of these donations, 3% of which is intended to cover operational costs and other expenses related to the Amazon Fund, including the hiring of auditing services.

The Norwegian government

BNDES signed a donation agreement on March 25, 2009 with the Norwegian Ministry of Foreign Affairs that provided for a donation of up to kr\$ 700,000,000.00 to the Amazon Fund.

As established in the agreement, donated amounts that could be requested in subsequent years would be specified in amendments proposed by the donor. Five amendments have been made to the donation agreement, through which the Norwegian government has committed to make additional donations of up to kr\$ 2,850,000,000.00.

From 2009 to June 2013 the Amazon Fund received six donations from the Norwegian government in the total amount of US\$ 130,253,901.05 (R\$ 243,952,352.40).

³ The conversions of donation values into USD and/or BRL in this chapter were based on the exchange rate of the respective dates on which the funds were effectively transferred to BNDES, according to information on the donation diplomas.

AMENDMENTS AND CONSOLIDATION

On September 17, 2013, BNDES and the Norwegian government signed an amended and restated donation agreement to consolidate Norway's previous donations to the Amazon Fund and extend the term of this cooperation. This agreement provided that donated funds could be used in Amazon Fund projects until the end of 2020. The documents provided for the possibility of a full transfer of resources hitherto donated by Norway, which was made possible by exempting Amazon Fund donations from PIS/PASEP and COFINS tax collection, instituted by Law 12,810, dated May 15, 2013, which amended Law 11,828, dated November 20, 2008. Thus, resources previously committed but not yet disbursed to the Amazon Fund, totaling US\$ 464,669,325.96 (R\$ 1,024,642,336.54), were transferred on October 4, 2013.

AMENDMENT TO THE CONSOLIDATED DONATION AGREEMENT

On December 10, 2013, the first amendment to the consolidated donation agreement was signed. The Norwegian government committed to an additional donation of kr\$ 1 billion (US\$ 163,666,121.11), made on December 23 of the same year.

SECOND AMENDMENT TO THE CONSOLIDATED DONATION AGREEMENT

On December 4, 2014, the second amendment to the consolidated donation agreement was signed. The Norwegian government committed to an additional donation of kr\$ 900 million. The donation was made in two tranches: kr\$ 780 million (US\$ 108,839,740.46 or R\$ 288,991,278.87) on December 15, 2014, and kr\$ 120 million (US\$ 14,893,881.10 or R\$ 46,416,780.45) on March 12, 2015.

THIRD AMENDMENT TO THE CONSOLIDATED DONATION AGREEMENT

On November 24, 2015, the third amendment to the consolidated donation agreement was signed. The Norwegian government committed to an additional donation in Norwegian kroner equivalent to US\$ 120 million (R\$ 455,568,000.00), made on December 4, 2015.

FOURTH AMENDMENT TO THE CONSOLIDATED DONATION AGREEMENT

On November 11, 2016, the fourth amendment to the consolidated donation agreement was made. The Norwegian government committed to an additional donation in Norwegian kroner equivalent to US\$ 97,953,351.16 (R\$ 330,161,565.42), made on December 16, 2016. Moreover, the term for investing the funds was extended from 2020 to 2030 and the Amazon Fund's area of operation was expanded (from the Amazon biome to the Brazilian Amazon region).

FIFTH AMENDMENT TO THE CONSOLIDATED DONATION AGREEMENT

On December 11, 2016, the fifth amendment to the consolidated donation agreement was made. The Norwegian government committed to an additional donation of kr\$ 350 million (R\$ 139,272,702.53 or US\$ 41,791,004.78), made on December 14, 2017.

German government

On December 7, 2010, within the framework of official financial cooperation between the governments of Germany and Brazil, an agreement for financial contribution to the Amazon Fund was signed between KfW Entwicklungsbank and BNDES in the amount of € 21 million (US\$ 28,323,207.40 or R\$ 60,697,500.00). The donation has already been fully received by the Amazon Fund.

In November 14, 2017, a new agreement was signed between KfW Entwicklungsbank and BNDES in the total amount of € 33,920,000.00 (US\$ 39,820,465.20 or R\$ 131,992,896.00), fully received on December 12, 2017.

Petróleo Brasileiro S.A.

By 2016, BNDES had signed with Petrobras 24 Amazon Fund donation agreements, in the total amount of R\$ 14,221,982.31 (US\$ 6,788,152,85.00). In 2017, another three donation agreements were signed worth R\$ 1,823,618.22 (US\$ 578,063.10). The total amount of Petrobras donations to the Amazon Fund to date is R\$ 16,045,600.53 (US\$ 7,366,215.95).

The company's donation complies with the requirement of the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA), according to which Petrobras must implement projects to offset greenhouse gas emissions caused by its activities. These emissions are caused by burning of gas during the production and transport of oil and natural gas.

The donated resources are exclusively intended to fund projects within the Amazon Fund framework, in accordance with its norms, conditions, guidelines and criteria. BNDES is in charge of analyzing, approving and financing the projects, as well as monitoring, supervising and reporting on results.

As determined by the BNDES Board of Directors (Board Decision 832/2012-BNDES), donations to the Amazon Fund raised from public sources controlled by the Federal Government must have separate accounting to ensure they are not used in projects executed by the Federal Government.

Diplomas: acknowledgment of donors' contributions

On raising donations for the Amazon Fund BNDES issues diplomas stating the amount of each financial contribution and its corresponding quantity in tonnes of carbon. These diplomas are nominal, nontransferable and grant no rights or credits of any nature. The diplomas thus identify the donors and the amount they contributed to reduce carbon emissions. Table 3 features data on previously raised funds.

TABLE 3: FUNDS RAISED

| Donor | Installment | Date received | Original donation amount | Amount in R\$ (BRL)* | Amount in US\$ (USD)* | Tonnes of carbon dioxide (tCO ₂) | Tonnes of carbon (tC) | Year of reduction |
|-------------|------------------|---------------|--------------------------|----------------------|-----------------------|--|-----------------------|-------------------|
| Norway | 1 st | 10.9.2009 | NOK 123,437,000.00 | 36,448,350.22 | 20,960,578.70 | 4,192,115.7 | 1,142,265.9 | 2006 |
| Norway | 2 nd | 8.9.2010 | NOK 169,262,000.00 | 49,600,536.48 | 28,283,364.59 | 5,656,672.9 | 1,541,327.8 | 2006 |
| Norway | 3 rd | 3.23.2012 | NOK 261,273,000.00 | 82,144,231.20 | 45,149,077.28 | 9,029,815.0 | 2,462,677.0 | 2006 |
| Norway | 4 th | 10.2.2012 | NOK 101,774,000.00 | 36,109,415.20 | 17,817,731.77 | 3,563,546.0 | 971,876.0 | 2006 |
| Norway | 5 th | 6.26.2013 | NOK 44,254,000.00 | 16,139,433.80 | 7,344,452.24 | 1,468,890.0 | 400,606.0 | 2006 |
| Norway | 6 th | 6.26.2013 | NOK 64,465,000.00 | 23,510,385.50 | 10,698,696.47 | 2,139,739.0 | 583,565.0 | 2009 |
| Norway | 7 th | 10.4.2013 | NOK 2,785,535,000.00 | 1,024,642,336.54 | 464,669,325.96 | 26,207,821.0 | 7,147,588.0 | 2009 |
| | | | | | | 33,363,022.0 | 9,099,006.0 | 2010 |
| | | | | | | 33,363,022.0 | 9,099,006.0 | 2011 |
| Norway | 8 th | 12.23.2013 | NOK 1,000,000,000.00 | 385,350,245.49 | 163,666,121.11 | 32,733,224.0 | 8,927,243.0 | 2012 |
| Norway | 9 th | 12.15.2014 | NOK 780,000,000.00 | 288,991,278.87 | 108,839,740.46 | 21,767,948.1 | 5,936,713.1 | 2013 |
| Norway | 10 th | 3.12.2015 | NOK 120,000,000.00 | 46,416,780.45 | 14,893,881.10 | 2,978,776.2 | 812,393.5 | 2013 |
| Norway | 11 th | 12.4.2015 | NOK 1,019,496,000.00 | 455,568,000.00 | 120,000,000.00 | 24,000,000.0 | 6,545,454.6 | 2014 |
| Norway | 12 th | 12.16.2016 | NOK 850,000,000.00 | 330,161,565.42 | 97,953,351.16 | 19,590,670.23 | 5,342,910.06 | 2015 |
| Norway | 13 th | 12.14.2017 | NOK 350,000,000.00 | 139,272,702.53 | 41,791,004.78 | 8,358,200.96 | 2,279,509.35 | 2016 |
| Germany KfW | 1 st | 12.29.2010 | EUR 3,000,000.00 | 6,644,100.00 | 3,952,500.00 | 790,500.0 | 215,395.0 | 2009 |
| Germany KfW | 2 nd | 1.8.2013 | EUR 6,000,000.00 | 15,954,600.00 | 7,864,832.89 | 1,572,967.0 | 428,991.0 | 2009 |
| Germany KfW | 3 rd | 1.6.2014 | EUR 8,000,000.00 | 26,180,800.00 | 11,120,181.53 | 825,407.0 | 225,111.0 | 2009 |
| | | | | | | 1,398,630.0 | 381,444.0 | 2010 |
| Germany KfW | 4 th | 7.22.2014 | EUR 4,000,000.00 | 11,918,000.00 | 5,385,692.98 | 1,077,139.0 | 293,765.0 | 2010 |
| Germany KfW | 5 th | 12.12.2017 | EUR 33,920,000.00 | 131,992,896.00 | 39,820,465.20 | 7,964,093.04 | 2,172,025.37 | 2015 |
| Petrobras | 1 st | 10.14.2011 | BRL 1,765,983.70 | 1,765,983.70 | 1,016,335.00 | 203,267.0 | 55,436.0 | 2006 |
| Petrobras | 2 nd | 10.14.2011 | BRL 4,114,671.55 | 4,114,671.55 | 2,368,020.00 | 473,604.0 | 129,164.0 | 2006 |
| Petrobras | 3 rd | 10.17.2011 | BRL 1,435,257.60 | 1,435,257.60 | 826,000.00 | 165,200.0 | 45,054.0 | 2006 |

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Governance, fundraising and communication

(Continued)

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|-----------|------------------|------------|------------------|-------------------------|-------------------------|-----------|----------|------|
| Petrobras | 4 th | 1.23.2012 | BRL 156,626.00 | 156,626.00 | 88,750.00 | 17,750.0 | 4,841.0 | 2006 |
| Petrobras | 5 th | 4.26.2012 | BRL 282,584.58 | 282,584.58 | 150,255.00 | 30,051.0 | 8,196.0 | 2006 |
| Petrobras | 6 th | 7.13.2012 | BRL 174,320.80 | 174,320.80 | 85,155.00 | 17,031.0 | 4,645.0 | 2006 |
| Petrobras | 7 th | 2.20.2013 | BRL 327,834.78 | 327,834.78 | 167,288.25 | 33,457.7 | 9,124.8 | 2006 |
| Petrobras | 8 th | 3.25.2013 | BRL 357,002.13 | 357,002.13 | 177,383.55 | 35,477.0 | 9,675.0 | 2006 |
| Petrobras | 9 th | 9.25.2013 | BRL 331,912.11 | 331,912.11 | 150,656.85 | 30,131.0 | 8,218.0 | 2006 |
| Petrobras | 10 th | 1.23.2014 | BRL 222,324.37 | 222,324.37 | 94,201.25 | 18,840.3 | 5,138.3 | 2006 |
| Petrobras | 11 th | 2.25.2014 | BRL 73,323.19 | 73,323.19 | 31,378.95 | 6,275.8 | 1,711.6 | 2006 |
| Petrobras | 12 th | 5.6.2014 | BRL 89,806.99 | 89,806.99 | 40,232.50 | 8,046.5 | 2,194.5 | 2006 |
| Petrobras | 13 th | 5.8.2014 | BRL 177,561.21 | 177,561.21 | 80,319.00 | 16,063.8 | 4,381.0 | 2006 |
| Petrobras | 14 th | 10.2.2014 | BRL 206,057.53 | 206,057.53 | 83,138.00 | 16,627.6 | 4,534.8 | 2006 |
| Petrobras | 15 th | 10.10.2014 | BRL 239,613.95 | 239,613.95 | 99,412.50 | 19,882.5 | 5,422.5 | 2006 |
| Petrobras | 16 th | 12.26.2014 | BRL 458,054.97 | 458,054.97 | 172,675.00 | 34,535.0 | 9,418.6 | 2006 |
| Petrobras | 17 th | 1.19.2015 | BRL 20,941.30 | 20,941.30 | 7,995.00 | 1,599.0 | 436.1 | 2006 |
| Petrobras | 18 th | 3.13.2015 | BRL 471,492.55 | 471,492.55 | 151,260.00 | 30,252.0 | 8,250.6 | 2006 |
| Petrobras | 19 th | 3.27.2015 | BRL 1,119,131.39 | 1,119,131.39 | 350,660.00 | 70,132.0 | 19,126.9 | 2006 |
| Petrobras | 20 th | 7.3.2015 | BRL 270,114.06 | 270,114.06 | 86,600.00 | 17,320.0 | 4,723.6 | 2006 |
| Petrobras | 21 th | 7.30.2015 | BRL 660,392.86 | 660,392.86 | 197,610.00 | 39,522.0 | 10,778.7 | 2006 |
| Petrobras | 22 th | 7.30.2015 | BRL 288,021.65 | 288,021.65 | 86,185.00 | 17,237.0 | 4,701.0 | 2006 |
| Petrobras | 23 th | 10.5.2016 | BRL 429,923.03 | 429,923.03 | 121,491.80 | 24,298.4 | 6,626.8 | 2006 |
| Petrobras | 24 th | 5.10.2016 | BRL 549,030.01 | 549,030.01 | 155,150.20 | 31,030.0 | 8,462.7 | 2006 |
| Petrobras | 25 th | 4.6.2017 | BRL 86,528.57 | 86,528.57 | 27,691.80 | 5,538.36 | 1,510.5 | 2006 |
| Petrobras | 26 th | 4.6.2017 | BRL 397,886.33 | 397,886.33 | 127,335.85 | 25,467.17 | 6,945.6 | 2006 |
| Petrobras | 27 th | 7.31.2017 | BRL 1,339,203.32 | 1,339,203.32 | 423,035.45 | 84,607.09 | 23,074.7 | 2006 |
| | | | Total | 3,123,091,258.23 | 1,217,577,214.17 | | | |

Source: BNDES.

* Historical amounts as stated on the diplomas issued by the Amazon Fund.

Institutional coordination and technical cooperation

As manager of the Amazon Fund, BNDES keeps close contact with various stakeholders in order to be transparent in its activities, receive technical feedback for its performance and establish partnerships.

Prominent among these efforts is the technical cooperation agreement between the Amazon Fund and the German Agency for International Cooperation (GIZ – Gesellschaft für Internationale Zusammenarbeit), which, since 2015, has been co-funded by the Norwegian government, in addition to funds received from the German government. In 2017, several activities were carried out thanks to this technical cooperation, the most important being:

- » support for collaborative initiatives with beneficiaries of the Amazon Fund in projects with a low execution rate of scheduled activities, including the identification of obstacles and the proposal of solutions;
- » training of teams in projects involving collaborative action in the areas of project management and impact monitoring and evaluation;
- » support for state and federal bodies in designing projects for Amazon Fund financing;
- » support for workshops to publicize and develop projects for the public call Consolidation and Strengthening of Sustainable and Inclusive Value Chains in the states of Acre, Amazonas, Mato Grosso, Pará and the Federal District;
- » beginning of independent evaluations of the concluded projects: Bolsa Floresta (Phase I), of the Sustainable Amazon Foundation (FAS); and Dissemination and Improvement of Sustainable Forestry Management Techniques, of the Protected Forest Institute (IFT);
- » support for the preparation of a proposed methodology to evaluate the Amazon Fund program;
- » support for the participation of the Amazon Fund in the United Nations Conference on Climate Change (COP 23) in Bonn/Germany, especially the Amazon Bonn event, and for the organization of the annual meeting with Amazon Fund donors, also held in Bonn;
- » preparation of georeferenced maps of projects supported by the Amazon Fund;
- » continuity of the cycle of lectures with specialists from key areas for the Fund's work; and
- » systematic support for the Amazon Fund team concerning monitoring and evaluation of results.

Communication

Regarding instruments for transparency and dialog, the following stand out:

Amazon Fund website: www.fundoamazonia.gov.br

BNDES runs a permanently updated website for the Amazon Fund, with an English version. Since its release in 2010, the site has been constantly improved.

In 2017, the Amazon Fund site had 64,598 hits, a monthly average of 5,383 hits, up 45.53% compared to the previous year. Around 86% of hits come from Brazil, mainly from state capitals in the Amazon Region and from Rio de Janeiro, Brasília and São Paulo. International hits come from many countries, especially the United States, the United Kingdom, Germany, France, Norway, Colombia and Peru.

Website content

Several types of information are available on the Amazon Fund website, such as guidelines on submitting projects, the approval process and documents required in each project phase. It also publishes updated information on the Fund's governance, donations and monitoring and evaluation. Further information can be obtained by email in the "Contact Us" section, by phone or through the FAQ section.

The complete project portfolio is available and supported projects are described in detail. Available information on projects includes: name of project and executing organization; regional scope; beneficiaries; objectives; total cost, funding amount, term, date of approval and date of contract. Also available are data on disbursements and activities executed in each project and information on how it contributed to the four core themes that make up the Amazon Fund's Logic Framework.

Annual reports

To increase the transparency of its activities, the Amazon Fund publishes its annual reports online. Besides being instruments of accountability, the reports document the Amazon Fund's activities and results and divulges them to society.

Newsletters

Since 2010, aiming to expand communication with its stakeholders and the general public, the Amazon Fund has published a newsletter disclosing the main activities performed. Overall, approximately 61 newsletters had been published by December 2017, reporting on seminars, Amazon Fund

presentations in Brazil and abroad, work meetings and project approvals, among other events. The newsletters are published on the Amazon Fund website and forwarded via direct mail to registered email addresses.

Events in 2017

BNDES staff organizes and attends several events to publicize Amazon Fund activities, enhance its performance and report to donors and society. The main events in 2017 were:

2nd General Assembly of the Tropical Forest Alliance 2020: International Forest Day – March 21 – Brasília (DF), Brazil

The second general assembly of the Tropical Forest Alliance (TFA) aimed to provide partners from government, business, civil society, international organizations and local communities with an opportunity to share knowledge and good practices in efforts to reach zero deforestation in supply chains of commodities such as palm oil, soy, meat, pulp and paper. The head of the Amazon Fund, Juliana Santiago, was a keynote speaker at the opening plenary.

Seminar on Integrated Management of Indigenous Lands and Protected Areas in Southern Amazonas – April 4-6 – Lábrea (AM), Brazil

Amazon Fund staff took part in the Seminar on Integrated Management of ILs and PAs in Southern Amazonas, organized by the Institute of International Education of Brazil (IEB) and Operação Amazônia Nativa (OPAN), which discussed action for the sustainable maintenance of those lands. The seminar was also attended by members of the MMA, ICMBio and FUNAI.

I Workshop of LuccME Applications – April 6-7 – São José dos Campos (SP), Brazil

Organized by INPE, the workshop aimed to promote a debate on the possibilities of LuccME (Spatially Explicit Land-Use Modeling Framework) applications by discussing success stories at different scales, including deforestation models, agricultural expansion, desertification, urban growth and other processes of land use and cover change. The event was organized in four thematic sessions: "Deforestation and its impacts on biodiversity and GHG emissions", "Impacts of agricultural intensification/expansion and climate change effects", "Innovative applications" and "Future of LuccME and TerraME". The development of the LuccME tool has been supported by the Amazon Fund as part of INPE project Satellite Environmental Monitoring in the Amazon Biome. Further information at: <<http://lucme.ccst.inpe.br/eventos/>>.

Lecture on the soy moratorium by Paulo Adário – May 17 – Rio de Janeiro (RJ), Brazil

Greenpeace activist Paulo Adário delivered a lecture on the soy moratorium at BNDES headquarters for Amazon Fund staff. The ten-year moratorium is considered a success story, but has also received some criticism. The role of sectorial agreements should change with the full implementation of CAR and of the Forest Code, but they can continue being an important instrument of dialogue between the private sector and civil society regarding deforestation and forest development in the Amazon region.

I Meeting of Partners of the Environmental Program for Conservation in the Amazon Region – May 23-24 – Brasília (DF), Brazil

The Amazon Fund/BNDES team took part in the I Meeting of Partners of the Environmental Program for Conservation of the Amazon Region, promoted by the United States Agency for International Development (USAID). The program is structured in the following core areas: management of protected areas, CUs and ILs; strengthening of value chains; and incentive to use new technologies and innovative solutions.

Workshop: Agriculture and the Environment in Brazil: Lessons and Challenges – May 24 – Brasília (DF), Brazil

The Amazon Fund/BNDES took part in the workshop on Agriculture and the Environment in Brazil: Lessons and Challenges, at the headquarters of the Inter-American Development Bank (IDB). The workshop was organized by the Climate Policy Initiative (CPI) and aimed to discuss the lessons and challenges related to agriculture and deforestation in Brazil. The event was attended by members of ministries, nongovernmental organizations, public managers, researchers and students.

Policies for the Protection of Isolated and Recently Contacted Indigenous Peoples – June 19-22 – Brasília (DF), Brazil

Organized by the Center for Indigenous Work (CTI), in partnership with the Coordination of Indigenous Peoples of Brazil (APIB) and the Coordination of Indigenous Organizations of the Brazilian Amazon (COIAB), the event aimed to discuss the different perspectives regarding relations with isolated and recently contacted indigenous peoples in the Amazon Basin. The goal is to offer input and guidelines to strengthen public policies to protect and promote the rights of these groups and peoples. The event was attended by representatives of various indigenous peoples and organizations, as well as civil society organizations from Brazil, Colombia, Paraguay, Peru and Venezuela.

3rd Annual Mamirauá Project Seminar: Conservation and Sustainable Use of Biodiversity in Protected Areas (BioREC) – July 4 – Tefé (AM), Brazil

Supported by the Amazon Fund, the Mamirauá Sustainable Development Institute held the 3rd Annual Mamirauá Project Seminar to present its results. The project coordinates participatory management initiatives in the Mamirauá and Amanã sustainable development reserves, with research, development and sharing of knowledge on the following topics: sustainable agriculture, sustainable timber forestry management, sustainable nontimber forestry management, environmental education, protection and environmental monitoring.

Global Social Impact Investment Steering Group (GSG) Impact Summit 2017 – July 9-11 – Chicago (IL), USA

Organized by the US Impact Alliance and the MacArthur Foundation, the meeting brought together leaders and professionals from the global GSG network on impact investment and associated organizations. During the event, participants discussed the current state of the sector and identified priorities, areas of operation and milestones to boost socioenvironmental impact investment by 2020. The head of the Amazon Fund, Juliana Santiago, was a keynote speaker at the plenary session “The Environmental Agenda and Impact Investment.”

4th Environmental Rural Registry (CAR) Implementation Meeting – July 31-August 4 – Brasília (DF), Brazil

Organized by the Brazilian Forest Service (SFB), the meeting, which was attended by technicians from all Brazilian states and the Federal District, presented new features of SICAR. The event also enabled participants to exchange experiences, sharing the advances, challenges and strategies to consolidate CAR in their regions. A SICAR integration workshop was also held with the aim of outlining difficulties in data integration, identifying solutions and agreeing on necessary action.

GloboNews Network Cities and Solutions Program about the Amazon Fund – August 9 – Brazil

The program addressed the challenges of preservation in the Amazon region, the importance of the Amazon Fund and the results obtained in the last years, including testimonies by farmers who benefited from projects to develop agroforestry systems supported by the fund. The program also featured an interview with the head of the Amazon Fund, Juliana Santiago.

XI COIAB General Assembly – August 28-30 – Alto Rio Guamá Indigenous Land (PA), Brazil

Organized by COIAB, the meeting gathered over three hundred indigenous representatives from Brazilian Amazon communities in plenary sessions to analyze the situation of indigenous politics and reflect on COIAB's performance, besides holding an election to appoint new board members. The topics debated included strategies to strengthen the indigenous movement of the Brazilian Amazon region, helping it achieve greater autonomy and sustainability.

VII World Conference on Ecological Restoration – August 28 – September 1 – Foz do Iguaçu (PR), Brazil

Sponsored by BNDES, the conference, whose theme was "Connecting Science and Practice for a Better World," was attended by over 1,000 people from approximately sixty countries. The schedule featured more than five hundred presentations held simultaneously in 16 different rooms. The topics presented covered the entire spectrum of restoration science, highlighting the challenges of recovering environment landscapes, including funding.

II Seminar on Integrated Space-Based Radar Monitoring – September 18-19 – Brasília (DF), Brazil

Organized by the Steering and Operational Center of the Amazon Protection System (CENSIPAM), the seminar was held to report on the results of the SAR Amazon Project, supported by the Amazon Fund, as well as foster the debate on new technologies and applications for space-based radar detection of deforestation, contributing to disseminate the use of spaced-based radar imagery in forest monitoring and other applications among the scientific community and federal, state and municipal bodies working in the Amazon region.

Lecture on Forest Restoration – September 20 – Rio de Janeiro (RJ), Brazil

Professor Ricardo Rodrigues, from the Luiz de Queiroz Higher School of Agriculture (ESALQ/USP), delivered a lecture on forest restoration at the BNDES headquarters for Amazon Fund staff. The presentation addressed several issues: public concepts and policies, such as the Forest Code and the National Plan for the Recovery of Native Vegetation (PLANAVEG); forest restoration in science and practice, including social, economic and environmental aspects; and the use of forest restoration in the Amazon and Cerrado biomes, its possibilities and current challenges.

Tools and Strategies for Conservation and Development in the Amazon: a Workshop on Lessons Learned and Future Pathways – October 3-5 – Gainesville (FL), USA

Organized by the University of Florida with the support of the Moore Foundation, this workshop brought together stakeholders interested in Amazon issues to assess and reflect on the strategies used to address current threats to conservation and sustainable development in the Amazon region. The head of the Amazon Fund, Juliana Santiago, was one of the keynote speakers.

Seminar on Five Years of PNGATI – October 5-6 – Brasília (DF), Brazil

Organized by civil society institutions and with the participation of indigenous representatives from the five Brazilian regions, the event aimed to foster reflection on the five years since the implementation of PNGATI. The discussions showed that PNGATI is one of the greatest advances for indigenous peoples in recent years in the quest for autonomous and sustainable management of their lands throughout the country. During the debates on the challenges and perspectives for its continuity, the Amazon Fund was cited as an important source of funds for implementing PNGATI.

III Xingu+ Meeting – October 18-20 – Brasília (DF), Brazil

Organized by the Socioenvironmental Institute (ISA), the event gathered various actors from protected areas in the Xingu basin – riverine inhabitants, indigenous groups, extractive workers and civil society organizations – with the objective of enhancing strategic partnerships for the consolidation and protection of the Xingu Corridor of Protected Areas and Indigenous Lands. Alongside the presentation of results of the last meeting, sessions were held to share experiences and initiatives of productive arrangements developed in the different areas of the Xingu region and update information on pressures and threats that affect the integrity of the different areas of the corridor.

23rd Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) – November 7-17 – Bonn, Germany

The Amazon Fund took part in several events and presented results at the Climate Change Conference in Germany. On July 14th, the head of the Amazon Fund, Juliana Santiago, presented the panel “Impacts and Challenges of the Amazon Fund” at the Amazon Bonn event, jointly organized by the Brazilian government, state governments of the Brazilian Amazon region, the German agency GIZ, the German development bank KfW and the Amazon Environmental Research Institute (IPAM). At the time, a new donation agreement for the Amazon Fund was signed between BNDES and the German bank KfW worth € 33.92 million. On the 16th, Espaço Brasil held the event

“Amazon Fund: Contributing to the Achievement of the Brazilian goals”, in which the public call “Recovery of Plant Cover of the Brazilian Amazon Region” was launched.

“Contact Us” service

To provide greater transparency and security in information exchange, BNDES created the mailbox <fundoamazonia-faleconosco@bndes.gov.br> to answer questions sent by the public through the website. All incoming messages are registered and answered. Consultations made directly to BNDES technical staff and those sent through BNDES official communication channels are not included.

In 2017, 146 contacts were made and answered, sent from states in the Brazilian Amazon region, other Brazilian states and also from abroad. The main subjects related to requests for clarification on how to submit projects, information on the Fund’s areas of operation and potential beneficiaries.

Due to the two public calls issued in 2017, specific mailboxes were created to answer questions about them. The public call “Consolidation and Strengthening of Sustainable and Inclusive Value Chains,” issued on August 9, received more than two hundred queries through the mailbox <cadeiasdevalor.2017@bndes.gov.br>. In turn, the public call “Recovery of Plant Cover,” issued on November 16, received 5 queries through the mailbox <coberturavegetal.2017@bndes.gov.br>.





**OPERATIONAL
PERFORMANCE**

Portfolio of projects

From June 2009 to December 2017, the Amazon Fund approved financial support to 95 projects, in the amount of R\$ 1,563,932,024.95. The number of projects supported and the total amount of resources disbursed per year are presented in Table 4.

TABLE 4: SUPPORTED PROJECTS AND DISBURSEMENTS – 2009 TO 2017*

| Year | Number of supported projects | Total amount of support (R\$) | Total amount of support (US\$) | Total amount disbursed to projects (R\$) | Total amount disbursed to projects (US\$) |
|--------------|------------------------------|-------------------------------|--------------------------------|--|---|
| 2009 | 5 | 70,249,658.67 | 37,997,699.58 | - | - |
| 2010 | 8 | 119,776,793.65 | 69,181,781.91 | 11,105,966.90 | 6,108,472.74 |
| 2011 | 8 | 67,567,575.77 | 39,484,410.13 | 59,740,091.61 | 34,203,707.19 |
| 2012 | 13 | 179,466,341.93 | 89,223,401.03 | 71,205,781.90 | 39,683,624.81 |
| 2013 | 12 | 283,363,410.00 | 127,053,117.80 | 80,903,376.47 | 43,190,858.95 |
| 2014 | 19 | 251,507,414.40 | 105,475,312.60 | 167,954,502.78 | 81,427,352.42 |
| 2015 | 11 | 195,510,972.31 | 60,919,816.61 | 127,509,195.78 | 56,436,394.02 |
| 2016 | 7 | 161,603,174.19 | 47,932,457.51 | 134,145,446.07 | 51,716,924.92 |
| 2017 | 12 | 234,886,684.03 | 72,538,764.24 | 223,760,804.23 | 81,608,002.00 |
| Total | 95 | 1,563,932,024.95 | 649,806,761.45 | 876,325,165.74 | 394,375,337.05 |

Source: BNDES.

* Differences between the number of projects and the total amount of support of this report and those related to previous years are due to cancellation of projects or scope reductions in projects (see Annex 7).

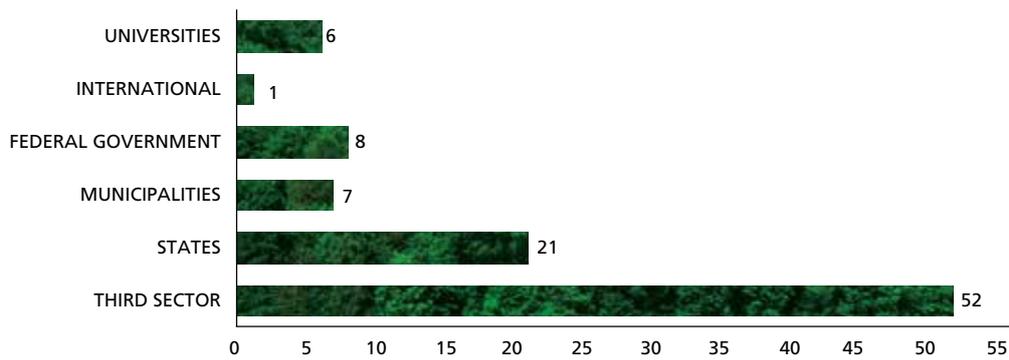
Disbursements to supported projects are made in installments during their execution and follow the terms established in the respective physical and financial schedules, normally ranging from one to six years.

Table 4 shows that the amount disbursed to projects totaled R\$ 876,325,165.74.⁴ Approximately 25.5% of this amount (R\$ 223,760,804.23) was disbursed in 2017, a 67% increase in disbursements compared to 2016. Nearly half (48%) of the resources disbursed in 2017 has been earmarked for projects with the federal government and 39% was allocated to projects with the third sector. Disbursements to projects with state governments accounted for 10% of total disbursements.

The fund's portfolio comprises projects with multiple types of interventions and stages of execution, as well as diverse legal natures of their managers, as shown in graphs 2 and 3.

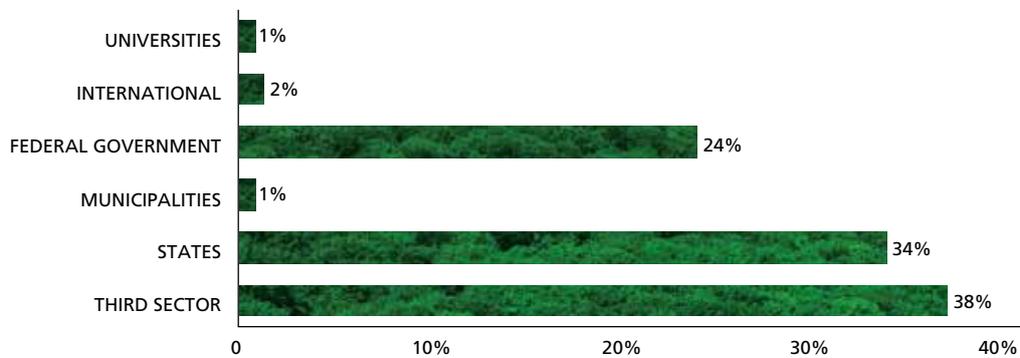
⁴ The list of projects that have already received funds is shown in Note 5 to the financial statements of the Amazon Fund, in Annex 4.

GRAPH 2: NUMBER OF SUPPORTED PROJECTS BY LEGAL NATURE OF MANAGING ENTITY



Source: BNDES.

GRAPH 3: PERCENTAGE OF TOTAL SUPPORT BY LEGAL NATURE OF MANAGING ENTITY



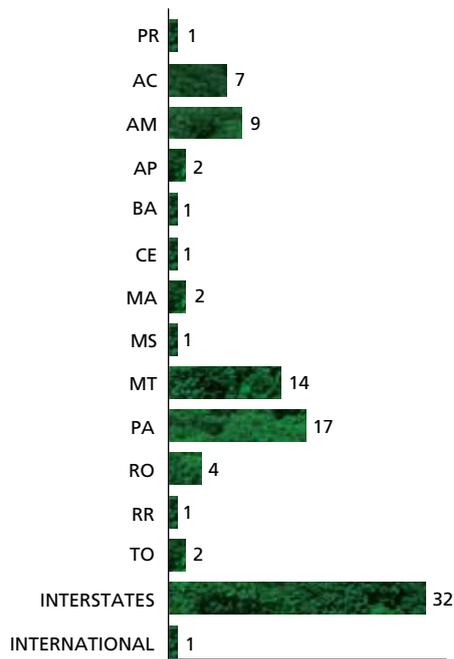
Source: BNDES.

Graphs 4 and 5 feature the regional scope of supported projects and share of support by state. As shown, all states of the Brazilian Amazon region have projects funded by the Amazon Fund. The four states with the largest share of total financial support (Acre, Amazonas, Mato Grosso and Pará) together account for more than 77% of the total area of the Brazilian Amazon region and 67% of the Fund’s support.⁵

⁵ Information available at: <<http://www.ibge.gov.br>>.

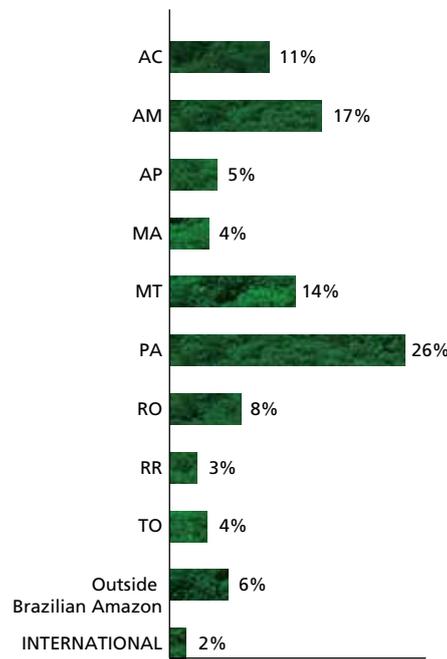


GRAPH 4: NUMBER OF SUPPORTED PROJECTS BY STATE



Source: BNDES.

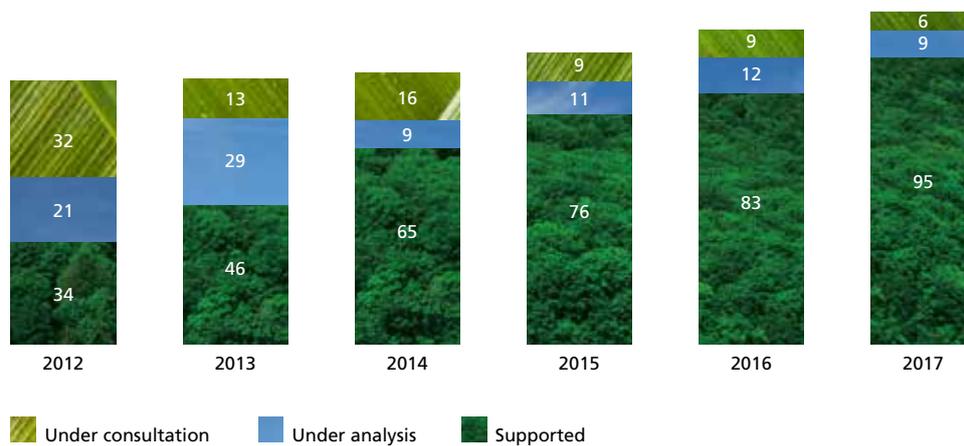
GRAPH 5: PERCENTAGE OF TOTAL SUPPORT BY STATE



Source: BNDES.

The yearly evolution of the Amazon Fund portfolio (projects under consultation, under analysis and supported) is shown in graphs 6 and 7.

GRAPH 6: EVOLUTION OF NUMBER OF PROJECTS BY BNDES OPERATIONAL STAGE

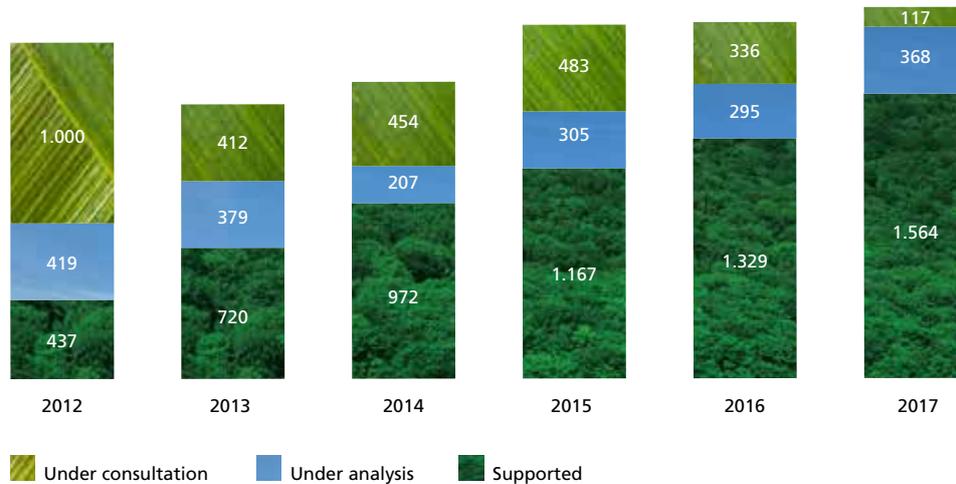


Source: BNDES.

Note: The number of supported projects refers to the accumulated result of the year in question plus previous years.



GRAPH 7: EVOLUTION OF TOTAL VALUE OF PROJECTS (R\$ MILLION) BY BNDES OPERATIONAL STAGE



Source: BNDES.

Note: The value of supported projects refers to the accumulated result of the year in question plus previous years.

In 2017 the number of supported projects grew 14.5% compared to the total accumulated up to 2016 (from 83 to 95 projects) while the total volume of financial support to projects increased 17,6% (from R\$ 1,329,045,340.92 to R\$ 1,563,932,024.95).⁶

Of the total volume of funds available for investment in projects (donations + interest revenue), worth R\$ 4,074 million, R\$ 2,699 million (66%) has already been earmarked in the Amazon Fund project portfolio, broken down as follows:

- » R\$ 117 million for projects which proposals have been formally submitted to BNDES and are under preliminary analysis of the applicant's institutional capacity and the project's compliance with the Amazon Fund's guidelines and criteria;
- » R\$ 368 million for projects in accordance with the Amazon Fund's guidelines and criteria and under more detailed analysis regarding their merit and feasibility;
- » R\$ 350 million for projects to be selected in ongoing public calls;
- » R\$ 1,564 million for projects supported by the Amazon Fund; and
- » R\$ 300 million to foster new projects or projects being developed which have not been formally submitted to BNDES.

⁶ Differences between current amounts and those related to portfolio figures of previous periods are due to projects that were cancelled or whose support values were reduced (see Annex 7).

Accounting and financial aspects

Accounting and financial aspects related to the Amazon Fund are recorded and reported following current legislation as well as the principles and rules issued by the Federal Accounting Council (CFC), an independent body which, among other exclusive functions, regulates accounting and independent auditing procedures to be adopted in Brazil. Through its collective bodies and work groups, the CFC seeks to align practices adopted in Brazil with international standards.

Tables 5 and 6 summarize the information reported in audited financial statements and explanatory notes related to 2017. Full statements and the opinion of independent auditors are presented in Annex 1.

TABLE 5: AMAZON FUND BALANCE SHEET ON DECEMBER 31, 2017 (R\$ THOUSAND)

| Assets | | Liability | |
|---------------------------|------------------|------------------------|------------------|
| Current | | Current | |
| Cash and cash equivalents | 3,201,236 | Resources for projects | 3,201,236 |
| Prepaid expenses | 82,846 | Funding resources | 82,846 |
| | | Net equity | |
| | | Accumulated surplus | - |
| Total assets | 3,284,082 | Total liability | 3,284,082 |

Source: BNDES.

Of the total amount of current assets, R\$ 3,201,236 thousand is cash available on December 31, 2017 for disbursements to supported projects. This amount is invested in Gaia and Gaia II funds, managed by Banco do Brasil. These funds are conservative (fixed-rate investment – Brazilian government bonds) and were contracted to generate real returns (above inflation) on balances available to fund projects (see “Financial revenue” in Table 6).

Donated amounts are recorded as cash and cash equivalents of the Amazon Fund and are linked to the support of projects. The resources for projects are therefore recorded in the liabilities. Thus, donations received do not imply an increase in the fund’s assets.



TABLE 6: FINANCIAL STATEMENT FOR 2017 (R\$ THOUSAND)

| | |
|---|------------------|
| Revenue | 507,023 |
| Donation revenue for investments | 223,761 |
| Donation revenue for costs | 1,119 |
| Financial revenue | 282,144 |
| (-) Expense | (507,023) |
| Expenses with donations for investments | (223,761) |
| Administrative expenses | (1,119) |
| Expenses with return on project resources | (282,144) |
| Year surplus/déficit | 0 |

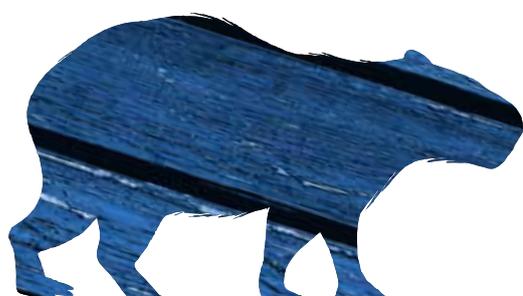
Source: BNDES.

While the balance sheet shows an accumulated balance, the financial statement considers only what occurred in a specific year. The total amount of R\$ 223,761 thousand presented in the items “Donation revenue for investments” and “Expenses with donations for investments” refers to the amounts actually disbursed in 2017 to projects supported by the Amazon Fund.

The amount of R\$ 1,119 thousand informed in Table 6 refers to the appropriation made by BNDES, in 2017, of costs and expenses related to the Amazon Fund.

Profits from Gaia and Gaia II funds, in the amount of R\$ 282,144 thousand, are considered revenue and expense because they correspond to return on resources available for project disbursements, recorded in the balance sheet as balance of the items “Cash and cash equivalents” and “Resources for projects.”

According to the understanding of the Brazilian Federal Revenue Regional Superintendence of the 7th Tax Region, donations to the Amazon Fund should not, on their date of entry, be included for calculating Income Tax (IR) and Social Contribution on Net Profit (CSLL). For the purpose of calculating these taxes, whenever there is a disbursement to a supported project, a revenue entry and an expense entry should be recognized on the same date and in the exact amount disbursed. Thus, the basis for calculating IR and CSLL for donations to the fund is always equal to zero, and there is no payment of these taxes to the public coffers.



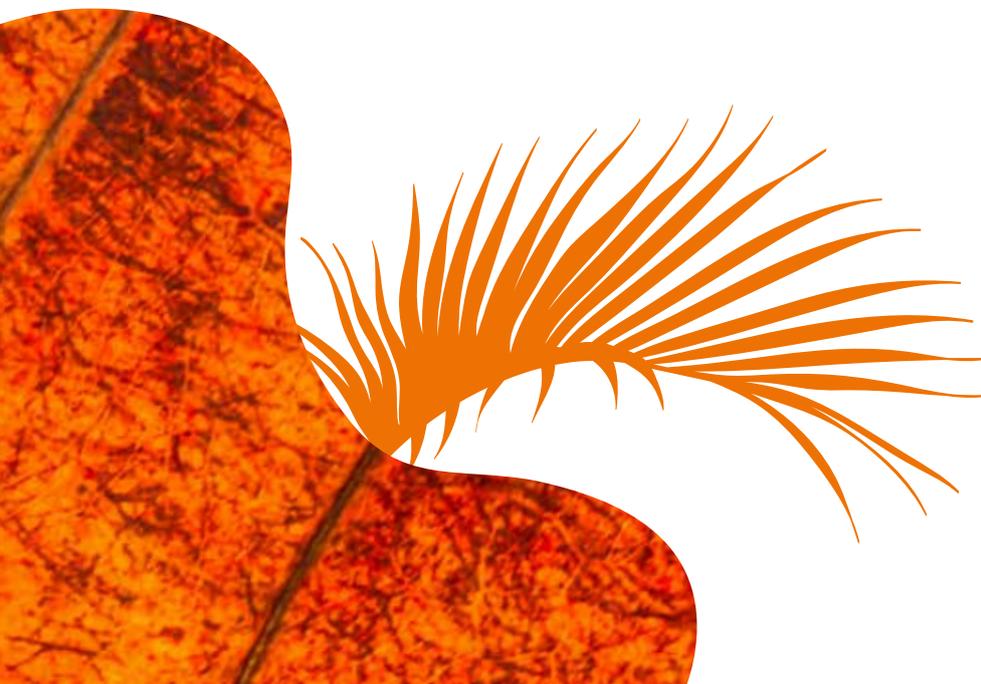
Audits

The Amazon Fund is annually submitted to the following auditing processes:

- » Financial audit to evaluate the accuracy of the balances recorded in the financial statements, as well as the appropriate allocation of those balances in BNDES' financial statements; and
- » Compliance audit to evaluate whether the supported projects, regarding their expected objectives, outputs and activities are in accordance with the provisions of Decree 6,527/08, COFA guidelines and criteria, PPCDAm and the National REDD+ Strategy (ENREDD+).

The financial audit for 2017 was carried out by KPMG Auditores Independentes, which concluded that the financial statements presented by the BNDES were appropriate. The compliance audit was carried out by BDO RCS Auditores Independentes, which also concluded that the projects supported by the fund in 2017 complied with requirements.

The independent auditors' opinion and the compliance audit report are available in annexes 1 and 2, respectively.





**MONITORING
AND EVALUATION
OF RESULTS**

Context

The Amazon Fund supports actions to prevent, monitor and fight deforestation and promote the sustainable use of natural resources in the Brazilian Amazon. PPCDAm is its main benchmark.

PPCDAm is based on the periodic diagnosis of the extent, dynamics and vectors of deforestation. The Amazon Fund's Logical Framework – a tool for planning, managing, monitoring and evaluating results and impacts – was developed considering mainly the diagnoses of this plan, which identify the following as the main causes of deforestation in the Amazon region:

- » expansion of farming driven by the growing demand for commodities in the globalized market;
- » impunity of environmental crimes due to the low capacity of government bodies to police and enforce the law in such a vast region;
- » existence of unused public land and poor legal safety regarding land titles in the region, which leads to illegal occupation of public land, conflicts over land ownership and discouragement of private investments; and
- » low economic attractiveness of the standing forest, due to the lack of adequate infrastructure and economic incentives to promote sustainable production chains.

Also identified was a great need for investment in innovation and scientific production aimed at monitoring and controlling deforestation, land use planning and sustainable use of biodiversity in the Brazilian Amazon.

The development of the Amazon Fund's Logical Framework also took into account seven areas defined in Decree 6,527/2008, which regulates the fund's operation, namely:

- I. management of public forests and protected areas;
- II. environmental control, monitoring and inspection;
- III. sustainable forest management;
- IV. economic activities based on the sustainable use of vegetation;
- V. ecologic-economic zoning, land use planning and land regularization;
- VI. conservation and sustainable use of biodiversity; and
- VII. recovery of deforested areas.

The decree authorizing the creation of the Amazon Fund provided that up to 20% of its resources could be used to develop systems to monitor and control deforestation in other Brazilian biomes and other tropical countries.

Amazon Fund's Logical Framework

The Amazon Fund's Logical Framework was first disclosed as a complete document in 2010. In 2017 it underwent a review due to changes in the dynamics of deforestation and demands of public policies, especially PPCDAm, whose fourth phase was announced in late 2016.⁷

Experience with monitoring and evaluating the impacts of projects supported by the Amazon Fund has also led to improvements such as the review of effectiveness indicators and of the main risks that may affect their success. Adjustments were also introduced, in 2017, to the terminology used, making it more compatible with the actions supported by the Amazon Fund and harmonizing it with the concepts used by BNDES in its monitoring and evaluation procedures for other projects and programs it finances.

The logical framework is a methodology used to ensure that financed actions contribute to the overall objective of a program (or project). It can be defined as a matrix in which strategic decisions on the application of resources in a program are outlined, explaining the goals to be achieved (effects or objectives) and what will be done (how).

Figure 3 illustrates the logical sequence of cause and effect that leads from the outcomes and impacts of various projects to the overall objective of a program, as is the case of the Amazon Fund's Logical Framework.

FIGURE 3: AMAZON FUND'S LOGICAL SEQUENCE



The definition of the overall objective of the Amazon Fund led to a summarized proposal focused on the Brazilian Amazon, without prejudice to the Amazon Fund's authorization to support the development of monitoring and deforestation control systems in other regions of Brazil and other tropical countries. Thus, the overall objective of the Amazon Fund was defined as "Reduction of deforestation with sustainable development in the Brazilian Amazon Region".

In establishing the impacts to be achieved by the Amazon Fund, the seven areas defined in Decree 6,527/2008 (listed in the previous section of this chapter) were adopted as a starting point. This decree also established that in projects carried out in the Brazilian Amazon, the guidelines of PPCDAm and ENREDD+⁸ should be observed.

Given the breadth of the Amazon Fund's areas of activity, its logical framework was structured into four components. It should be mentioned that the topic of science,

⁷ As of 2016, with the issuance of Decree No. 8,773, dated May 11, 2016, the Amazon Fund also had its area of activity expanded (for all actions it supports) from the Amazon biome to the so called Legal Amazon. The name Legal Amazon (in this document referred as Brazilian Amazon) refers to a territory of legally defined boundaries, comprising the whole of the Amazon biome and areas between it and other Brazilian biomes, in a total area of about 5 million km².

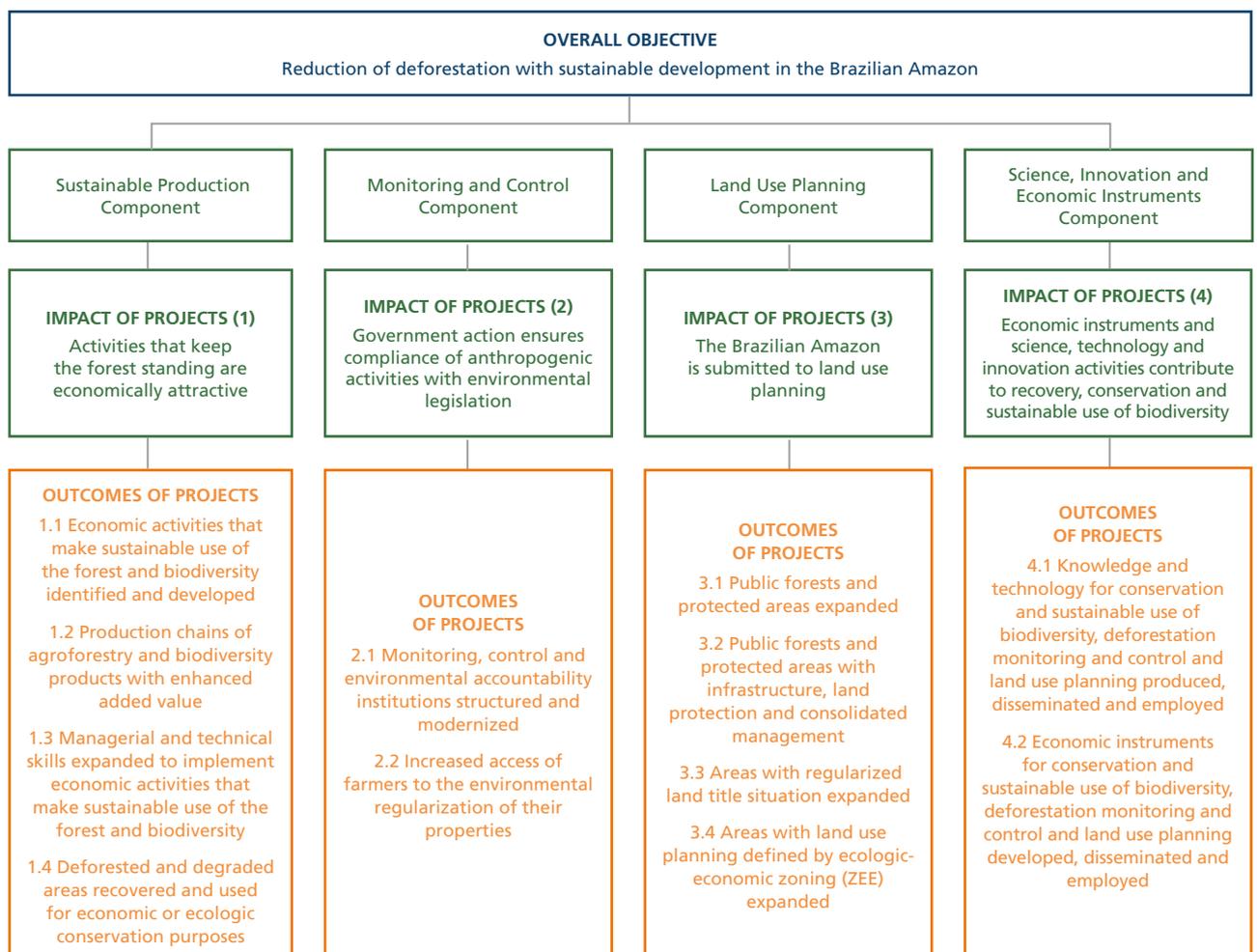
⁸ ENREDD+ was published in 2016.

technology and innovation was highlighted in the development of the Logical Framework, given that it is a strategic issue common to all the components of the Amazon Fund. In addition, the use of economic instruments was incorporated as of the fourth phase of PPCDAm (2016 to 2020).⁹

More detailed information on the Amazon Fund's Logical Framework can be found on the internet¹⁰ in the document titled *Amazon Fund's Logical Framework – 2017*. This document conceptualizes the indicators selected to measure its results, the main (assumptions) risks that may affect its success, the follow-up of supported projects and the monitoring of the Amazon Fund.

Figure 4 features the intervention logic of the Amazon Fund's Logical Framework. The numbers beside the outcomes and impacts allow the identification, in the reports of projects approved in 2017 and projects concluded in 2017 (see specific sections), of which outcomes and impacts of the Amazon Fund's Logical Framework these projects have contributed or will contribute to.

FIGURE 4: AMAZON FUND'S LOGICAL FRAMEWORK



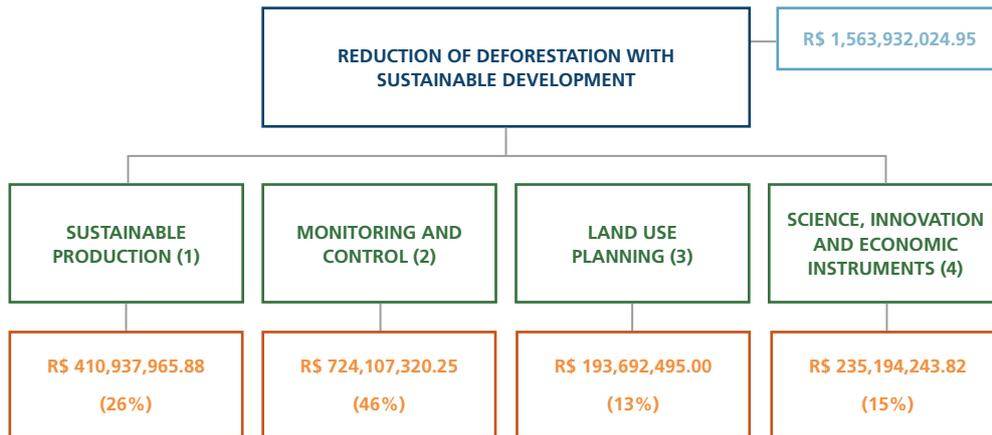
⁹ PPCDAm is currently structured in four main areas, which are: (i) "Promotion of sustainable productive activities"; (ii) "Monitoring and control"; (iii) "Land use planning and land regularization"; and (iv) "Normative and economic instruments".

¹⁰ <<http://www.fundoamazonia.gov.br>>, in the section addressing monitoring and evaluation.

Breakdown of resources by components of the logical framework

The Amazon Fund has supported 95 projects up to 2017. The actions and resources of these projects are broken down among the four components of the logical framework as follows:

FIGURE 5: BREAKDOWN OF RESOURCES BY AMAZON FUND SUPPORT COMPONENTS



Some of the supported projects have initiatives in Brazil outside the Brazilian Amazon Region and in other countries with tropical rainforests, in the amount of R\$ 153 million. This amount is broken down among the components of the Amazon Fund’s Logical Framework as follows: R\$ 17 million from the “monitoring and control” component relate to initiatives in other countries and R\$ 129 million to actions in Brazil outside the Brazilian Amazon Region. R\$ 7 million from the component “science, innovation and economic instruments” are earmarked for activities in other countries, aiming at the development and dissemination of knowledge and technologies to monitor changes in land use and forests in member countries of the Amazon Cooperation Treaty Organization (ACTO).

Monitoring of regional indicators

The Amazon Fund has identified in its logical framework some regional indicators related to the public policies it aims to contribute to through supported projects.

Monitoring these public policies helps to understand the progress made in fostering the reduction of deforestation with sustainable development in the Amazon region. In this monitoring process, the Amazon Fund indicators are comparatively analyzed regarding the general objective of the Amazon Fund and the impacts related to the four components of its logical framework. The baseline of each indicator is the year 2009, since the first operations of the Amazon Fund were approved in that year, although no funds were released for those projects.

The current evaluation year is 2017. Whenever possible, a comparison is made with that year. In cases where this information does not exist, the latest available data are used.

It is important to mention that the contribution of the Amazon Fund to the behavior of this set of indicators, although already identifiable and relevant, as attested by the evaluation of projects concluded with the support of the fund, is not exclusive, but part of the initiatives and actions of several public and private agents that operate in the vast Amazon region.

Overall objective: Reduction of deforestation with sustainable development in the Brazilian Amazon

INDICATOR: (1) ANNUAL DEFORESTATION IN THE BRAZILIAN AMAZON

One of the indicators selected to measure the evolution of the overall objective was “Annual Deforestation in the Brazilian Amazon”, as measured by INPE.

Preliminary data from INPE show that deforestation in the Brazilian Amazon Region in 2017 was 6,624 km². Compared to 2004, the deforestation rate in the Amazon was reduced by 76%. Comparing the deforestation rates of 2017 with those of 2009 (baseline), there is a reduction of 11% over that period. In turn, when comparing the average annual deforestation in the 2010-2017 period with the Amazon Fund baseline (2009), a 17% drop in deforested area is seen.

TABLE 7: EVOLUTION OF DEFORESTATION IN THE BRAZILIAN AMAZON – 2004-2017 AND 2009-2017 (KM²)

| Brazilian Amazon deforestation | | | | |
|--------------------------------|-------|-------|---------------------|---------------------|
| 2004 | 2009 | 2017 | Variation 2004-2017 | Variation 2009-2017 |
| 27,772 | 7,464 | 6,624 | (76) | (11) |

Source: BNDES, based on INPE data.

TABLE 8: EVOLUTION OF DEFORESTATION IN THE BRAZILIAN AMAZON – 2009/2010-2017 (KM²)

| Brazilian Amazon deforestation | | |
|--------------------------------|---|-------------------|
| 2009 (A) Baseline | Mean deforestation from 2010 to 2017 (B) | Variation (B)/(A) |
| 7,464 | 6,202 | (17) |

Source: BNDES, based on INPE data.

It should be noted that the National Policy on Climate Change provides for an 80% reduction by 2020 of the average annual deforestation rate observed between 1996 and 2005. In other words, the goal to be reached by 2020 by Brazil is a maximum of 3,925 km² of annual deforestation in the Brazilian Amazon Region. To achieve this goal, deforestation in the Amazon will have to be reduced by approximately 40% in the next three years in relation to the rate verified in 2017.

The federal government and state governments are responsible for establishing specific policies and programs to address the deforestation vectors. Within the scope of the Amazon Fund, its steering committee (COFA) – composed of 23 members

representing federal government bodies, state governments and civil society – is in charge of establishing and reviewing its guidelines and support criteria.

It should be noted that one of the main agents in fighting deforestation is the Brazilian public sector, through its various administrative structures, at federal, state and municipal level, without prejudice to the relevant contribution of civil society, which not only denounces environmental wrongdoings but also fosters pioneering initiatives which are often officially adopted.

Although its activities are complementary to federal and state government action, the Amazon Fund has played a strategic role in reducing deforestation, supporting the continuity and expansion of several initiatives that are key to reducing deforestation and enabling change-inducing action.

Therefore, it can be concluded from the analysis of the “Annual deforestation in the Brazilian Amazon” indicator that the overall objective of the Amazon Fund (reduction of deforestation with sustainable development in the Brazilian Amazon) has been reached with regard to deforestation reduction, comparing the annual average deforestation in 2010-2017 with the deforestation rate for 2009 (a reduction of 17%). Also, comparing the rate measured in 2017 with that verified in 2009 shows a reduction of 11%, which makes the target of reducing the annual deforestation rate of the Brazilian Amazon to 3.925 km² by 2020 a great challenge.

INDICATOR: (2) SHARE OF BRAZILIAN AMAZON STATES' GDP IN RELATION TO BRAZIL'S GDP (%)

The second indicator selected to measure the evolution of the Amazon Fund's overall objective is the share of the gross domestic product (GDP) of the states of the Brazilian Amazon in relation to the Brazilian GDP. That is, the GDP of the nine states of the Brazilian Amazon are added and this subtotal is compared to the total national GDP.

GDP is a basic indicator of economic behavior that demonstrates the economic development of a particular region. However, it is not an ideal indicator to measure sustainable development, since it does not include, for example, information on environmental liabilities. Therefore, this indicator needs to be analyzed in tandem with the deforestation reduction indicator.

The most updated information provided by the Brazilian Institute of Geography and Statistics (IBGE) on the evolution of the GDP of each state is from 2015. Table 9 shows an increasing participation of the Brazilian Amazon's GDP in the national GDP, with the share contributed by Brazilian Amazon states increasing from 8.04% to 8.45% of Brazil's GDP, in the 2009-2013 period. However, in the 2013-2015 period, this relative share stagnated.

TABLE 9: EVOLUTION OF THE SHARE OF THE BRAZILIAN AMAZON STATES' GDP IN RELATION TO THE NATIONAL GDP (%)

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------|------|------|------|------|------|------|
| 8.04 | 7.98 | 8.29 | 8.30 | 8.45 | 8.41 | 8.45 |

Source: BNDES, based on data from IBGE in partnership with state statistics agencies, state government departments and the Superintendence of the Manaus Free Trade Area (SUFRAMA).

The increase in the relative share of the Amazon region in the Brazilian GDP observed between 2010 and 2013 occurred in a context of expanding national economy, when the Brazilian GDP had a cumulative growth of 17.3% (2010 – 7.5%; 2011 – 4.0 %; 2012 – 1.9%; and 2013 – 3.0% - Source: IBGE). The increased share of the Brazilian Amazon GDP in the Brazilian GDP, coupled with the 20% drop in average annual deforestation observed in 2010-2013 (when compared to the deforested area in 2009)¹¹, indicates progress in reducing deforestation, alongside economic growth of the Amazon region.

In the 2014-2015 period, in turn, there was a strong reduction of the Brazilian GDP, which contracted 3.3%. As seen, in the same period the relative participation of the states of the Brazilian Amazon Region remained unchanged, halting the recent process of relative expansion. In turn, when comparing the average deforestation of those two years with the deforestation rate of 2013, it is observed that deforestation decreased by 4.7%. There was, therefore, a process of relative stagnation of the national and regional economies while a small (average) reduction in deforestation occurred in the Brazilian Amazon in Region in the 2014-2015 period, but already with a trend of growing deforestation, which was in fact confirmed in 2016.

Impact: (1) Activities that keep the forest standing are economically attractive (sustainable production component)

INDICATOR: PLANT EXTRACTIVISM AND FORESTRY

The indicator chosen to monitor this component was plant extractivism and forestry activities in the states of the Brazilian Amazon, with data based on an IBGE annual publication.

Plant extractivism data are collected by IBGE through surveys with public and private entities, producers, technicians and bodies directly or indirectly linked to the sectors of production, trade, industrialization and inspection of native plant products.

Plant extractivism is the process of exploring native plant resources by gathering products. The Amazon region is an important source of production of açai berry, Brazil nut, rubber, almonds and other oleaginous products and various fibers, products that are economically important and sold in the region and throughout Brazil.

¹¹ Annual deforestation (in km²) in the Brazilian Amazon Region, as measured by PRODES/INPE, is as follows: 2009 – 7,464; 2010 – 7,000; 2011 – 6,418; 2012 – 4,571; 2013 – 5,891; 2014 – 5,152; 2015 – 6,207; 2016 – 7,893; 2017 – 6,624 (the 2017 rate is still preliminary).

Evolution of the production of and revenue from these products is monitored by the Amazon Fund for their regional economic relevance. The evolution of timber harvesting has not been monitored to date due to the lack of systematized information allowing a clear distinction between legally and illegally harvested native timber.

Regarding oleaginous products, the production of tonka seed (cumaru), pequi nut and copaiba oil is being monitored, among other products. Also monitored is the evolution of the babassu production chain, whose seeds are mainly used in the food industry. As babassu has a large share in the regional extractive economy, it is being monitored separately from the other oilseeds. In the group of fibers, piassava and buriti are being monitored, among others.

Table 10 shows the output evolution (in metric tons) of these products in the 2009-2016 period.

TABLE 10: OUTPUT OF PLANT EXTRACTIVISM IN THE BRAZILIAN AMAZON REGION STATES (METRIC TONS)

| Products | 2009 (t) | 2016 (t) | Variation (%) |
|--------------------------------------|----------------|----------------|---------------|
| Açaí berry | 115,767 | 215,609 | 86 |
| Brazil nut | 37,468 | 34,665 | (7) |
| Rubber (coagulated and liquid latex) | 3,459 | 1,206 | (65) |
| Oilseeds* | 1,240 | 1,728 | 39 |
| Babassu | 103,359 | 57,462 | (44) |
| Fibers** | 2,848 | 3,311 | 16 |
| Historical total | 264,141 | 313,981 | 19 |

Source: BNDES, based on IBGE data.

*Includes copaiba (oil), cumaru, pequi nut and other products.

**Includes buriti, piassava and other products.

Table 11 features the evolution of the same products by revenue.

TABLE 11: OUTPUT OF PLANT EXTRACTIVISM IN THE BRAZILIAN AMAZON STATES

| Products | 2009 (R\$ thousand) | 2009 (R\$ thousand)* | 2016 (R\$ thousand) | Variation (%) |
|--------------------------------------|---------------------|----------------------|---------------------|---------------|
| Açaí berry | 160,312 | 253,714 | 458,922 | 81 |
| Brazil nut | 52,261 | 82,710 | 93,589 | 13 |
| Rubber (coagulated and liquid latex) | 7,597 | 12,023 | 3,548 | (70) |
| Oilseeds** | 6,570 | 10,398 | 11,550 | 11 |
| Babassu | 114,847 | 181,760 | 72,151 | (60) |
| Fibers*** | 4,495 | 7,114 | 6,367 | (11) |
| Historical total | 346,082 | 547,718 | 646,126 | 18 |

Source: BNDES, based on IBGE data.

* Values in R\$ adjusted according to Brazil's Extended National Consumer Price Index (IPCA) for 2010, 2011, 2012, 2013, 2014, 2015 and 2016.

**Includes copaiba (oil), cumaru, pequi nut and other products.

***Includes buriti, piassava and other products.

It is observed that the production of açai berry, a fruit increasingly used in food and beverage processing, increased 86% in the Brazilian Amazon Region in the 2009-2016 period, and the revenue, in adjusted figures, increased 81% in that same period, reaching R\$ 459 million in 2016.

Brazil nut is another important product of regional extractivism, harvested from the fruit of the Brazil nut tree, one of the tallest in the Amazon rainforest. Following a decline in recent decades,¹² production of Brazil nuts is enjoying a recovery. However, the 2016 harvest (34.6 tons) was 15% lower than in 2015 (40.6 tons), which represented a 7% decrease in production in the 2009-2016 period.¹³ The revenue, as in the case of the açai berry, also grew faster than the output in the same period (13%), reaching R\$ 94 million in 2016.

One of the Amazon Fund's priorities is to organize sociobiodiversity production chains.¹⁴ This has been achieved through financial support to several projects that aim to expand and improve the gathering and processing of extractive products by indigenous and traditional communities.

Supported initiatives include the construction of storage sheds; purchase of trucks, vans, tractors and boats to gather and distribute products; installation or expansion and modernization of processing units of these products and technical and managerial training of the indigenous, extractive and family farmer communities involved in the projects.

Oilseeds output grew more than the revenue. While the former rose 39%, revenue increased only 11%, reaching R\$ 11 million in 2016.

Fibers enjoyed an output growth (16%) in the 2009-2016 period, alongside a slight drop of 11% in revenue, reaching R\$ 6 million annually in 2016. The production of rubber, which includes coagulated and liquid latex, fell considerably (65% less between 2009 and 2016), alongside a 70% drop in revenue, totaling R\$ 3.5 million in 2016.

The evolution of babassu started being monitored in 2016. Babassu is a palm tree with oilseeds from which oil is extracted for food and medicinal purposes. Its main area of occurrence in Brazil is the state of Maranhão, although some other states of the Brazilian Amazon Region also produce it. Babassu output in the Brazilian Amazon in 2016 reached 57.4 tons, or 44% less than in 2009 (103.3 tons). Revenue fell 60%, to R\$ 72 million in 2016.

The analysis of the behavior of this group of Amazon rainforest products shows that, over the studied period (2009-2016), there was an 18% growth in revenue generated by these products, corresponding to a 19% growth in production. Therefore, the evolution of these indicators shows that the impact "activities

¹² Source: *Panorama nacional da cadeia de valor da castanha-do-brasil*, published by IMAFLORA.

¹³ This harvest failure has been linked to the lack of rainfall in the Amazon region in early 2016.

¹⁴ "Brazil has based a series of policies and programmes on the notion of 'sociobiodiversity products' and traditional peoples and communities. Sociobiodiversity products are defined as goods and services (end products, raw materials and benefits thereof) generated from biodiversity resources and aimed at setting up production chains in the interests of traditional communities and family farmers, and upholding and valuing their practices, knowledge and rights, so as to generate income and improve their quality of living and the environment in which they live (MDA, MMA, MDS 2009)" – quote from the working paper "Policies and institutional and legal frameworks in the expansion of Brazilian biofuels" (Renata Marson Teixeira de Andrade and Andrew Miccolis), published by the Center for International Forestry Research – CIFOR (http://www.cifor.org/publications/pdf_files/WPapers/WP71CIFOR.pdf).



that keep the forest standing are economically attractive in the Brazilian Amazon Region” is being reached, although there has been a reduction in both output and revenue for the Amazon sociobiodiversity products that are being monitored when compared to the results of the year immediately preceding (2015).¹⁵

Impact: (2) Government action ensures compliance of anthropogenic activities with environmental legislation (monitoring and control component)

INDICATOR: (1) NUMBER OF OUTPOSTS (REGIONAL UNITS) OF STATE ENVIRONMENTAL AGENCIES

INDICATOR: (2) NUMBER OF MUNICIPALITIES QUALIFIED TO LICENSE ACTIVITIES WITH LOCAL ENVIRONMENTAL IMPACT

INDICATOR: (3) NUMBER OF ENVIRONMENTAL PERMITS OR LICENSES GRANTED ANNUALLY BY STATE ENVIRONMENTAL AGENCIES

To monitor this component, indicators were created to measure the capacity of the Brazilian Amazon environmental agencies to implement current environmental legislation.

Two of the indicators measure, respectively, the levels of deconcentration and decentralization identified in environmental management, namely: “number of outposts (regional units) of state environmental agencies” and “number of municipalities qualified to license activities with local environmental impact.”

Deconcentration of environmental management through the deployment of outposts or regional units of state environmental agencies closes the gap between such bodies and the inhabitants and economic agents of more remote regions, allowing more efficient environmental management.

In turn, municipalities are responsible for the environmental licensing of projects and activities that cause or may cause local environmental impact, according to criteria defined by the respective state environmental councils, considering size, polluting potential and nature of the activity.¹⁶ The indicator that measures the number of municipalities qualified to license activities with local environmental impact aims to verify the degree of participation of municipalities in implementing environmental legislation in their areas.

A third indicator monitors the “number of environmental permits or licenses granted annually by state environmental agencies.” Licensing is an important instrument of the Brazilian National Environmental Policy and the increase in the granting of licenses and other authorizations shows that state environmental agencies have a higher level of control over human activities that interfere with environmental conditions.

¹⁵ 2015 data can be found in the Amazon Fund's 2016 *Activity Report* (chapter on monitoring and evaluation of results) on the Amazon Fund website at www.fundoamazonia.gov.br.

¹⁶ Complementary Law 140, dated December 8th, 2011.

Considering the lack of public information to monitor such indicators, Table 12 presents data obtained directly by the Amazon Fund (BNDES) from state environmental agencies in the Brazilian Amazon.

TABLE 12: REGIONAL INDICATORS OF THE "MONITORING AND CONTROL" COMPONENT

| State | Number of outposts of state environmental agencies (cumulative) * | | Number of municipalities qualified to license activities with local environmental impact (cumulative) ** | | Number of environmental authorizations or licenses granted (annual) *** | |
|----------------------|---|-----------|--|------------|---|---------------|
| | 2009 | 2017 | 2009 | 2017 | 2009 | 2017 |
| Pará | 4 | 6 | 10 | 117 | 3,259 | 2,224 |
| Acre | 5 | 7 | 1 | 2 | 2,239 | 1,483 |
| Amazonas | 0 | 2 | 2 | 1 | 2,723 | 1,798 |
| Roraima | 1 | 1 | 13 | 5 | 183 | 1,993 |
| Tocantins | 20 | 16 | 0 | 4 | 3,360 | 4,698 |
| Mato Grosso | 11 | 9 | 5 | 28 | 5,430 | 12,318 |
| Rondônia | 14 | 14 | 1 | 19 | 2,480 | 3,129 |
| Maranhão | 1 | 2 | 0 | 42 | 0 | 1,257 |
| Total | 56 | 57 | 32 | 218 | 19,674 | 28,900 |
| Comparison 2016-2009 | 2% | | 581% | | 47% | |

Source: BNDES, based on data provided by state environmental bodies.

* Consolidated number (cumulative): set of all outposts (regional units) of the state environmental agency.

** Consolidated number (cumulative): set of all municipalities in the state able to license activities with local environmental impact.

*** Number of licenses: prior, installation, operation, of rural property; acts of renewal, correction, declaratory, prior consent, and authorizations: environmental authorization for deforestation, authorization for using raw materials, authorization for forest management, authorization for transporting and selling fish, and authorization for transporting dangerous goods.

An overall analysis of the monitored indicators reveals a significant evolution in two of the three areas, especially the striking growth (581%) in the number of municipalities qualified to license activities with local environmental impact. The number of authorizations issued annually by state environmental agencies also increased over the eight-year period of analysis (47%). Finally, the number of outposts of state environmental agencies remained practically stable.

It should be noted that despite already having grown 47% compared to the 2009 baseline, the indicator "number of environmental permits or licenses granted annually by state environmental agencies" underestimates the real expansion of the capacity of the Brazilian public sector (broadly speaking) to control human activities that interfere with environmental conditions, since this figure includes only environmental licenses or declaratory acts issued by Brazilian states, not accounting for the expansion of environmental licensing capacity of municipal environmental bodies resulting from the significant increase in the number of municipalities qualified to exercise environmental management since 2009.

The growth in the number of municipalities qualified to license activities with local environmental impact indicates the increased capacity of such entities to take on responsibilities related to environmental licensing and management and shows a trend for municipalities to become an increasingly important locus of environmental management.

The Amazon Fund has been contributing to this evolution by supporting projects to institutionally strengthen state and municipal environmental bodies; improve the environmental licensing process; train public servants; decentralize environmental management by strengthening outposts (regional units); and decentralize and strengthen municipal environmental management.

Impact: (3) The Brazilian Amazon is submitted to land use planning (land use planning component)

INDICATOR: (1) INDIGENOUS LANDS (IL) AND FEDERAL PROTECTED AREAS (PA) IN THE BRAZILIAN AMAZON WITH LAND MANAGEMENT INSTRUMENTS

INDICATOR: (2) DEFORESTATION IN PROTECTED AREAS IN THE BRAZILIAN AMAZON

Two indicators were created to monitor this component. The first monitors the extent of ILs and other federal protected areas with land management instruments and the second monitors the rate of deforestation in protected areas (federal and state protected areas and ILs in the Brazilian Amazon).

The indicator “indigenous lands and federal protected areas in the Brazilian Amazon with land management instruments” monitors the evolution of the development of land management instruments in ILs and federal PAs that have, respectively, PGTAs and management plans. The use of those instruments in protected areas has significantly contributed to the reduction of deforestation in such areas.

The management plan of a PA is a document that, based on the overall objectives of a PA, establishes its zoning and the regulations governing the use of the area and the management of natural resources, including the deployment of physical facilities needed to manage the unit.

PGTAs of ILs, in turn, are tools for implementing the PNGATI and can be defined as instruments aimed at the appreciation of indigenous material and intangible heritage and the recovery, conservation and sustainable use of natural resources, ensuring the improvement of quality of life and full conditions for the physical and cultural preservation of current and future indigenous generations. These plans must express the leadership, autonomy and self-determination of such peoples in negotiating and establishing internal agreements that strengthen land protection and control, as well as serve as guidelines for the execution of public policies for indigenous peoples.¹⁷

¹⁷ PGTA definition based on the document *Guidelines for Land and Environmental Management Plans of Indigenous Lands*, of the National Indian Foundation (FUNAI), of 2013.

TABLE 13: AREA OF FEDERAL PAS AND ILS IN THE BRAZILIAN AMAZON REGION WITH LAND MANAGEMENT INSTRUMENTS (MANAGEMENT PLANS OR PGTAS)

| Protected areas | Number of federal PAs and ILS with land management instruments | | Variation 2009-2017 (%) | Area (km ²) of federal PAs and ILS with land management instruments | | Area variation 2009-2017 (%) |
|-----------------|--|------------|-------------------------|---|----------------|------------------------------|
| | 2009 | 2017 | | 2009 | 2017 | |
| Federal PAs | 28 | 68 | 143 | 160,741 | 388,635 | 142 |
| ILs | 41 | 67 | 63 | 186,037 | 271,154 | 46 |
| Total | 69 | 135 | 96 | 346,778 | 659,789 | 90 |

Source: BNDES, based on ICMBio and FUNAI data.

Based on the analysis of the data in Table 13 on protected areas (including ILS) with land management instruments in 2009-2017, a considerable growth of protected areas with these instruments is observed in the Brazilian Amazon.

The Amazon Fund has supported several projects to strengthen and consolidate protected areas in the Brazilian Amazon. Prominent among them are seven projects aimed at developing and implementing PGTAs selected under the Public Call for Support for Land and Environmental Management in Indigenous Lands, issued by the Amazon Fund in 2015, the last of which were analyzed in 2017.

These projects foster, among other initiatives, environmental management and development of sustainable production activities by indigenous peoples; protection of isolated and recently contacted indigenous peoples; implementation of land monitoring and control initiatives; and strengthening of local community organization, culture and way of life of these populations.

In addition to projects dedicated exclusively to indigenous issues, there are other supported projects that also include initiatives that benefit these populations.

It should be noted that, in its support of projects that directly benefit indigenous peoples, the Amazon Fund verifies whether their socio-cultural systems and traditional knowledge have been considered and will be respected during the implementation of the projects, and also whether the benefited communities have given their prior consent to the future actions. Formal approval by FUNAI, the official Brazilian indigenous agency, is also required.

On the whole, 96 ILS have benefited from initiatives supported by the Amazon Fund. These lands account for about 64% of the area of all ILS in the Brazilian Amazon, making the Amazon Fund one of the most important backers of action to benefit these traditional populations.

Table 11 features the variation in deforestation rate in protected areas in the Brazilian Amazon Region (federal and state PAs and ILS).

TABLE 14: DEFORESTATION IN PROTECTED AREAS OF THE BRAZILIAN AMAZON REGION

| Protected areas | Number of protected areas | Deforestation rate in 2009 (km ²) | Deforestation rate in 2016 (km ²) | Variation (%) |
|-------------------------|---------------------------|---|---|---------------|
| Federal protected areas | 174 | 287.35 | 182.47 | (36) |
| State protected areas | 178 | 320.09 | 663.61 | 107 |
| Indigenous lands | 379 | 246.51 | 113.37 | (54) |
| Total | 731 | 853.95 | 959.45 | 12 |

Source: BNDES, based on INPE/PRODES data.

Table 14 shows an overall increase of 12% in the deforestation rate of the 731 protected areas monitored, considering the period from 2009 to 2016. However, it is worth highlighting the reduced deforestation in ILs, evidencing the importance of this land category and the relevant role of indigenous peoples in preventing deforestation (-54%).

FIGURE 6: PROJECTS SUPPORTED BY THE AMAZON FUND IN ILS



Source: BNDES, based on INPE/PRODES data.

Impact: (4) Economic instruments and science, technology and innovation activities contribute to recovery, conservation and sustainable use of biodiversity (science, innovation and economic instruments component)

INDICATOR: NUMBER OF PATENT APPLICATIONS FILED WITH THE NATIONAL INSTITUTE OF INDUSTRIAL PROPERTY (INPI)

Two indicators were selected to monitor the “science, innovation and economic instruments” component: (i) “number of patent applications filed with the National Institute of Industrial Property (INPI),” which allows a preliminary assessment of the strength of the regional innovation system; and (ii) “amount of subsidy paid to extractivists to promote sociobiodiversity product chains in the states of the Brazilian Amazon Region (PGPM-Bio),” to monitor the evolution of the economic incentives policy in the Amazon region. Considering that by 2017 the Amazon Fund had not supported any projects for the payment of subsidies to sociobiodiversity products or similar projects, this second indicator will not be monitored in this report.

TABLE 15: PATENT APPLICATIONS FILED WITH INPI BY RESIDENTS

| Brazil | 2009 | 2017 | Variation (%) |
|---------------|------------|------------|---------------|
| | 7,709 | 8,404 | 9.0 |
| Amazon states | 2009 | 2017 | Variation (%) |
| Acre | 3 | 8 | 166.7 |
| Amazonas | 63 | 40 | (36.5) |
| Amapá | 3 | 6 | 100.0 |
| Maranhão | 24 | 63 | 162.5 |
| Mato Grosso | 29 | 42 | 44.8 |
| Pará | 25 | 67 | 168.0 |
| Rondônia | 13 | 12 | (7.7) |
| Roraima | 1 | 10 | 900.0 |
| Tocantins | 8 | 21 | 162.5 |
| Total | 169 | 269 | 59.2 |

Source: BNDES, based on INPI data.

The number of patent applications filed with INPI by residents in the Amazon states grew 59.2% in the 2009-2017 period. For Brazil in general, considering the same period, the increase was 9%.

Despite the considerable increase in the number of patent applications in the last eight years, in absolute terms the number of patent applications filed in the region is low (3.20% of total applications in Brazil). This shows the need to strengthen this important area to increase knowledge and sustainable exploitation of the region’s resources, improve deforestation monitoring and develop and improve means and methods that contribute to land use planning in the region.

The reasons behind this scenario are complex and have historical roots. They range from differences in levels of investment in higher education and research to factors such as the level of development of the industrial sector in each of these states or regions.

Projects related to science and technology supported by the Amazon Fund aim to address this challenge through actions such as the construction, renovation or organization of advanced study centers for biotechnology research; survey and processing of georeferenced biological and socioeconomic data; and development of models to estimate biomass and carbon sequestration in ecosystems.

Summary of the monitoring of regional indicators related to Amazon Fund initiatives

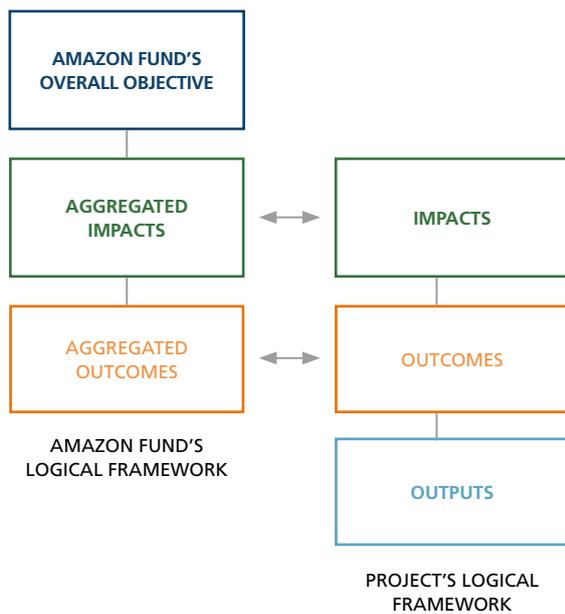
- » 11% reduction in the deforestation rate of the Brazilian Amazon in the 2009-2017 period. However, comparing annual average deforestation in the 2010-2017 period with deforestation in 2009 (Amazon Fund baseline), the drop in deforested area is 17%.
- » Growth of the share of the Brazilian Amazon GDP in relation to the Brazilian GDP (2009-2015), despite the stagnation of this indicator in the 2014-2015 period.
- » Increase of 19% in output and of 18% in revenue of extractive products monitored (2009-2016).
- » Expansion in the 2009-2017 period of: (i) decentralization of environmental management to municipalities, 581%; (ii) number of authorizations issued by state environmental agencies, 47%; and (iii) number of outposts of state environmental agencies, 2%.
- » Increase of 90% in federal PA and IL areas with land management instruments in the 2009-2017 period; and worsening of the indicator that monitors deforestation in protected areas in the 2009-2016 period (12% increase in annual deforestation rate), due to the substantial increase in deforestation in state PAs.
- » 59% growth in the number of patent applications filed with INPI by residents in the Brazilian Amazon states in the 2009-2017 period.

Project's logical framework

For each project, a specific logical framework is developed in consultation with the organization responsible for its implementation integrated with the objectives and impacts defined in the Amazon Fund's Logical Framework.

Figure 7 illustrates how outcomes and impacts at project level should contribute to the development of the four components and, therefore, to the overall objective of the Amazon Fund.

FIGURE 7: INSERTION OF PROJECTS IN THE AMAZON FUND'S LOGICAL FRAMEWORK



Supervision and monitoring of results of Amazon Fund projects

Supervision of projects supported by the Amazon Fund includes, in addition to monitoring the indicators of each project's logical framework, the execution of several procedures, described below, aiming to prevent or solve situations that may put at risk their implementation.

The supervision period of each project ranges from signing the contract to the conclusion of the obligations assumed therein. Input for this supervision is supplied by the entity responsible for executing the project financed by the Amazon Fund, which submits performance reports containing the following information, among other data: (i) summary of the main activities carried out over the period; (ii) charts with the project's expenses and sources, indicating the total financial amount for the period and the accumulated total; and (iii) proof that the entity is complying with tax and labor obligations.

BNDES supervision also includes verification of the project's physical and financial execution, that is, confirmation of the completion of planned activities and corresponding financial records, which includes visits to the project's facilities, whenever necessary, analysis of the beneficiary's financial data and verification of compliance with the terms established in the contract. Each disbursement of funds depends on verification of compliance with relevant contract standards and clauses.

At the conclusion of the project the beneficiary submits an evaluation report of its results. The main objective of this report is to consolidate information on the execution of the supported project and its results and impacts.

The document should also contain information on the project's progress, monitoring of its logical framework indicators, future sustainability of results, problems arising during its execution, as well as knowledge generated and lessons learned.

Results of projects supported by the Amazon Fund

Projects supported by the Amazon Fund are individually monitored. The activities carried out during execution are reported in the Amazon Fund's website,¹⁸ where a specific section is reserved for each supported project with the following information, among other data: name of the organization responsible for implementing the project; regional scope of the project and its beneficiaries; cost of project and value of financial support by the Amazon Fund; estimated execution time; amounts already disbursed and dates of disbursements; context in which the project is inserted and concise information about it; its objectives diagram (intervention logic); and a summary of activities executed to date.

To monitor the results of supported projects a range of common indicators was developed that allow their consolidation and provide a comprehensive view of the products and services delivered and corresponding impacts. In some cases, the results are qualitative, which requires them to be analyzed individually.

In addition to monitoring the projects during execution, the Amazon Fund publishes an evaluation of the results and impacts of each concluded project. In the chapter "Concluded Projects" of this report, information is disclosed on the three projects completed in 2017, including an evaluation of their results and impacts. Thus, of a portfolio of 95 supported projects, 15 were concluded and their evaluation was published in the Amazon Fund annual reports. Whenever possible, an analysis is performed of the impacts of concluded projects on the deforestation rate of their areas of influence.

The following tables feature consolidated results and impacts based on indicators selected from the logical frameworks of projects supported by the Amazon Fund. Color coding was adopted in these tables to help identify indicators according to their nature (product or impact).

"Promotion of sustainable production activities" component

By the end of 2017, support for sustainable production activities accounted for 26% of the Amazon Fund's projects portfolio. One of the objectives of PPCDAM is to promote a sustainable forest-based economy by adding value to forest products (timber and nontimber) and environmental services to create an economic alternative that enables the conservation of native vegetation.

The set of projects supported in this area includes activities related to, for example, extractivism, processing (industrialization) of extractive and family farming products,

¹⁸ Available at: <<http://www.fundoamazonia.gov.br/en/carteira-de-projetos/>>.

food security (food production for self-consumption), handicrafts and community-based tourism. Among the products supported are rubber, seeds, handicrafts, cassava flour, cocoa, tourism, timber, honey, resin, soaps, oils, babassu and açai berry.

TABLE 16: INDICATORS OF THE "PROMOTION OF SUSTAINABLE PRODUCTION ACTIVITIES (1)" COMPONENT – CUMULATIVE VALUES

| Sustainable production indicators (Component 1) | by 2016 (cumulative) | by 2017 (cumulative) | Variation 2017-2016 (%) |
|---|----------------------|----------------------|-------------------------|
| Individuals trained in sustainable economic activities (total) | 18,883 | 21,147 | 12 |
| Individuals trained in sustainable economic activities (women) | 887 | 887 | 0 |
| Individuals trained in sustainable economic activities (indigenous) | 891 | 1,020 | 14 |
| Strengthened community organizations | 354 | 391 | 10 |
| Small projects (up to R\$ 100,000) supported by coalescing entities* | 2,626 | 2,627 | 0 |
| Medium or large projects supported by coalescing entities | 57 | 58 | 2 |
| Farms with sustainable production projects | 3,985 | 5,437 | 36 |
| Farms benefiting from technical assistance | 5,951 | 9,454 | 59 |
| Processing units installed for products from family farming and extractive activity | 88 | 142 | 61 |
| Individuals directly benefiting from supported activities (total) | 105,650 | 142,457 | 35 |
| Individuals directly benefiting from supported activities (women) | 8,884 | 20,187 | 127 |
| Forest area directly managed due to supported projects (hectare) | 9,523,015 | 18,159,869 | 91 |
| Recovered area used for economic purposes (hectare) | 7,248 | 11,484 | 58 |
| Individuals trained in sustainable economic activities effectively using acquired knowledge (total) | 6,093 | 7,661 | 26 |
| Revenue from the sale of unprocessed products (R\$ thousand) | 64,196 | 89,161 | 39 |
| Revenue from the sale of processed products (R\$ thousand) | 29,601 | 33,649 | 14 |

Source: BNDES.

* The project concept in this case comprises, for example, the simple purchase of equipment for productive activities that have been collectively planned.

| Color coding/key: | Output indicator | Impact indicator |
|-------------------|------------------|------------------|
|-------------------|------------------|------------------|

The data featured in Table 13 are cumulative, that is, the results measured in 2017 are added to data measured in previous years.¹⁹ In the comparison between the results of 2017 and 2016, it is observed that: (i) there was a significant increase in the number of units to process family agriculture and extractive products, installed with Amazon Fund resources, from a cumulative total of 88 units by 2016 to a total of 142 units by the end of 2017; and (ii) there was a significant increase in the number of individuals directly

¹⁹ Therefore, the information reported in 2017 incorporates the results measured in that year plus the accumulated results up to 2016. In turn, the value reported in 2016 incorporated the results measured in 2016 plus the accumulated results up to 2015.

benefited by sustainable production activities financed by the Amazon Fund, from 105,000 to 142,000 in one year (35% growth). Another indicator that showed significant progress was that which measures the area of forest directly managed as a result of supported projects, which reached 18 million hectares (91% growth).

The 91% growth in one year of directly managed forest area shows the scale of support for extractive activities, generating income while promoting forest conservation, since local populations start valuing the forest and are motivated to protect it from loggers and land-grabbers.²⁰

Other highlights include the growth of area reclaimed for economic purposes, from 7.2 thousand hectares to 11.4 thousand hectares (58%), and the growth of income obtained by communities with the sale of in natura (39%) and processed products (14%).²¹ The growth of income from sustainable production activities shows that income is effectively being generated from economic activities that value the “standing forest” in projects supported by the Amazon Fund.

As mentioned earlier, in 2017, 12 new projects were approved to receive Amazon Fund support, seven of which are mainly related to developing sustainable production activities for the Amazon Fund’s priority population, namely indigenous peoples, traditional communities, extractive workers and family farmers.

“Monitoring and control” component

By the end of 2017, support for monitoring and control initiatives accounted for 46% of the Amazon Fund’s projects portfolio. “Monitoring and control” has been recognized in independent PPCDAm evaluations as the area which has made most progress and, consequently, has most contributed to the reduction of deforestation in the Amazon region since 2004.

The following initiatives stand out among those supported by the Amazon Fund: (i) expansion and strengthening of the Rural Environmental Registry (that has the Brazilian acronym of “CAR”) as a tool for rural environmental management and monitoring of deforestation in farms; (ii) expansion and improvement of satellite-based environmental monitoring carried out by INPE and deployment of a deforestation detection system in the Amazon region using orbital radar imaging by CENSIPAM, of the Brazilian Ministry of Defense; and (iii) control of deforestation in the Brazilian Amazon through inspection activities by IBAMA.

²⁰ Land-grabber in the Amazon region is an individual who takes possession of unused public land.

²¹ Revenue in these two indicators does not include: (i) revenue received after completion of supported projects (revenue generated by projects are monitored from the baseline – ground zero – to completion); (ii) value of food produced and processed by supported projects that is consumed by the actual communities, contributing to their food safety; and (iii) income of individuals trained in sustainable production techniques in cases of supported projects that do not include direct investment in production activities.

TABLE 17: INDICATORS OF THE “MONITORING AND CONTROL (2)” COMPONENT – CUMULATIVE VALUES

| Monitoring and control indicators (Component 2) | By 2016 (cumulative) | By 2017 (cumulative) | Variation 2017-2016 (%) |
|--|----------------------|----------------------|-------------------------|
| Environmental agencies strengthened (federal, state and municipal level) | 114 | 281 | 146 |
| Civil servants trained (total) | 4,422 | 5,428 | 23 |
| Civil servants trained (women) | 285 | 382 | 34 |
| Amount disbursed for projects to combat forest fires and illegal burnings (R\$ thousand) | 60,243 | 62,972 | 5 |
| Individuals trained in monitoring technologies | 312 | 344 | 10 |
| Environmental law enforcement missions executed | - | 466 | 100 |
| Trained civil servants effectively using acquired knowledge (total) | 1,707 | 3,538 | 107 |
| Rural properties registered in the Rural Environmental Registry (CAR) (protocol) | 281,031 | 530,430 | 89 |
| Area of rural properties registered in the CAR (protocol) (ha) | 68,317,504 | 86,805,573 | 27 |
| Reforested area for land regularization purposes – hectares (ongoing recovery) | 9,259 | 13,276 | 43 |
| Notices of violation issued for forest destruction | - | 5,060 | 100 |

Source: BNDES.

| Color coding/key: | Output indicator | Impact indicator |
|-------------------|------------------|------------------|
|-------------------|------------------|------------------|

Implementing CAR was defined by COFA as one of the key initiatives to be supported by the Amazon Fund. Registration in CAR is an important step in the process of environmental regularization of farms, making production systems better adapted to the Amazon region and, therefore, to environmental sustainability.

In addition, CAR identifies the environmental assets and liabilities of rural establishments, enabling both the management of those assets²² and the planning and execution of action to recover deforested areas that must be legally reforested. An important function of CAR is that it identifies the settlers who occupy rural properties without having a legal title to that land, establishing the possibility of their liability in case of environmental violations that may occur in said properties.

The Amazon Fund has given priority to supporting projects with CAR-related initiatives. There are already 530,000 properties registered with the support of the Amazon Fund, corresponding to an area of approximately 86 million hectares.

Prominent among the set of indicators that monitor the evolution of the monitoring and control component is the growth of the number of civil servants trained for the various activities related to environmental management, which totaled 5,428 in 2017, a growth of 23% when compared to the number of qualified servants up to 2016.

²² The owner (or settler) of land with forest reserve (“legal reserve”) preserved and registered with CAR, whose area exceeds the minimum required by the Brazilian legislation may, for example, use the surplus area to constitute environmental reserve quotas, and such quotas may be negotiated to meet “legal reserve” requirements of another property.

This activity report includes information on the evolution of indicators related to inspection activities to discourage environmental violations. In the last quarter of 2016, the Amazon Fund (BNDES) signed a loan agreement with IBAMA to support environmental inspection and deforestation control in the Brazilian Amazon.

This project, carried out by IBAMA, includes the provision of (rented) vehicles and helicopters for environmental monitoring and inspection activities in the Amazon region, with 91% of the R\$ 56 million funded for this purpose being disbursed within a year, approximately. With the support of the Amazon Fund, the number of inspection missions carried out by IBAMA was sustained and expanded, in a context of increased deforestation in 2016 and serious fiscal crisis of the Brazilian government, with a general reduction in public budgetary resources.

It should be noted that the number of IBAMA inspection missions in the Amazon region increased 250% (compared to the previous year) and the number of servants/day engaged in inspection activities increased over 200%. With these and other initiatives, deforestation, which reached 7,893 km² in 2016, was reduced to 6,624 km² in 2017 (16% reduction in one year).

Still in the core area of monitoring and control, the Amazon Fund supports actions to prevent and combat forest fires and illegal burnings. In 2017, the Mato Grosso Forest Firefighters project was concluded, executed by the Military Fire Brigade of the State of Mato Grosso (CBMMT). This project is symbolic in many senses, leading to the installation of the first air base to combat forest fires in the Amazon region, in the municipality of Sorriso, in the state of Mato Grosso.

Amazon Fund participation in this project included, among other things, the provision of financial resources for the acquisition of firefighting equipment, especially the purchase of two fixed-wing aircraft for this purpose, capable of swiftly reaching remote areas and transporting and releasing up to 3,000 liters of water, in addition to the training of CBMMT officers to operate the aircraft.

The monitoring of the effectiveness indicators of this project showed a significant improvement in CBMMT's ability to locate heat spots and fight fires. For example, the number of forest fires or illegal burnings fought directly by the Fire Brigade in 2017 (851 fires) was 178% higher than the yearly average for the 2014-2016 period (306 fires). The "Concluded Projects" chapter of this report describes the activities carried out and the results and impacts achieved by this and other projects concluded in 2017.

Two other projects were concluded in 2017. The "SEMAS Pará" project, implemented by the state government of Pará, developed activities to strengthen environmental management throughout the state by deploying technological infrastructure to issue CAR; improving the environmental licensing process; and decentralizing and deconcentrating the activities of the Environment and Sustainability Agency of Pará (SEMAS/PA), by structuring municipal environmental departments and strengthening the outposts (regional units) of this state agency.

Highlights included the organization of 82 municipal environmental agencies and the fact that, by the end of the project, there were 117 municipalities in the state of Pará qualified to execute local environmental management. Regarding the number of properties that filed applications with CAR, 162,000 properties were registered in the state by the end of the project.²³ A 20% reduction in annual deforested area was observed in the state of Pará comparing the project's baseline in 2011 (3,009 km²) and the deforested area in 2017 (2,413 km²).

Another project concluded was "Recovering Marcelândia", implemented by the municipality of Marcelândia in the state of Mato Grosso, which supported the strengthening of municipal environmental management and the recovery of degraded areas around fifty springs in the Manissauá-Missu River sub-basin, located close to the urban area of this municipality. This project has therefore contributed to improve working conditions and the provision of public services at the Municipal Department of Environment and Tourism of Marcelândia and promote the restoration of riparian forests in the municipality, including the production of seedlings of native species. In the last year of the project, the municipality of Marcelândia produced in its nursery 125,000 seedlings, 85,000 of which were used in the restoration of springs under the project and areas of other producers in the municipality.

However, during the execution of this project there was a substantial increase in deforestation in Marcelândia, which can be explained by the reduced scale of supported initiatives, which were not sufficient to counter the vectors of deforestation. Finally, it should be noted that Amazon Fund support to the public sector does not include the payment of salaries of public servants, which is part of the contribution of public bodies benefited by its support.

"Land use planning" component

By the end of 2017, support for land use planning and land regularization initiatives accounted for 13% of the Amazon Fund's projects portfolio. Forest occupation is intrinsic to the region's development process, but such occupation must be planned. Available instruments to this end include Amazon Fund support to consolidate PA management and implement PNGATI.

²³ The Amazon Fund is not solely responsible for this figure, as several other actors contributed to this result.

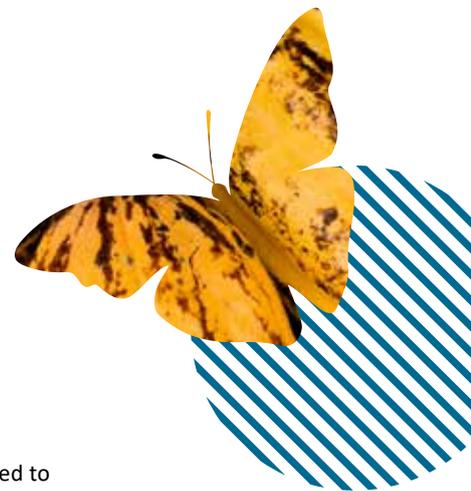


TABLE 18: INDICATORS OF THE "LAND USE PLANNING (3)" COMPONENT – CUMULATIVE VALUES

| Land use planning indicators (Component 3) | By 2016 (cumulative) | By 2017 (cumulative) | Variation 2017-2016 (%) |
|--|----------------------|----------------------|-------------------------|
| Protected areas (PA) supported | 105 | 129 | 23 |
| Indigenous lands (IL) supported | 42 | 96 | 129 |
| Indigenous people directly benefited from Amazon Fund support | 27,244 | 30,734 | 13 |
| Individuals trained in management of public forests and protected areas (total) | 683 | 2,059 | 201 |
| Individuals trained in management of public forests and protected areas (indigenous) | 152 | 799 | 426 |
| Individuals trained in management of public forests and protected areas effectively using acquired knowledge | 339 | 656 | 94 |
| PAs created (km ²) | 7,083 | 7,083 | 0 |
| Protected areas with environmental management or strengthened land control (km ²) | 397,417 | 411,622 | 4 |

Source: BNDES

| Color coding/key: | Output indicator | Impact indicator |
|-------------------|------------------|------------------|
|-------------------|------------------|------------------|

Federal and state PAs and ILs account together for 47% of the total area of the Brazilian Amazon Region. They are land categories protected by legislation, which in itself inhibits the action of illegal loggers and land grabbers.

The Amazon Fund has increased its support for projects that help consolidate the management of protected areas and benefit their traditional populations. Amazon Fund support for projects benefiting indigenous peoples stands out, evidenced by the evolution of the indicator that measures the number of native Brazilians directly benefited by supported projects, which increased 13% in 2017, totaling over 30,000 beneficiaries.

In 2017, support was granted to a project of the Protected Forest Association (AFP) to implement and update the Kayapó IL PGTA and implement the Las Casas IL PGTA, both located in the state of Pará, contributing to the protection and sustainable management of their territories and natural resources, promotion of their economic autonomy and culture. It should be noted that there are already 22 projects supported by the Amazon Fund partially or entirely devoted to benefiting indigenous populations. This is the second project directly supported by the Amazon Fund in which the organization responsible for its execution is an indigenous entity. These peoples, with their lands and traditions, are relevant actors in the preservation and fight against deforestation.

The indicator that monitors the number of individuals trained in activities related to the management of public forests and protected areas (including ILs) reveals a significant leap: the consolidated number until 2016 was 683 individuals qualified for this purpose, and in 2017 this number tripled to 2,059 trained individuals. The Amazon Fund projects portfolio includes a project

entirely dedicated to training environmental agents and managers, aiming to strengthen federal and state protected areas in the state of Amapá, which is being executed by the Amazon Conservation Team (ECAM).

“Science, innovation and economic instruments” component

By the end of 2017, support for scientific and technological development initiatives and economic instruments to keep the forest standing accounted for 15% of the Amazon Fund’s projects portfolio. Support for this area has a strategic and transversal nature, benefiting the other components.

TABLE 19: INDICATORS OF THE “SCIENCE, INNOVATION AND ECONOMIC INSTRUMENTS (4)” COMPONENT – CUMULATIVE VALUES

| Scientific and technological development indicators (Component 4) | By 2016 (cumulative) | By 2017 (cumulative) | Variation 2017-2016 (%) |
|---|----------------------|----------------------|-------------------------|
| Total amount disbursed for scientific and technological research (R\$ million) | 55.8 | 73.8 | 32 |
| Number of researchers and technicians involved in scientific and technological research activities living in the Amazon region during project execution | 274 | 319 | 16 |
| Number of families benefiting from payment for environmental services | 1,675 | 1,902 | 14 |
| Number of scientific, educational or informational publications produced | 111 | 390 | 251 |

Source: BNDES.

| | | |
|-------------------|------------------|------------------|
| Color coding/key: | Output indicator | Impact indicator |
|-------------------|------------------|------------------|

The analysis in Table 17 shows that, in 2017, disbursements for scientific and technological development projects grew 32% compared to total cumulative disbursements made for this component until 2016.

The main projects in execution are: “National Forest Inventory – Amazon”, managed by the SFB; “Amazon Integrated Project”, implemented by the Brazilian Agricultural Research Corporation (EMBRAPA); “Monitoring Forest Cover in the Amazon Region”, by ACTO; and “Satellite-Based Environmental Monitoring in the Amazon Biome”, by INPE.

The projects being executed by ACTO and INPE also contribute to the “monitoring and control” component of the Amazon Fund. However, the values computed in the indicator “total amount disbursed for scientific and technological research” in Table 19 refer exclusively to investments related to the “science, innovation and economic instruments” component.

The indicator that monitors the number of scientific, educational or informative publications produced has more than tripled in a year, from a cumulative total of 111 publications to 390 publications. Of this total, INPE was responsible for the production of 104 publications under the “Satellite-Based Environmental Monitoring in the Amazon Biome” project, supported by the Amazon Fund, which aims to develop studies on land use and cover in the Amazon biome, as well as improve satellite-based environmental

monitoring, including the system to detect deforestation in real time in the Brazilian Amazon (DETER).

The Amazon Fund supports four projects involving compensation for environmental services, with a moderate increase (14%) in the number of benefited families comparing data for 2016 and 2017. An example of this type of support is the “Amazon Water Springs – Phase 2”, which is being implemented by the municipality of Alta Floresta in the state of Mato Grosso. One of the supported initiatives is the Water Stewards Program, created by municipal law, which provides for payment for environmental services (PSA) for residents that protect and preserve the springs that supply the water used in the urban area (72 families benefited, corresponding to an area of 535 hectares of protected riparian woodlands).

Amazon Fund safeguards

Decision 1/CP.16 of the UNFCCC defined the safeguards for REDD+. They comprise a set of seven guidelines aimed at enhancing positive socioenvironmental impacts and reducing the negative impacts related to REDD+ activities. REDD+ safeguards are also known as Cancun safeguards, since that Mexican city hosted the COP 16 in 2010.

These safeguards should ensure that REDD+ initiatives adequately address sensitive issues such as the rights of indigenous peoples and traditional communities, social participation, preservation of natural ecosystems, permanence of REDD+ results and the risk of shifting pressure from deforestation and forest degradation to other areas.

REDD+ initiatives should promote and support:

- » actions complementary or consistent with the objectives of national forest programmes and relevant international conventions and agreements;
- » transparent and effective national forest governance structures, taking into account national legislation and sovereignty;
- » respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples;
- » full and effective participation of stakeholders, in particular indigenous peoples and local communities;
- » actions consistent with the conservation of natural forests and biological diversity, ensuring that the actions referred to in paragraph 70 of Decision 1/CP 16 are not used for the conversion of natural forests, but are instead used to incentivize the protection and conservation of natural forests and their ecosystem services, and to enhance other social and environmental benefits;



- » actions to address the risks of reversal of REDD+ results; and
- » actions to reduce the displacement of carbon emissions to other areas.

The Amazon Fund precedes the approval of the Cancun safeguards, but since its creation, the steering committee (COFA) has established a set of guidelines and criteria that, associated with the operational policies of BNDES, its manager, have since functioned as safeguards. The Amazon Fund is adjusting its processes to comply with the Cancun safeguards in analyzing projects and supervising and monitoring its effectiveness. It should be noted that the Cancun safeguards are being systematized by CONAREDD+.

In 2015, Brazil started developing the National REDD+ Safeguards Information System (SISREDD+), coordinated by the MMA. The Thematic Advisory Board on Safeguards,²⁴ created under CONAREDD+, is composed of experts and representatives of civil society and public and private entities, and is entrusted with contributing to the development of SISREDD+. When SISREDD+ is in operation, its information will be made available to society as a whole.

Brazil has already submitted to UNFCCC the 1st Safeguards Summary,²⁵ with information on how Cancun safeguards were addressed and complied within Brazil during the implementation of action to reduce emissions from deforestation in the Amazon biome between 2006 and 2010. This summary will be updated by the aforementioned Thematic Advisory Board on Safeguards, considering also initiatives supported by the Amazon Fund.

The Amazon Fund undergoes an annual compliance audit aimed at ensuring compliance with, among other things, the guidelines and criteria established by COFA for the approval of supported projects. In addition, as of 2016, evaluations of the effectiveness of concluded projects have been performed, with external evaluators expressing their views on the compliance of these projects with Cancun safeguards.²⁶

It should be noted that in 2017, the “Environmental Monitoring of Brazilian Biomes” project was approved, to be implemented by INPE. Its initiatives include the development and implementation of deforestation monitoring systems for the Atlantic Forest, Caatinga, Pampa and Pantanal biomes.

It is believed that this project will significantly contribute to fight deforestation in Brazil as a whole, since INPE currently monitors the Brazilian Amazon and is implementing a project to monitor the Cerrado biome. Thus, the Cerrado biome and forests/vegetation cover of the whole country will benefit from satellite-based monitoring in the near future.

Amazon Fund support for the “Environmental Monitoring of Brazilian Biomes” project will therefore directly contribute to inhibit/reduce carbon displacement

²⁴ On June 11, 2016, the Thematic Advisory Board on Safeguards (CCT-Salv) was created to develop inputs to support decision-making by CONAREDD+ on issues related to the supervision of how the Cancun Safeguards (Decision 1/CP.16) are being addressed and complied with in the implementation of REDD+ by Brazil. CCT-Salv has not yet concluded its work.

²⁵ Summary of information on how the Cancun safeguards were addressed and complied with by Brazil during the implementation of action to reduce emissions from deforestation in the Amazon biome between 2006 and 2010: <http://redd.mma.gov.br/images/publicacoes/salvaguardas_1sumario.pdf>.

²⁶ These evaluations can be found on the Amazon Fund website: <www.fundoamazonia.gov.br>.

(“leakage”) of reduced emissions from deforestation in the Amazon region to other areas of Brazil, thus mitigating one of the risks associated with actions to prevent and combat deforestation.²⁷

Evaluation of effectiveness

The Amazon Fund portfolio has 95 projects, 15 of which have been concluded. The results and impacts of the concluded projects were evaluated by work teams responsible for their execution and by Amazon Fund staff. Information on these projects and their impacts are published in the Amazon Fund’s annual reports (in the chapter “Concluded projects”) and also on the fund’s website.

In 2016, with the technical support of the German agency GIZ, the conceptual framework to evaluate the effectiveness of projects executed with Amazon Fund resources was prepared and published.²⁸ Also in that year, two of the first projects concluded with the support of the fund were evaluated. In 2017, two new effectiveness evaluations were performed: (i) “Going Green” project, managed by TNC Brazil in 12 municipalities of Mato Grosso and Pará; and (ii) the “Socio-Environmental Management of Municipalities of Pará”, managed by IMAZON and implemented in 11 municipalities in the state of Pará.

The evaluation of these two projects is part of the strategy to carry out ex-post evaluations of concluded projects (about two or three years after completion), without prejudice to future evaluations of groups of projects in order to analyze the effectiveness of the fund’s support to sectors or regions or according to other specific criteria. The two new independent evaluations done in 2017 are fully disclosed on the Amazon Fund’s website.²⁹

Evaluating the effectiveness of projects supported by the Amazon Fund has the following main purposes:

- » to assist the Amazon Fund in reporting to donors on the types of supported projects and their impacts;
- » to enable institutional learning of project managers of the organizations responsible for the implementation of projects and of the Amazon Fund, contributing to improve the quality of projects and prioritize investments, thereby supporting decision making;
- » to verify compliance of projects supported by the Amazon Fund with the Cancun safeguards agreed under UNFCCC for REDD+ actions; and
- » to verify the alignment of projects with PPCDAm and state plans for prevention and control of deforestation.

²⁷ “REDD+ initiatives should promote and support: (vii) actions to reduce the carbon leakage to other areas” – REDD Safeguards +.

²⁸ <http://www.fundoamazonia.gov.br/export/sites/default/en/galleries/documents/monitoring-evaluation/impact_evaluations_projects_supported_2016.pdf>.

²⁹ <<http://www.fundoamazonia.gov.br/en/monitoramento-e-avaliacao/independent-evaluations/>>.

Amazon Fund risk management

Risk management is an integral part of management of the Amazon Fund and of the projects it supports. External factors that may negatively influence the execution of the projects or the permanence of results achieved by the fund are considered risks.

The following guidelines were defined for risk management at the Amazon Fund:

- » presentation of risks identified from the logical framework, based on the intervention logic represented by the Amazon Fund's overall objective and its expected impacts;
- » evaluation of the probable occurrence of each identified risk; and
- » definition of measures to mitigate risks, whenever possible, by the Amazon Fund or other actors.

Risk management is carried out through regular reviews of the behavior of both risks and the effects of mitigation measures. In the risk review carried out in 2017, the risk of "insufficient deforestation surveillance and repression action to ensure the competitiveness of the forest-based economy" was replaced by "insufficient deforestation surveillance and repression action due to fiscal constraints," given the deep fiscal crisis that hit the country in 2015 and 2016, with serious effects lingering in 2017.



| OVERALL OBJECTIVE | | | |
|--|---|---|--|
| Intervention logic | Identified risks | Probability | Response/risk mitigation |
| Reduction of deforestation with sustainable development in the Brazilian Amazon Region | Migration flows in the Amazon affect the environment |  | <p>The expansion of farming activities and the implementation of large projects, such as the construction of hydroelectric dams, influence population displacement, that is, migrations to the Amazon region, which may lead to the expansion of the deforestation frontier in the region.</p> <p>The Amazon Fund supports projects to address these pressures on all fronts. In 2017, the fund issued two calls to fund third-sector projects dedicated to supporting the consolidation of value chains of socio-biodiversity products and the recovery of deforested plant cover, and also published guidelines to support projects to monitor and repress environmental violations in Brazilian Amazon Region states. The Amazon Fund continues to assess this risk as average.</p> |
| Reduction of deforestation with sustainable development in the Brazilian Amazon Region | New strategies and technologies are incorporated by offenders to deforest illegally |  | <p>Forest destroyers have adopted new strategies and technologies to deforest illegally, using land information and geographic information systems (GIS). Using preliminary intelligence activities, they search for unoccupied areas to deforest for several purposes (logging and farming).</p> <p>It is necessary to continue the process of allocating public land plots (where 29% of deforestation in the Amazon region occurred in 2017) and enhance the execution of environmental control instruments in private areas (where 36% of deforestation in the Amazon region occurred in 2017), such as the Rural Environmental Registry (CAR). Besides giving priority to CAR, the Amazon Fund has systematically supported the improvement of deforestation monitoring tools with the use of satellite imagery (optical and radar) to detect deforestation in areas where it was not previously visible. The Amazon Fund assesses the risk as average.</p> |
| Reduction of deforestation with sustainable development in the Brazilian Amazon Region | Changes in Brazilian environmental legislation reduce forest protection |  | <p>The new Forest Code (Law 12,651/12) may enable recognition of environmental surplus that allows legalized deforestation in the Amazon region. On the other hand, this law has introduced CAR, environmental regularization programs (PRA) and environmental reserve quotas (CRA). Together, these new instruments should contribute to reduce deforestation, promote the recovery of changed areas and create opportunities for financial compensation for land owners with surplus environmental assets.</p> <p>The Amazon Fund supports registration with CAR, an electronic registry that helps to inhibit deforestation by integrating environmental information of rural establishments. It also supports validation of registration with CAR by environmental bodies, an important step in the regularization process of farmers, revealing its use as an instrument for environmental management and monitoring.</p> <p>Many of the new environmental management instruments introduced in 2012 are still being implemented and it is early to assess the impact of the new legislation regarding forest protection. Therefore, the Amazon Fund continues to assess the risk as average.</p> |
| Reduction of deforestation with sustainable development in the Brazilian Amazon Region | Climate change causes extended droughts and forest fires |  | <p>Forecasts of climate change in Brazil by the Brazilian Panel on Climate Change (PBMC) estimate decreased rainfall in the Amazon region that will lead to increased intensity of dry seasons and frequency of forest fires, both accidental and intentional.</p> <p>To mitigate this risk, the Amazon Fund, in addition to supporting forest conservation and repression of deforestation, also supports projects by military fire brigades in the Amazon region, aiming to strengthen their capacity to prevent and combat forest fires and illegal burnings, as well as a project to enhance operations by the National Center for Forest Fire Prevention and Combat (PREVFOGO). The Amazon Fund continues to assess the risk as high.</p> |

Monitoring and evaluation of results

| COMPONENT 1 | | | |
|--|--|---|---|
| Intervention logic | Identified risks | Probability | Response/risk mitigation |
| Activities that keep the forest standing are economically attractive | The deterioration of the economic environment undermines the development of a sustainable forest-based economy |  | <p>In 2015 and 2016, Brazil faced an economic recession. Preliminary data indicate that in 2017 the country emerged from the recession and there is a gradual recovery of national economic activity.</p> <p>The Amazon Fund has supported the organization and expansion of forest-based production chains and the environmental sustainability of agricultural activities of small farmers. In 2017, the Amazon Fund issued a call for projects to support the consolidation and strengthening of sustainable and inclusive value chains, with expected funds of R\$ 150 million.</p> <p>The Amazon Fund has also contributed to the environmental sustainability of regional agribusiness by supporting CAR and monitoring and organizing initiatives by environmental bodies. Given this situation, the Amazon Fund assesses the risk as average.</p> |

| COMPONENT 2 | | | |
|---|--|---|--|
| Intervention logic | Identified risks | Probability | Response/risk mitigation |
| Government action ensures compliance of anthropogenic activities with environmental legislation | Land reform policy inconsistent with environmental policy |  | <p>In a preliminary analysis of deforestation by land use category, it was observed that in 2017, land reform settlements accounted for 25.5%, a 4.4% decrease over the previous year. This has been approximately the annual share of settlements of deforested area in the Brazilian Amazon Region, which shows the strategic importance of supporting these populations to develop sustainable economic activities that assure them occupation and income.</p> <p>Current land reform policy aims to contribute to reduce deforestation in settlements and is consistent with the main environmental policies for preservation and sustainable use of forests in the Amazon region, especially regarding increasing activities within the scope of the Green Settlements Program promoted by the National Institute for Settlement and Land Reform (INCRA).</p> <p>The Amazon Fund has contributed to mitigate this risk by supporting CAR in areas of land reform settlements and sustainable production in these areas. The Amazon Fund continues to assess the risk as average.</p> |
| Government action ensures compliance of anthropogenic activities with environmental legislation | Insufficient deforestation surveillance and repression due to fiscal constraints |  | <p>Maintaining low deforestation rates requires significant investments in command and control initiatives implemented by the Brazilian government. For this repression to be effective, it is necessary not only to continue but also scale up the fight against illegal activities, introducing new surveillance practices and improving the technologies employed. This requires budgetary resources and priority for this agenda.</p> <p>However, the recession led to a reduction in tax revenues at all government levels, with ensuing budget cuts and strong competition for resources among all stakeholders. The scarcity of budgetary resources and greater competition for existing resources may negatively influence actions and activities aimed at monitoring and controlling deforestation in the Amazon region.</p> <p>The Amazon Fund has supported various projects that address monitoring, surveillance or repression of environmental crimes. In 2017, its steering committee (COFA) approved a document with guidelines regarding Amazon Fund support for states in the Brazilian Amazon Region to control and fight environmental crimes and violations. Considering the vastness of the Amazon region and the fiscal constraints imposed on governments as a result of the economic recession, the Amazon Fund continues assessing the risk as high.</p> |

Monitoring and evaluation of results

| COMPONENT 3 | | | |
|--|--|---|--|
| Intervention logic | Identified risks | Probability | Response/risk mitigation |
| The Brazilian Amazon is submitted to land use planning | Increased demand for crop and cattle raising areas |  | <p>Between 2009 and 2016, the cattle herd in the Amazon region grew 15% (from 74.6 million head to 85.9 million head), while the area allocated to soybean crops grew 70% (from 6.7 million to 11.4 million hectares). In 2016 alone, when compared to 2015, the cattle herd in the Amazon region increased by 1.7 million head and the soybean crop area grew by 921,000 hectares (about 9,200 km²). In that same year, the deforested area was 7,893 km², which shows that actions to combat deforestation are partially containing the advance of farming activities into the forest, but this pressure is real and worrying.</p> <p>The Amazon Fund has supported actions to monitor and control deforestation, develop sustainable forest-based production activities and environmental regularization of rural properties in the Amazon region, and contribute to improve farming productivity, such as instruction on good practices in cattle raising and pasture management. The Amazon Fund continues to assess the risk as average.</p> |

| COMPONENT 4 | | | |
|--|--|---|--|
| Intervention logic | Identified risks | Probability | Response/risk mitigation |
| Economic instruments and science, technology and innovation activities contribute to recovery, conservation and sustainable use in the Brazilian Amazon Region | Brain drain of skilled technical staff and researchers from the region |  | <p>The number of doctoral graduates per thousand inhabitants in the Amazon region is significantly lower than in the rest of the country. The number of research groups is also the lowest compared with other Brazilian regions. The Amazon region still lacks investment in scientific and technological activities.</p> <p>In 2017, the Amazon Fund continued its support for scientific and technological development and the permanence of researchers in the region by funding production and dissemination of knowledge and technology for the recovery, conservation and sustainable use of biodiversity of the Brazilian Amazon Region; production of information on forest resources, carbon stocks and land use by the population in the region; and production and dissemination of technologies to process radar imagery and develop further knowledge and technologies to monitor the Amazon region.</p> <p>However, budget constraints due to the severe economic crisis that hit the country led to cuts that hindered the activities of research institutions, including the renewal of research staff in the region. Therefore, the risk of brain drain of skilled technical staff and researchers remains significant. The Amazon Fund continues assessing the risk as average.</p> |

The image features a central light green circle containing the text "CONCLUDED PROJECTS". The background is a collage of various green leaves and a patterned elephant silhouette. The leaves include a large fan-like leaf at the top, a palm frond on the right, and several other leaf shapes in different shades of green. At the bottom, there is a silhouette of an elephant filled with a black and white geometric pattern of concentric diamonds.

**CONCLUDED
PROJECTS**

Forest Firefighters of Mato Grosso



PROJECT MANAGEMENT

State of Mato Grosso³⁰

REGIONAL SCOPE

State of Mato Grosso, especially the following municipalities: Nova Santa Helena, Cláudia, Colíder, Feliz Natal, Ipiranga do Norte, Itaúba, Marcelândia, Matupá, Peixoto de Azevedo, Santa Carmem, Sinop, Sorriso, União do Sul, Vera and Alta Floresta

BENEFICIARIES

Population living in the operational area of the Military Fire Brigade Air and Ground Operations Base, located in Sorriso

OBJECTIVE

To support actions to monitor, prevent and combat deforestation resulting from unauthorized forest fires and burnings in the state of Mato Grosso through training and purchase of aircraft, vehicles and support equipment for the Military Fire Brigade Air and Ground Operations Base of the state of Mato Grosso, located in the city of Sorriso

TOTAL COST OF PROJECT

US\$ 9,907,390.97
R\$ 16,742,500.00

AMAZON FUND SUPPORT

US\$ 7,407,675.06
R\$ 12,518,230.09

EXECUTION PERIOD

Third quarter 2012 to first quarter 2017

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|--|---|
| 9.13.2011 | 1.17.2012 | US\$ 7,407,675.06 R\$ 12,518,230.09 | 100% |



- Rivers
- Brazilian Amazon region
- States
- Amazon biome
- Municipalities supported by the project

³⁰ Project manager website: <www.bombeiros.mt.gov.br>.

Context

The state of Mato Grosso has 903,000 km², accounting for 10.6% of the Brazilian land area, 141 municipalities and an estimated population of 3,344,544 inhabitants (IBGE, 2017).

From 1998 to 2017, accumulated deforestation in the state reached about 143,000 km², according to the National Institute for Space Research (INPE). In recent years this situation has changed and the rate of deforestation in the state has been significantly reduced. Between the peak in 2004 (11,814 km²) and 2017 (1,341 km²), the annual deforestation rate fell by 89%, reaching its lowest level in 2012 (757 km²). One of the factors contributing to deforestation is forest fires. Data released by INPE³¹ indicate that, historically, Mato Grosso has a high incidence of heat spots.

In 2009, the state of Mato Grosso prepared, through a partnership with the MMA, its State Plan for the Prevention and Control of Deforestation and Burnings (PPCDQ/MT), which combines initiatives to reverse deforestation, most of them linked to state bodies such as the State Environment Department (SEMA/MT) and the Military Fire Brigade of the state of Mato Grosso (CBMMT). In addition, State Complementary Law 404/2010 created at CBMMT the Environmental Emergencies Battalion (BEA), to meet demands related to preventing and combating unauthorized burnings and forest fires.

The project

The project contributed to structure the Air and Ground Operations Base, located in the municipality of Sorriso, through the construction of facilities, purchase of forest tanker trucks, 4x4 vehicles, forest fire fighting kits, communication equipment and of two fixed-wing aircraft to combat forest fires (Airtractor 802F), as well as the training of pilots to command such aircraft. In addition, CBMMT officers and managers of partner agencies took graduate-level courses in forest fire prevention, control and combat.

Intervention logic

The project comes under the “monitoring and control” component (2) of the Amazon Fund’s Logical Framework. Its outcome was established as: “The CBMMT Operations Base in Sorriso better structured to monitor and combat deforestation caused by forest fires and illegal burnings”. It should be noted that the initial planning of the project provided for the structuring of the air and ground operations base in Sinop, a neighboring municipality of Sorriso, about 75 km away.

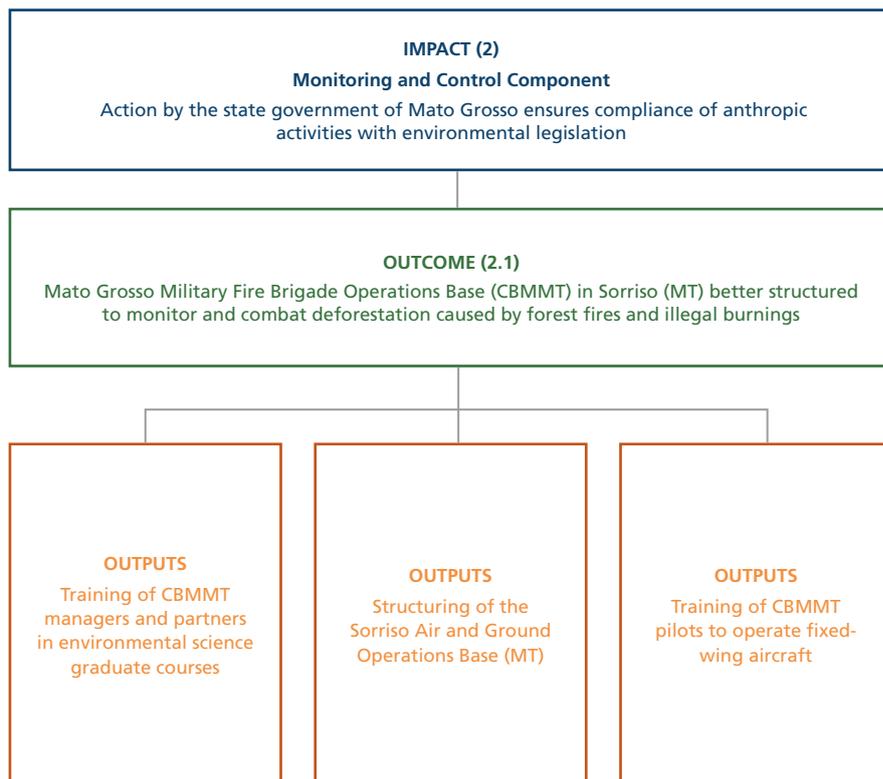
The occurrence of forest fires is related to the duration of drought periods and to the use of burnings in production activities. It is usually one of the stages in the process of illegal deforestation aimed at land grabbing³², when, following

³¹ <<http://www.inpe.br/queimadas/portal>>.

³² Land grabbing in Brazil is the illegal possession of public or private unused land and often includes falsifying documents.

the removal of larger (and more valuable) trees, burning is used to clear new areas for farming purposes.

Structuring CBMMT to improve and expand actions to monitor and combat forest fires and training civilian firefighters in techniques to prevent and combat forest fires directly contribute to curbing the loss of vegetation cover due to forest fires and burnings. This, in turn, contributes to the Amazon Fund’s overall objective of “reducing deforestation with sustainable development in the Brazilian Amazon region”.



Activities executed

The project was divided into three outputs, which were fully executed: (i) structuring the base of operations; (ii) training CBMMT pilots to operate fixed-wing aircraft; and (iii) training CBMMT managers and partner bodies through graduate-level environmental sciences courses.

The air and ground operations base, installed in Sorriso, is the first air base to combat forest fires of the Amazon region. Its facilities, infrastructure and furniture were financed with funds from the state, local government, and local entrepreneurs.

The main forest firefighting equipment, in turn, was purchased with funding from the Amazon Fund, including the purchase of two fixed-wing aircraft to combat forest fires (Airtractor 802F), capable of delivering up to 3,000 liters of water. These aircraft are important to quickly reach areas that are remote and/or of difficult access. Also purchased were five forest tanker trucks with capacity of up to 5,000 liters, six 4x4 vehicles, a tanker truck for aircraft

refueling, radio communication equipment, personal protection equipment and firefighting tools (dampers, backpack pumps, hoes, rakes, etc.).

Regarding the training of pilots, the project trained and qualified five CBMMT officers to operate single-engine aircraft (Airtractor 802F's class). One of them is fit to fly the aircraft in missions to combat forest fires and burnings. Since aerial firefighting is a complex and dangerous operation, the aircraft insurer requires a number of additional qualifications which demand many flight hours.

Finally, instruction in graduate-level environmental science courses also relied on state funds and was carried out in partnership with the Mato Grosso School of Government. Forty-five specialists completed the graduate course in forest fire prevention and control.

The course, with a total workload of nine hundred hours, 460 of them in on-site classes in 12 disciplines, aimed at the professional training of CBMMT military personnel, public servants from SEMA, ICMBio, IBAMA, Adjunct Secretariat for Civil Protection and Defense, the municipal governments of Sinop and Alta Floresta, and of self-employed professionals of the Regional Council of Engineering and Agronomy (CRE).

Institutional and administrative aspects

Preventing and combating forest fires and deforestation depends on integrated action of public bodies at several government levels, with the necessary mobilization of civil society. The complete execution of this project required coordination and partnership with several important actors, who, together with the CBMMT, enabled the execution of the activities of this operation and, consequently, the achievement of its results.

The Sorriso Operations Base was built in partnership with the municipal government, with resources from the Municipal Department of Infrastructure and Logistics (SINFRA) and the Municipal Public Security Council. In addition, the private sector of Sorriso contributed with the furniture that will be used by the military.

The non-degree graduate course in forest fire prevention, control and combat was also made possible through a technical cooperation agreement between the State Management Department (SEGES), which oversees the School of Government, and the State Public Security Department (SESP), which oversees the CBMMT.

An agreement was also signed with SEMA, which funded, as of 2015, part of the forest fire prevention and control activities carried out by BEA, of CBMMT.

Finally, technical cooperation agreements were signed with local governments, which allowed the structuring of mixed municipal brigades in 2015 (Claudia, Campo Novo do Parecis, Sapezal and Sinop) and 2016 (Aripuanã, Claudia, Comodoro, Porto Esperidião, Sapezal and Sinop). The mixed municipal brigade is a new concept based on integrated efforts in which state, city, rural companies and professional associations make commitments to structure the first response to forest fires in municipalities that have no military fire brigade units. The brigade comprises two military firefighters and at least six firefighters hired exclusively or transferred from the municipal brigade.

Indicators of results and impacts

The project's activities contributed to the results of the "monitoring and control" component (2) of the Amazon Fund's Logical Framework.

MONITORING AND CONTROL COMPONENT (2)

Outcome 2.1: CBMMT in Sorriso better structured to monitor and combat deforestation caused by forest fires and illegal burnings.

The main indicators agreed for monitoring this objective were:

- » Number of trained staff at CBMMT and partner bodies effectively using acquired knowledge (impact indicator)

It was verified that 45 managers at CBMMT and partner bodies that took graduate-level courses in environmental science are effectively using the knowledge they acquired. In addition, 774 staff members of CBMMT and partner bodies received instruction, 395 in 2015, 251 in 2016 and 128 in 2017. Although such training is not necessarily a product of the project, it is directly related to activities performed by BEA, which was structured with the support of the Amazon Fund.

- » Number of trained pilots effectively using acquired knowledge (impact indicator)

The project supported the training of five pilots, four of whom are currently using the acquired knowledge. One of them is qualified to fly aircraft in forest fire combat missions.

- » Spread of forest or rural fire prevention techniques (product indicator)

During the project, forest or rural fire prevention techniques were spread through the training of 330 civilian firefighters. These skills are not actually part of the project's activities, yet they resulted from the structuring of BEA.

- » Number of heat spots (impact indicator)

In 2017, 5,701 heat spots were counted in the region covered by the project. The baseline of this indicator was 5,577 heat spots, based on the average number of heat spots in the municipalities of the region covered by the project in the ten years prior to 2012, the first year of project implementation. Therefore, it was found that during the project implementation period there was a slight increase in the number of heat spots in the region.

It is important to note that the growth or drop in the number of heat spots in the state of Mato Grosso is especially influenced by meteorological issues, varying greatly from one year to the next due to the duration of dry periods. However, the project worked directly to prevent and combat forest fires, which contributes to reduce the number of heat spots. In this context, the indicator under analysis is not enough to assess the effectiveness of the project supported by the Amazon Fund, although it is a point of reference for other project indicators.

- » Number of heat spots verified by the CBMMT (impact indicator)

In 2017, 3,869 heat spots were verified in the area covered by the project. In the previous three years, 2,710 heat spots had been verified (annual average), which shows a 42% growth in the capacity of in loco verification of heat spots. This variation clearly shows the increase of the Fire Brigade's response capacity thanks to the project's interventions.

- » Number of forest fires or unauthorized burnings directly combated by the CBMMT (impact indicator)

In 2017, 851 forest fires were combated, and in the previous three years 306 forest fires had been combated (annual average), which shows a 178% increase in the capacity to combat forest fires and unauthorized burnings. This indicator also demonstrates that since the implementation of the Amazon Fund project, firefighters in the state of Mato Grosso have systematically expanded their action in combating forest fires.

Risks and lessons learned

All outputs were delivered and there was progress in all indicators of effectiveness. It should be noted that prior to the start of the project, data on verified and combated heat spots were not even gathered by CBMMT, which indicates that the adoption of monitoring techniques and effectiveness evaluation is one of the positive aspects being incorporated by military brigades in the Amazon Region as a result of the experience with the support of the Amazon Fund.

However, it is important to remember that the project's term was significantly extended. CBMMT had problems carrying out the bidding procedures for some items of the project and executing complementary funding by the state. To be concluded, the project relied on important partnerships with other state and municipal bodies in the region, as detailed in the item "Institutional and administrative aspects." These partnerships, although relevant, had not been properly linked to the project at the analysis stage, which led to delays and the relocation of the operations base from Sinop to Sorriso. The graduate-level course also required state support and was made possible by the School of Government after failed attempts in the bidding process.

It is believed that the lack of a dedicated structure for project management is one of the factors that contributed to the operational difficulties faced.

Therefore, an important lesson learned is that when analyzing projects with public sector bodies, it should be considered that their teams are not necessarily capable of managing operations of this kind. Thus, it is important to establish longer terms than usual and ensure that the most important partners are already properly linked to the project and committed to their obligations.

Sustainability of results

Long-term sustainability of the results achieved with the support of the Amazon Fund depends mainly on the budgetary conditions of the state of Mato Grosso, responsible for maintaining the main equipment purchased under the project, as well as for providing resources to fund CBMMT.

In periods of fiscal crisis, such as the one currently experienced by most Brazilian states, the strong contraction of the national economy places restraints on the budgets of government bodies. When excessively prolonged, this may undermine the results achieved by the project.

It should be stressed that the training and qualifications resulting from the project tend to have a longer lasting and potentially broader effect considering the spread of knowledge that happens naturally in organizations, regardless of new contributions of public funds.



SEMAS Pará

PROJECT MANAGEMENT

State of Pará³³

BENEFICIARIES

Population of the state of Pará

TOTAL COST OF PROJECT

US\$ 9,020,637.88

R\$ 15,923,230.00

REGIONAL SCOPE

State of Pará

OBJECTIVE

To support the strengthening of environmental management in the state of Pará by improving the issuance of the Rural Environmental Registry (CAR), decentralizing and deconcentrating the activities of the State Environment and Sustainability Department and improving the legal process of environmental licensing

AMAZON FUND SUPPORT

US\$ 9,020,637.88

R\$ 15,923,230.00

EXECUTION PERIOD

1st quarter 2012 to

1st quarter 2017

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|--|---|
| 7.9.2010 | 10.6.2010 | US\$ 9,020,637.88 R\$ 15,923,230.00 | 100% |



³³ Project manager website: <<https://www.semas.pa.gov.br/>>.

Context

Pará is the second largest Brazilian state and the most populous in the entire Amazon biome, recording high rates of deforestation of the Amazon rainforest due to the expansion of plant extractivism, cattle raising and, more recently, soybean crops. Since measurements began by INPE³⁴, accumulated deforestation in the state has exceeded 145,000 km².

Since 2004, with the launch of the PPCDAm, deforestation rates have fallen by 76% in the Amazon region. In the state of Pará, environmental protection efforts included restructuring the main body of state environmental policy, the State Environment and Sustainability Department (SEMAS/PA), through Law 7,026, dated July 31, 2007; implementing the Plan for the Prevention, Control and Alternatives to Deforestation of the State of Pará (PPCAD-PA), through Decree 1,697, dated June 5, 2009; and launching the Green Municipalities Program (PMV), through Decree 54, dated March 30, 2011.

The project

The SEMAs Pará project of the state of Pará aimed to strengthen environmental management throughout the state. The strategy was to strengthen the technological infrastructure required to issue the CAR; improve the licensing process; decentralize and deconcentrate the activities of SEMAS/PA by strengthening its regional units and structuring municipal environmental departments.

Decentralizing the activities of SEMAS/PA involved initiatives to structure the facilities and operation of municipal environmental administrative units, including the development of technological infrastructure to support the issuance of CAR and improve the legal environmental licensing process.

The deconcentration of environmental management in the state involved initiatives to strengthen regional units, bringing SEMAS/PA closer to the inhabitants and economic agents.

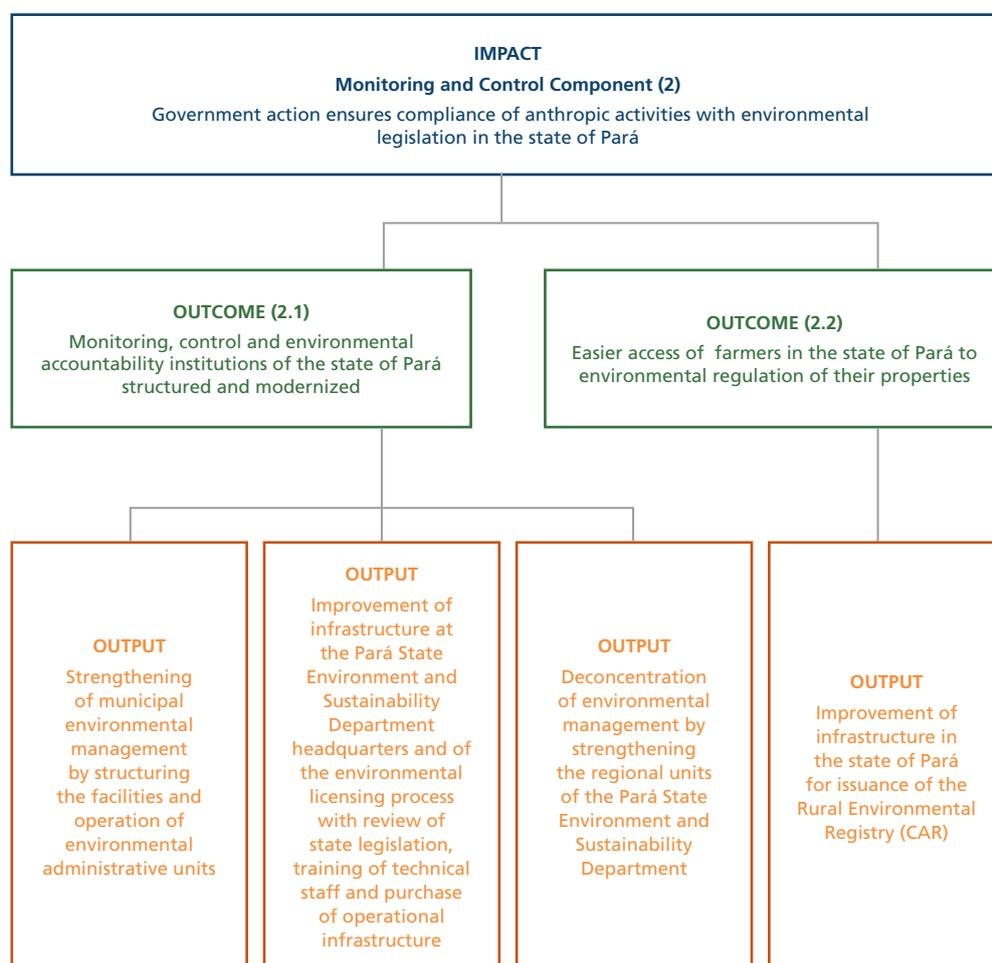
³⁴ <<http://www.obt.inpe.br/prodes/dashboard/prodes-rates.html>>.



Intervention logic

The project comes under the “monitoring and control” component (2) of the Amazon Fund Logical Framework. Its outcomes were defined as: “Monitoring, control and environmental accountability institutions of the state of Pará structured and modernized” and “Easier access of farmers in the state of Pará to environmental regulation of their properties.”

The strengthening of state and municipal environmental bodies in the state of Pará directly contributes to the compliance of anthropic activities with environmental legislation in the state, which in turn contributes to the general objective of the Amazon Fund to “reduce deforestation with sustainable development in the Brazilian Amazon region.”



Activities executed

The project was divided into four components: (i) decentralization of environmental management; (ii) deconcentration of environmental management; (iii) infrastructure for issuance of CAR; and (iv) strengthening of environmental licensing.

Decentralization of environmental management originally provided for the distribution of computer equipment and operational materials to structure municipal environmental bodies (OMMAs) of 44 municipalities qualified to carry out environmental management.

During the project, with the changes in environmental legislation (CL 140 and Forest Code) and the state strategic reviews, the scope of this component was reformulated, enabling the structuring of OMMAs in 82 municipalities of Pará, exceeding the original target, and the offer of training courses in environmental management for 480 public servants in 127 municipalities. By the end of the project, 117 municipalities in Pará were qualified to carry out environmental management at a local level.

Deconcentration of environmental management resulted in the strengthening of four regional units of SEMAS/PA, in the municipalities of Marabá, Santarém, Altamira and Paragominas. When the project was approved, it provided for the strengthening of three existing units and the implementation of three new units. However, to avoid an increase in costs, the state of Pará proposed a review of the project to provide for the strengthening of four existing units but no implementation of new administrative structures. Vehicles, furniture and computer equipment were purchased, contributing to the improvement of staff working conditions and, consequently, of services for the population.

The CAR infrastructure component focused on the purchase of technological resources for the registration of farms in the state. This included the purchase of high resolution satellite imagery, geospatial intelligence software licenses, computers and servers for storing large amounts of data, as well as auxiliary items that allowed the reception, storage and analysis of submitted registries.

Finally, the environmental licensing component supported the modernization of SEMAS/PA through the purchase of vehicles, computer equipment, operational materials and furniture. Technical and managerial training was also provided to improve the quality of the department's opinions and reports.

Institutional and administrative aspects

Preventing and combating deforestation depends on integrated action of public bodies at several government levels, with the necessary mobilization of civil society. With the support of this project, the state of Pará was able to engage municipal governments in this area, and their commitment – providing staff for training personnel and focusing on local environmental management – was essential to reach the results in CAR registration and decentralization of environmental management.

Another highlight was the availability of SEMAS/PA's own technicians to prepare and deliver courses for municipal technicians. Thus, training was given by those who effectively execute the activities of environmental licensing, inspection and management, which reduces the distance between theory and practice and strengthens the bonds between the different actors in charge of this agenda in the state of Pará.

Indicators of results and impacts

The project’s activities contributed to the results of the “monitoring and control component” (2) of the Amazon Fund’s Logical Framework.

MONITORING AND CONTROL COMPONENT (2)

Impact 2: Government action ensures the compliance of anthropic activities with environmental legislation in the state of Pará.

The scope of this effect was measured based on the indicator that monitors the rate of annual deforestation from clear cutting in the state of Pará, verified by INPE with the use of satellite imagery:

» Annual deforestation in the state of Pará

Table 20 compares year-to-year deforestation rates in the state of Pará as of 2011, the base year of the project, since the first disbursement occurred on December 28, 2011. Comparing this year with subsequent ones, there was a significant reduction in annual deforested area in the state of Pará, which fell from 3,008 km² (2011) to 2,413 km² (2017) per year. Comparing the average deforested area between 2012 and 2017 (2,255 km²) with the deforested area in the base year (3,008 km²) shows an average reduction in annual deforested area of 753 km², that is, an average reduction of 25% of deforested area in this period. It should be noted that this result cannot be attributed exclusively to the SEMAS/PA project, since other initiatives (public and private, including some supported by the Amazon Fund) contributed to this reduction of deforestation in the state of Pará.

TABLE 20: DEFORESTATION IN THE STATE OF PARÁ (2011-2017)

| Year | Deforested area (km ²) | Variation (%) |
|-------|------------------------------------|---------------|
| 2011 | 3.008 | Baseline |
| 2012 | 1.741 | (42) |
| 2013 | 2.346 | (22) |
| 2014 | 1.887 | (37) |
| 2015 | 2.153 | (28) |
| 2016 | 2.992 | (1) |
| 2017* | 2.413 | (20) |

Source: INPE.
* Preliminary data.

Outcome 2.1: Monitoring, control and environmental accountability institutions of Pará structured and modernized.

The main indicators agreed for monitoring this objective were:

» Number of trained public servants using acquired knowledge in the performance of their duties (impact indicator)

It was observed that 139 state servants effectively used acquired knowledge. The training resulted in 269 certifications in nine different courses,

namely: management development; botanical identification; assessment of environmental impacts of mining activities; assessment, classification, treatment and disposal of solid waste; assessment of environmental impact studies; procedures for assessing contaminated areas; conservation biology and wildlife management; treatment of industrial effluents; and recovery of areas degraded by mining activities. This indicator exceeded the goal of eighty trained state servants using their knowledge. It is important to stress that the project also supported the training of 480 municipal staff from 127 municipalities in Pará, which was not included in the original goal.

- » Number of municipalities developing full environmental management (impact indicator)

The project supported the structuring of 82 OMMAs and by its conclusion there were 117 municipalities in the state of Pará qualified to carry out local environmental management, exceeding the estimated goal of 44 municipalities.

- » Percentage of environmental licensing processes analyzed within the legal term (impact indicator)

At the conclusion of the project, SEMAS/PA reported that 60% of licensing processes were being analyzed on time, falling below the estimated goal of 90%. At the beginning of the project this indicator showed that only 32% of processes were analyzed within the established deadlines.

Outcome 2.2: Easier access of farmers in the state of Pará to environmental regulation of their properties.

The main indicator agreed for this objective was:

- » Number of farms with applications registered with CAR (product indicator)

The goal of this indicator was to have 100,000 farms registered in the state. By the end of the project, more than 162,000 farms had been registered.

Risks and lessons learned

All outputs were delivered and there was progress in all indicators of effectiveness. Other initiatives in the state of Pará contributed to these good results, such as the Green Municipalities Program (PMV), which also received support from the Amazon Fund as of 2014. PMV develops activities that complement the SEMAS/PA project, helping it to achieve results. This synergy between two initiatives confirms the fact that projects submitted to the Amazon Fund are more effective when part of a state strategy.

However, it is important to remember that this project had to be considerably extended, since issues related to the electoral process were underestimated and caused significant delays. These delays were due both to changes in the team in charge of the project and to the prohibition of state donations to municipalities during municipal elections. As the project has a relevant component of decentralization of environmental management, the execution of this part was delayed.



Therefore, an important lesson learned is that when approving projects with public sector bodies, timelines should factor in the possibility that elections may hinder project execution due to management changes in said bodies. Moreover, the electoral legislation imposes prohibitions and restraints that cannot be ignored when estimating the time needed to execute these projects.

Two main risks were identified during project planning, namely: (i) the migration of qualified civil servants to other activities inside and outside the government; and (ii) the postponement of farmers' adherence to CAR due to extensions in the term to adjust their properties to environmental legislation.

The risk of non-adherence of rural establishments to CAR was not an obstacle to implementing the project, since the target of farms registered with CAR was met, and the risk of public servants trained by the project migrating to other activities unrelated to its objectives has so far not been observed.

Sustainability of results

Long-term sustainability of the results achieved by the project depends on the budgetary conditions of the state of Pará and supported municipalities, which are responsible for the maintenance of the main equipment purchased within the scope of the project, as well as for providing resources to fund the respective environmental agencies.

Much of the project's investment was focused on the purchase of equipment that requires maintenance and satellite software and images that require regular updating. In periods of fiscal crisis such as the one currently experienced by most Brazilian states due to the slowdown of the national economy, restraints are placed on the budgets of government bodies. When excessively prolonged, this may undermine the results achieved by the project.

However, it should be stressed that the training and qualifications supported by the project tend to have a longer lasting and potentially broader effect considering the spread of knowledge that happens naturally in organizations, regardless of new contributions of public funds.

Lastly, despite the advances obtained with the support of the Amazon Fund, there is a need for new investments in environmental agencies in the state of Pará to structure and qualify them even further for agile and effective environmental management, guaranteeing environmental conformity for local entrepreneurs and populations and timely punishment for offenders.

Recovering Marcelândia

PROJECT MANAGEMENT

Municipality of Marcelândia³⁵

REGIONAL SCOPE

Municipality of Marcelândia (MT)

BENEFICIARIES

Local population, especially farmers

OBJECTIVE

To support the enhancement of municipal environmental management and the recovery of degraded areas surrounding fifty springs in the sub-basin of the Manissauá-Missu River, close the municipality's urban area

TOTAL COST OF PROJECT

US\$ 321,563.81

R\$ 554,215.22

AMAZON FUND SUPPORT

US\$ 321,563.81

R\$ 554,215.22

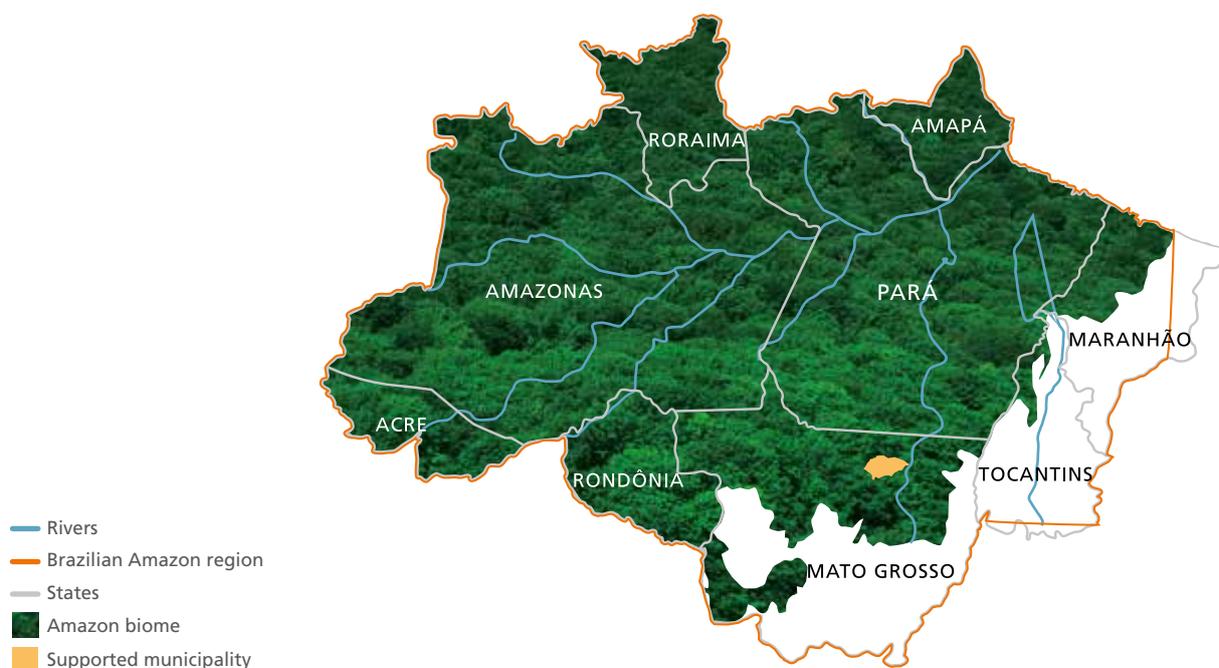
EXECUTION PERIOD

3rd quarter 2013 to

1st quarter 2017

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|-----------------------------------|---|
| 11.23.2010 | 5.24.2011 | US\$ 321,563.81 R\$ 554,215.22 | 100% |



³⁵ Project manager website: <<http://www.marcelandia.mt.gov.br/>>.

Context

The municipality of Marcelândia is located in the northern part of the state of Mato Grosso, in the area of influence of highway BR-163 (Cuiabá-Santarém), and is part of the region known as Amazon Portal. It mainly comprises large and medium-sized farms (84% of the total area), with the rest of the area divided into family farms (3%), settlements (1%) and indigenous lands (12%).

Marcelândia's environmental situation is similar to that of the other municipalities in northern Mato Grosso, which have experienced rapid expansion of land occupation, basically through cattle raising and uncontrolled logging. In 2008, Marcelândia was included by the MMA in the list of key municipalities requiring action to monitor and control deforestation. In 2013 it was taken off that list and included among municipalities with controlled deforestation. However, deforestation started growing again that same year, despite efforts implemented by the project.

The project

The Marcelândia project was divided into two initiatives: (i) institutional strengthening of the Municipal Environment and Tourism Department; and (ii) restoration of riparian woodlands around fifty springs of the Manissauá-Missu River sub-basin, through the planting of seeds and seedlings to be produced in the municipal nursery.

In the project's first initiative, the infrastructure of the Municipal Environment and Tourism Department was improved and it was equipped with both administrative support materials and operational equipment.

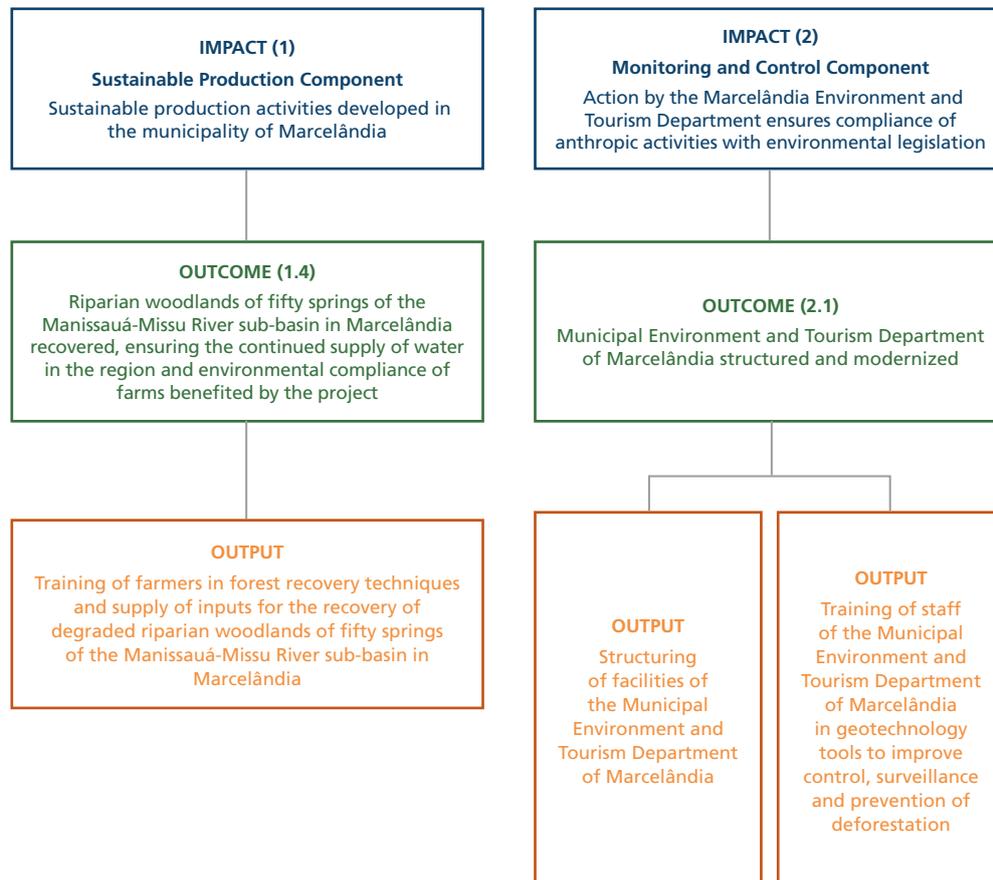
The second initiative, however, faced the problem of degradation of deforested areas in fifty springs in the most degraded region of the municipality, which is more populated and closest to the urban area. According to data from the Municipal Environment and Tourism Department, of the 1.3 thousand springs in the municipality, about 370 (28%) were highly degraded.

Intervention logic

The project came under the "sustainable production" (1) and "monitoring and control" (2) components of the Amazon Fund's Logical Framework. The outcomes aimed at by project were defined as follows: "Riparian woodlands of fifty springs of the Manissauá-Missu River sub-basin in Marcelândia recovered, ensuring the continued supply of water in the region and environmental compliance of farms benefited by the project," and "Municipal Environment and Tourism Department of Marcelândia structured and modernized."

The physical and operational structuring of the municipal environment body directly contributes to the compliance of anthropic activities with environmental legislation, while the recovery of degraded springs contributes to the sustainability

of production activities developed in the municipality of Marcelândia. Both, in turn, contribute to the Amazon Fund’s overall objective of “reducing deforestation with sustainable development in the Brazilian Amazon region.”



Activities executed

The project is divided into two components: (i) Structuring of the Municipal Environment and Tourism Department; and (ii) Recovery of fifty springs.

The structuring of the municipal department originally provided for the purchase of computer equipment, operational materials and training in geotechnology tools. Throughout the project, due to difficulties in the bidding process of some items and the municipality’s strategic reviews, the scope of this component was reformulated, but without detriment to the project’s objective.

Computers, notebooks, printers, 4x4 vehicles, motorcycles, outboard motors and boat trailers, furniture, air conditioners and drinking fountains were purchased, as well as support equipment such as GPS and cameras. It is noteworthy that the two boats originally provided for in the project were not purchased, since the municipality ended up receiving six boats from IBAMA.

Regarding training, the geoprocessing courses provided for in the project came under the Environmental Management Qualification Program of the Brazilian Institute of Municipal Administration (IBAM), which is supported by the Amazon Fund.

After the conclusion of the project, it is understood that the municipal environment body of Marcelândia is properly equipped and therefore has the basic equipment to execute environmental management at local level.

The component related to the recovery of fifty springs aimed to begin the restoration process of the sub-basin of the Manissauá-Missu River, the most degraded in the municipality for being located at the original settlement site of Marcelândia, where there is greater concentration of population and deforestation.

The municipality selected, planted and fenced seedlings in the fifty chosen springs, located in 37 farms.

The project supported the municipality mainly through the purchase of fencing materials (posts and wire), fertilizers and soil correctives and farming tools and implements. A facility was also built in the municipal nursery, which now houses the Municipal Environment and Tourism Department. It provides better conditions for staff and for the storage of inputs used in the production of seedlings, such as seeds, fertilizers and pesticides.

Institutional and administrative aspects

The project did not foster the formalization of cooperative actions or institutional links. However, the Municipal Environment and Tourism Department of Marcelândia enjoyed a significant amount of help to execute the project. The Municipal Agriculture Department was a partner, lending staff to assist in restoration activities and technical assistance to farmers. The Municipal Education Department also cooperated with the project by promoting a drive among public school students to collect seeds that were used in the production of seedlings. In addition, the ICV, a third-sector organization operating in the region, provided support through its geotechnology team to identify and select the springs that received support from the Amazon Fund.

Indicators of results and impacts

The project's activities contributed to the results of the "sustainable production" (1) and "monitoring and control" (2) components of the Amazon Fund's Logical Framework.

SUSTAINABLE PRODUCTION COMPONENT (1)

Outcome 1.4: Riparian woodlands of fifty springs of the Manissauá-Missu River sub-basin in Marcelândia recovered, ensuring the continued supply of water in the region and environmental compliance of farms benefited by the project.

The main indicators agreed upon to monitor this outcome were:

- » Number of seedlings produced and distributed (product indicator):

In the last year of the project the municipality of Marcelândia produced 125,000 seedlings in its nursery and distributed 85,000, a 1,600% increase in the number of seedlings distributed by the municipality compared to 2012. These seedlings were intended both for the springs being recovered under the project and for the restoration of areas of other farmers in the municipality.

- » Number of farms that adhered to the recovery of degraded areas registered with CAR (product indicator):

This indicator aimed to register fifty farms, to recover fifty springs. By the end of the project the goal of fifty springs was reached, but with the adherence of 37 farms in the municipality of Marcelândia.

- » Area of riparian woodland recovered (impact indicator):

Recovery was initiated in 38.25 hectares in the fifty springs supported by the project. The original goal of this indicator was 157 hectares, since it provided for a recovery radius of one hundred meters from the water source. After the new rules of the Forest Code and the amendment of the Mato Grosso environmental legislation, the preservation radius around springs was lowered to fifty meters, which resulted in the reduction of the area under recovery, without prejudice to environmental compliance regarding the recovery of riparian woodlands of springs.

MONITORING AND CONTROL COMPONENT (2)

Outcome 2.1: Municipal Environment and Tourism Department of Marcelândia structured and modernized.

The main indicators agreed upon to monitor this outcome were:

- » Increase of the annual budget executed by the Municipal Environment and Tourism Department of Marcelândia (impact indicator):

At the outset of the project in 2013, the department's budget was R\$ 248,000, and in 2016 it was R\$ 460,000, an increase of 86%. However, it should be noted that in 2015, the amount allocated to the municipal environmental body reached R\$ 788,000.

Lastly, annual deforestation in the municipality of Marcelândia was also monitored, from 2012, the base year immediately prior to the release of resources from the Amazon Fund, until 2016, the last year for which INPE data on deforestation are available by municipality in the Brazilian Amazon.³⁶

³⁶ The municipality of Marcelândia has a total area of 12,295 km².

TABLE 21: DEFORESTATION IN MARCELÂNDIA (2012-2016)

| Year | Annual deforestation (km ²) | Accumulated deforestation (km ²) | Accumulated deforestation as % of municipality area |
|------|---|--|---|
| 2012 | 12.4 | 3,456 | 28.11 |
| 2013 | 36.8 | 3,492 | 28.41 |
| 2014 | 35.3 | 3,528 | 28.69 |
| 2015 | 44.9 | 3,573 | 29.06 |
| 2016 | 55.4 | 3,628 | 29.51 |

Source: PRODES/INPE.

A substantial increase in deforestation is observed in the project implementation period, which runs counter to the desired effect. This increase occurred despite the activities developed by the project, which can be explained by the reduced scale of supported initiatives, which were insufficient to counteract the vectors of deforestation.

Notwithstanding this increase, it is observed that deforestation is at a much lower level compared to previous years, such as 2008 (178.2 km²), the year in which Marcelândia was included in the list of key municipalities for action to combat deforestation.

Risks and lessons learned

Despite achieving results, the project with the municipality of Marcelândia was hindered by a number of execution setbacks and its term was extended from 18 to 60 months.

One possible strategy to scale up Amazon Fund support for municipalities would be to support the institutional strengthening of municipal environmental bodies by decentralizing state environmental management, as this allows support to be more comprehensive and possibly more effective.

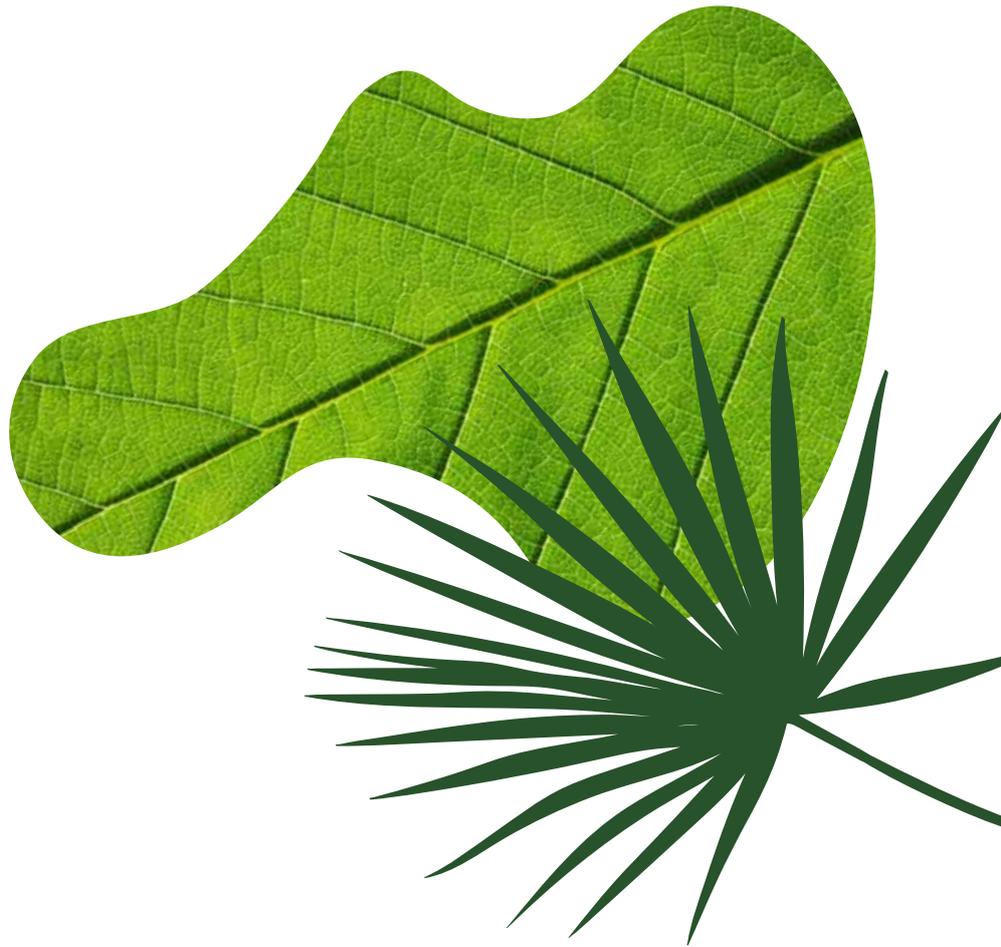
Recovery of degraded areas can be done through non-governmental organizations, which have greater freedom to hire skilled labor and purchase the necessary inputs. Lastly, this project showed that the implementation of increased action to combat deforestation does not alone ensure actual reduction, given the limited scale of supported initiatives vis-à-vis existing anthropogenic pressure that causes deforestation.

Sustainability of results

The project contributed to improve working conditions and public services at the Municipal Environment and Tourism Department of Marcelândia, the department's budget was increased in recent years and the municipality is expected to qualify to execute environmental management at local level, which may increase its sources of income through licensing fees and fines and, consequently, sustain long-term action by the environmental body.

The springs under recovery are permanent preservation areas (APP) which legally cannot suffer any further damage, and therefore must be consolidated in the local landscape, contributing to the legal compliance of farms and providing positive ecosystem services for the region.

As a result of the project, a permanent program for the recovery of springs was created. An agreement was signed with the District Prosecutor's Office of Marcelândia for part of the proceeds from the criminal prosecution of environmental crimes to be allocated to the Municipal Environmental Fund for use in projects to recover degraded areas.



Projects concluded by 2016

Besides the projects concluded in 2017, another 12 projects supported by the Amazon Fund were concluded by 2016, listed below. Detailed information on these projects and their results and impacts can be found in the Amazon Fund reports for 2013 to 2016 on the Amazon Fund website <fundamazonia.gov.br>.

| Projects/ Management | Regional scope | Objective | Date of approval | Amazon Fund support |
|---|---|--|------------------|---|
| The state of Acre: Zero Forest Fires State of Acre/ State of Acre Military Fire Department | State of Acre | To support actions to monitor, prevent and combat deforestation resulting from forest fires and unauthorized burnings in the state of Acre through training and purchase of vehicles and support equipment for the Education, Prevention and Firefighting Brigades of the State of Acre Military Fire Department | 5.8.2012 | US\$ 6,892,619.89 R\$ 13,280,700.00 |
| Protected Areas in the Amazon – Phase 2 Brazilian Biodiversity Fund (FUNBIO) | All states of the Amazon biome | To support the creation and consolidation of PAs in the Amazon biome to ensure biodiversity conservation and maintenance of ecological processes and services in the region | 12.8.2009 | US\$ 10,478,547.59 R\$ 19,949,058.91 |
| Forest Assistance Program Sustainable Amazonas Foundation (FAS) | 16 protected areas (PAs) in the state of Amazonas, covering about ten million hectares | To combat deforestation and improve the quality of life of traditional populations living in PAs in the state of Amazonas | 11.24.2009 | US\$ 11,114,147.81 R\$ 19,166,347.89 |
| Dissemination and Improvement of Sustainable Forest Management Techniques Tropical Forest Institute (IFT) | States of Pará, Amazonas and Rondônia | To support the expansion of the practice of sustainable forest management through technical training, awareness-raising of key actors and workers and applied research | 11.23.2010 | US\$ 4,164,244.19 R\$ 7,449,000.00 |
| Socioenvironmental Management in Municipalities of Pará Amazon Institute for Man and the Environment (IMAZON) | Eleven municipalities in the state of Pará: Abel Figueiredo, Bom Jesus do Tocantins, Moju, Dom Eliseu, Goianésia do Pará, Itupiranga, Jacundá, Paragominas, Rondon do Pará, Tailândia and Ulianópolis | To mobilize state and municipal governments, farmers, labor unions and associations to expedite adhesion to the Rural Environmental Registry (CAR); monitor deforestation through satellite imagery; and assist in planning the landscaping and recovery of degraded areas in the Uraim River basin in Paragominas | 12.1.2009 | US\$ 5,173,746.21 R\$ 9,736,473.00 |

(To be continued)

(Continued)

| Projects/ Management | Regional scope | Objective | Date of approval | Amazon Fund support |
|---|--|--|------------------|---------------------------------------|
| Belém Islands Federal University of Pará (UFPA) and Research Support and Development Foundation (FADESP) | State of Pará | To introduce methodology to support the formulation of local level economic and environmental zoning of islands in the surroundings of the city of Belém and expand research infrastructure of the Graduate Program of Aquatic Ecology and Fishing of UFPA | 1.17.2012 | US\$ 638,082.50 R\$ 1,138,083.93 |
| Public Policy Incubator in the Amazon Federal University of Pará and Research Support and Development Foundation (FADESP) | All states of the Amazon biome | To develop an interdisciplinary research project on the socioeconomic and environmental impacts of the expansion of the economic frontier of the Amazon region, under the framework of the Amazon Public Policies Incubator, linked to the Forum for Research and Graduate Studies in Sustainable Development of the Amazon Region | 8.2.2011 | US\$ 1,738,849.53 R\$ 2,704,084.90 |
| New Social Mapping in the Amazon Amazonas State University (UEA)/ Muraki Institutional Support Fund | All states in the Amazon biome | To foster the social mapping of 27 communities of the Amazon biome and strengthen the research network involved in the project | 11.30.2010 | US\$ 2,646,585.82 R\$ 4,614,587.03 |
| Amazon's Water Springs Municipality of Alta Floresta, state of Mato Grosso | Municipality of Alta Floresta, state of Mato Grosso | To support the strengthening of municipal environmental management by performing an environmental diagnosis and enabling the registration of small farms with CAR, as well as supporting action to recover degraded permanent preservation areas close to springs located in small farms | 8.17.2010 | US\$ 1,554,863.82 R\$ 2,781,340.40 |
| Portal Seeds Ouro Verde Institute | Seven municipalities comprising the region known as Amazon Portal, in the far north of Mato Grosso: Apicás, Alta Floresta, Carlinda, Nova Guarita, Nova Canaã do Norte, Terra Nova do Norte and Matupá | To foster the environmental recovery of 1,200 hectares of degraded areas (recovery of permanent protection areas and legal reserves) and the re-appreciation of family farming in six municipalities in the Amazon Portal through the dissemination of agroforestry systems that combine sustainable forest use and income generation. Additionally, the Terena indigenous community will receive training to collect seeds to be used in the agroforestry systems | 12.8.2009 | US\$ 3,113,963.05 R\$ 5,397,778.87 |

(To be continued)

(Continued)

| Projects/ Management | Regional scope | Objective | Date of approval | Amazon Fund support |
|--|---|---|---------------------|--|
| Preserving Porto dos Gaúchos Municipality of Porto dos Gaúchos, state of Mato Grosso | Municipality of Porto dos Gaúchos, state of Mato Grosso | To strengthen municipal environmental management by structuring the facilities and operation of the Municipal Secretariat of Environment and Tourism | 3.22.2011 | US\$ 72,456.76 R\$ 120,655.00 |
| Going Green The Nature Conservancy do Brasil (TNC Brazil) | Seven municipalities in the state of Mato Grosso: Cotriguaçu, Juruena, Sapezal, Campos de Júlio, Nova Mutum, Tapurah and Nova Ubitatã; and five municipalities in the state of Pará: Bannach, Cumarú do Norte, Ourilândia do Norte, São Félix do Xingu and Tucumã | To contribute to mobilize local actors in 12 municipalities of Mato Grosso and Pará to promote adherence to CAR and monitor deforestation in the region through satellite imagery | 12.1.2009 | US\$ 8,117,294.91 R\$ 16,000,000.00 |

Source: BNDES.





**APPROVED
PROJECTS
IN 2017**

Preserving the Babassu Forest



PROJECT MANAGEMENT

Interstate Association of the Movement of Women Babassu Coconut Breakers (AMIQCB)³⁷

REGIONAL SCOPE

States of Maranhão (37 municipalities), Tocantins (16 municipalities) and Pará (six municipalities)

BENEFICIARIES

Traditional communities of women babassu coconut breakers

OBJECTIVE

To support the Babassu Fund in selecting and supporting socioenvironmental projects of agroextractive organizations in the states of Maranhão, Tocantins and Pará, associated with actions to develop skills, provide technical support and strengthen community associations, through public calls approved by BNDES

TOTAL COST OF PROJECT

US\$ 2,777,933.43
R\$ 9,222,739.00

AMAZON FUND SUPPORT

US\$ 2,777,933.43
R\$ 9,222,739.00

ESTIMATED EXECUTION TIME

42 months
(from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.27.2017 | - | - | 0% |



³⁷ Project manager website: <www.miqcb.org>.

Context

The harvesting and breaking of the babassu coconut, its own form of social organization, the use of territories and the practices transmitted from generation to generation characterize women who historically carry out this economic activity as a “traditional community.” The babassu breakers work daily to promote conservation and democratize access to natural resources, which characterizes babassu exploitation as an alternative to deforestation, burning and illegal occupation of public areas.

The AMIQCB emerged in 1991 from the coordination of groups of women babassu coconut breakers and was formalized as an association in 2002. The organization aims to preserve babassu forests, generate productive income based on family agroextractive activities and improve the living conditions of the families of women babassu breakers, in addition to spreading knowledge of their rights.

The mobilization of women coconut breakers contributes directly to the recognition of these women’s way of life, to the development of skills and entrepreneurship among them and to the strengthening of their organization, promoting reflection on gender issues in their communities and building cooperative solutions to their main problems.

The project

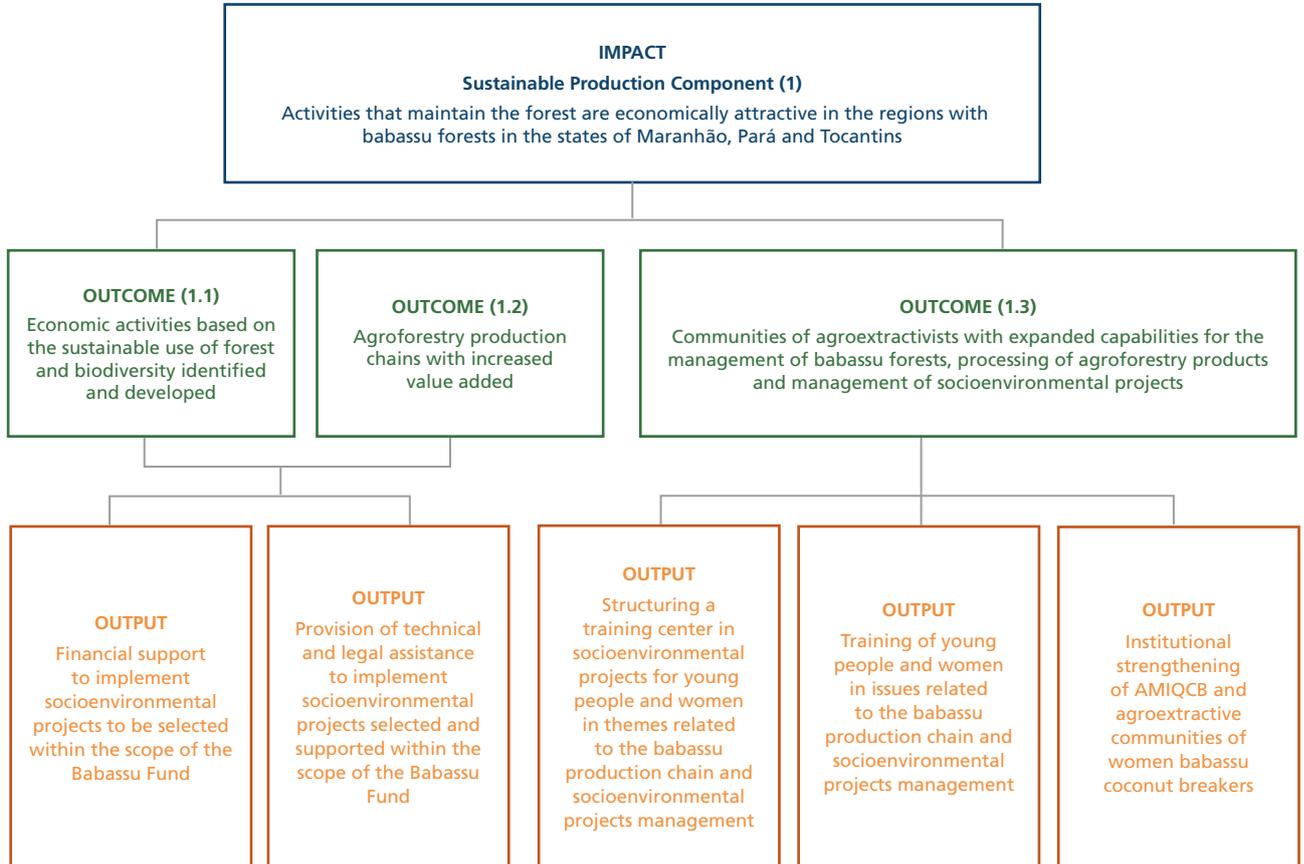
The project aims to contribute to the protection of native babassu forests and the improvement of the living conditions of agroextractive families. It covers 59 municipalities in the states of Pará, Tocantins and Maranhão. In a large part of this area, the babassu forest environment, mixed with other agroextractive activities, is the only formation with remaining native forest species.

The main component of the project is the strengthening of the Babassu Fund’s performance, created by the AMIQCB in 2012. R\$ 2 million will be allocated to this fund in order to announce two public calls for the selection of socioenvironmental initiatives of agroextractive communities.

In addition to the technical initiatives to be supported by the Babassu Fund, the project also focuses on promoting community organization processes within its scope. Meetings, gatherings and exchange programs will be held in order to foster dialogue, reflection and collective building of solutions to existing problems. Such actions are expected to ensure transparency and widespread participation of the target public of the project, as well as raise demands that may generate community initiatives with support of the Babassu Fund. It is also planned the creation of a Training Center in Socioenvironmental Projects and the realization of six classes to train a total of 150 women and young people from the target audience of the AMIQCB.

Intervention logic

The project comes under the “sustainable production” component (1) of the Amazon Fund’s Logical Framework.



Everlasting Forest

PROJECT MANAGEMENT

Institute of People and the Environment of the Amazon (IMAZON)³⁸

REGIONAL SCOPE

Eastern Pará – municipalities of Capitão Poço, Dom Eliseu, Paragominas and Ulianópolis

BENEFICIARIES

Farmers (small, medium and large sizes), managers and technicians of environmental agencies, technical assistance and rural extension, as well as other members of local society (such as environmental students and community leaders)

OBJECTIVE

To support the environmental adequacy of rural properties in the Brazilian Amazon by: (i) implementing forest restoration techniques; (ii) training multiplier agents; (iii) implementing monitoring of restoration areas; and (iv) promoting forest landscape restoration activities

TOTAL COST OF PROJECT

US\$ 4,356,193.05
R\$ 14,293,105.00

AMAZON FUND SUPPORT

US\$ 4,356,193.05
R\$ 14,293,105.00

ESTIMATED EXECUTION TIME

48 months (from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.11.2017 | - | - | 0% |



³⁸ Project manager website: <www.imazon.org.br/>.

Context

Among the nine states of the Brazilian Amazon, Pará has contributed the most to accumulated deforestation in the area, according to the Satellite-Based Monitoring System of the Brazilian Amazon Forest (PRODES), a part of the National Institute of Space Research (INPE). In light of the Forest Code, Pará has a forest deficit estimated at 3.3 million hectares. Therefore, the promotion of environmental regulation in Pará, besides being a legal imperative, will contribute to the national restoration commitments, aiming at the restoration of at least 12 million hectares in Brazil by 2030.

In research on the theme of restoration, Imazon found that the advance of forest restoration will require overcoming a few barriers, such as: (i) farmers' view of the process as expensive, complex and bureaucratic; (ii) lack of adequate technical assistance; (iii) lack of technical capacity to execute forest restoration processes; (iv) difficulty to obtain financing for restoration; and (v) lack of leadership and governance on the theme of forest restoration in the Amazon.

Pará currently has a database and a set of partners for forest restoration. However, it is necessary to connect these components so that forest restoration becomes a reality. Forest restoration actions will be implemented in the project, providing a basis for overcoming barriers and seeking to scale up the environmental regularization.

The project's direct area of activity (eastern Pará) is part of the Amazon deforestation arc. Paragominas, Ulianópolis and Dom Eliseu were previously on the MMA's list of municipalities with critical deforestation and managed to get out of it by controlling deforestation and expanding the Rural Environmental Registry (CAR).

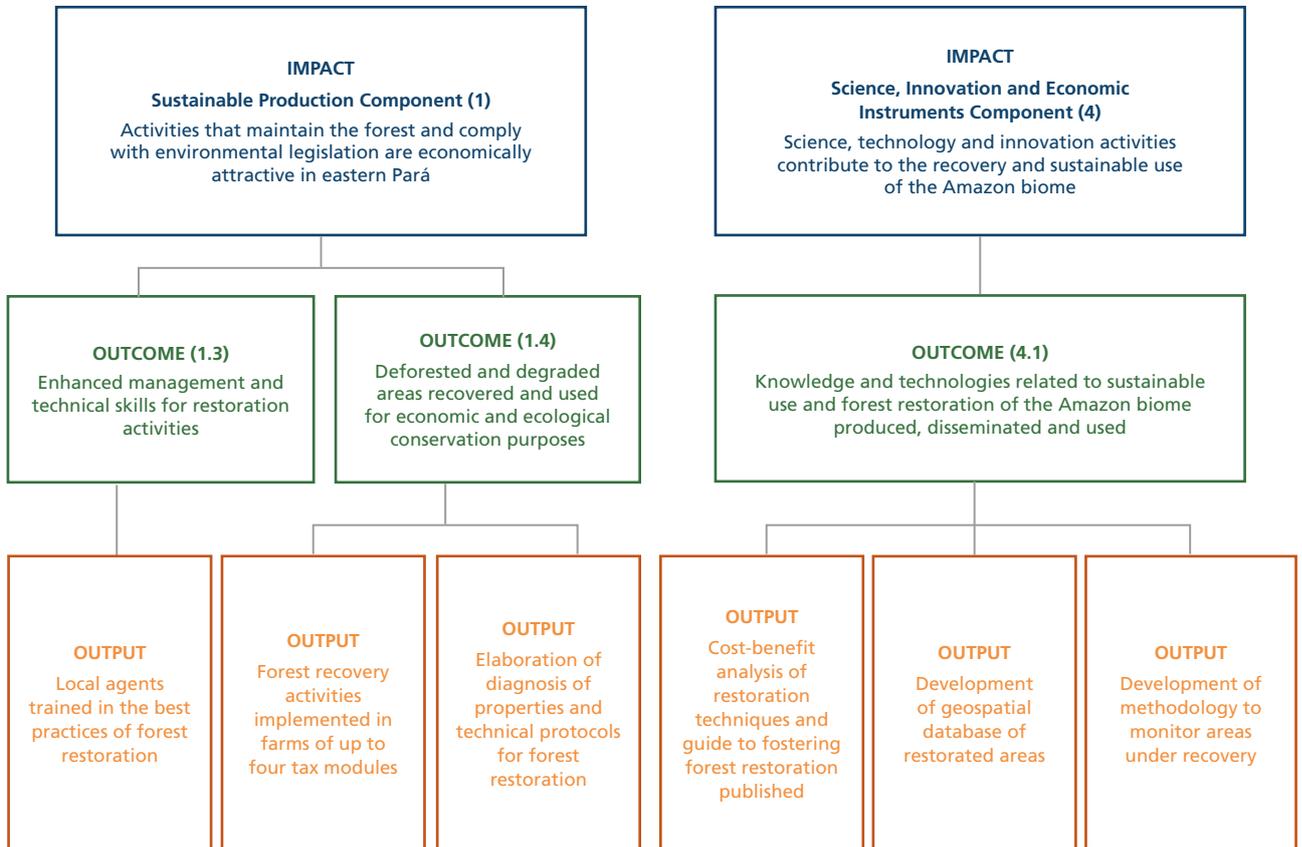
The project

The project aims to contribute to environmental adequacy of rural properties in the Brazilian Amazon. To achieve this goal, properties will be selected to be restored from the project support, in order to demonstrate the operationalization of restoration models according to the characteristics of rural properties and their users, as well as the Amazonian landscape in which they are inserted.

In addition, a forest restoration training program will be implemented to train 100 multiplier agents to scale up forest restoration in Pará and region. Alongside environmental and technical advisory bodies, the project will monitor areas under restoration, combining remote monitoring technologies and field inspections. Opportunities for furthering forest restoration will also be identified, including analyses of cost effectiveness, new financial arrangements and technical assistance capable of making forest restoration more attractive.

Intervention logic

The project comes under the “sustainable production” (1) and “science, innovation and economic instruments” (4) components of the Amazon Fund’s Logical Framework.



Community Forests

PROJECT MANAGEMENT

Tropical Forest Institute (IFT)³⁹

REGIONAL SCOPE

State of Pará

BENEFICIARIES

Peoples and communities living in Extractive Reserves at Marajó Archipelago

OBJECTIVE

To support the implementation of community forest management models for the use and commercialization of timber and açai berry in order to strengthen social organization, generate income and contribute to the reduction of deforestation in Sustainable Use Conservation Units in the Marajó archipelago in the state of Pará

TOTAL COST OF PROJECT

US\$ 3,872,983.61
R\$ 11,976,427.21

AMAZON FUND SUPPORT

US\$ 2,619,409.50
R\$ 8,100,000.00

ESTIMATED EXECUTION TIME

36 months
(from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|-------------------------------------|---|
| 4.6.2017 | 7.26.2017 | US\$ 758,270.45 R\$ 2,344,799.70 | 29% |



³⁹ Project manager website: <www.ift.org.br>.

Context

Sustainable use Conservation Units (CU) play a relevant and strategic role in preserving the country's biodiversity and natural resources. Given that the communities inhabiting CUs depend essentially on the forest for their survival, it is important to develop alternative forms of generating income that contribute to keep the forest standing.

The communities that inhabit the Extractive Reserves of the Marajó Archipelago, a region with one of the lowest human development index (HDI) scores in the country, have a vocation for logging and production of açai berry, a highly appreciated food in the local culture. However, community members have little knowledge about good practices in sustainable management of timber and açai, and are poorly organized for commercialization, which hinders their access to fairer and more formal markets.

In addition, logging in Brazil involves a serious problem of illegality, which so far has been fought with command and control, and little has been done towards the commercial exploitation of wood in a sustainable way, especially with regard to community management.

The project

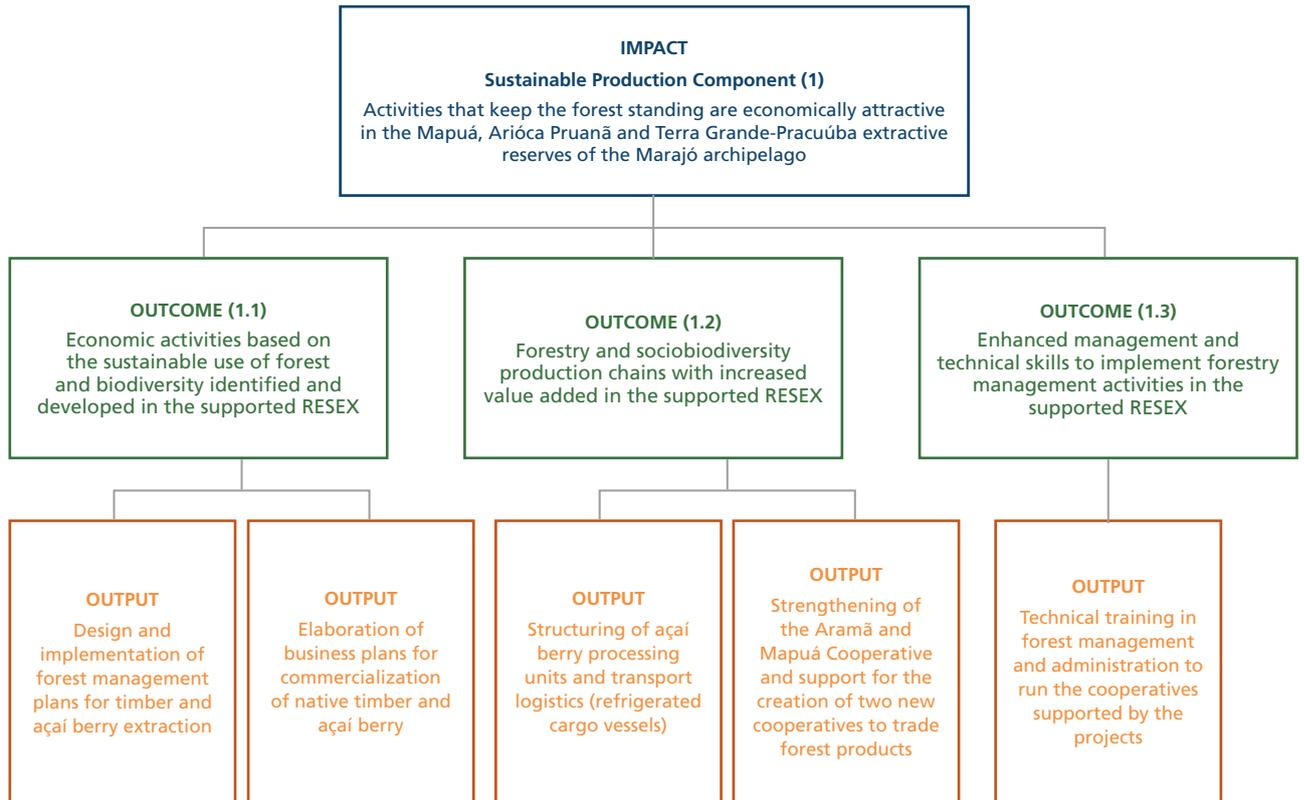
The project aims to find solutions to the situation faced by the communities located at three Federal Conservation Units classified as Extractive Reserves (RESEX) within Marajó Archipelago region, state of Pará, namely Arióca Pruanã, Mapuá and Terra Grande-Pracuúba. Altogether they have an area of more than 370,000 hectares, equivalent to about three times the area of the city of Rio de Janeiro.

The project consists of implementing Community Forest Management Plans and comprises three products/services, which are structured by activities to be successively developed, namely: (i) preparation for community forest management; (ii) implementation of community forest management; and (iii) communication and diffusion of project results.

Thanks to its recognized experience in sustainable forest management, the IFT is prepared to act closely with the communities, focusing its action on technical assistance activities and preparation of cooperatives for the commercialization of forest products.

Intervention logic

The project comes under the "sustainable production" (1) component of the Amazon Fund's Logical Framework.



Valuable Forests – New Business Models for the Amazon

PROJECT MANAGEMENT

Institute of Agriculture and Forest Management and Certification (IMAFLORA)⁴⁰

REGIONAL SCOPE

States of Pará and Mato Grosso

BENEFICIARIES

Traditional peoples and communities and family farmers

OBJECTIVE

To support: (i) the consolidation and expansion of the system of certification of origin called “Brazil Origins”, contributing to strengthen production chains and add value to sociobiodiversity products in protected areas of the Amazon region; and (ii) the sustainable production of cocoa in the vicinities of the Xingu territory

TOTAL COST OF PROJECT

US\$ 5,411,041.23
R\$ 17,369,442.36

AMAZON FUND SUPPORT

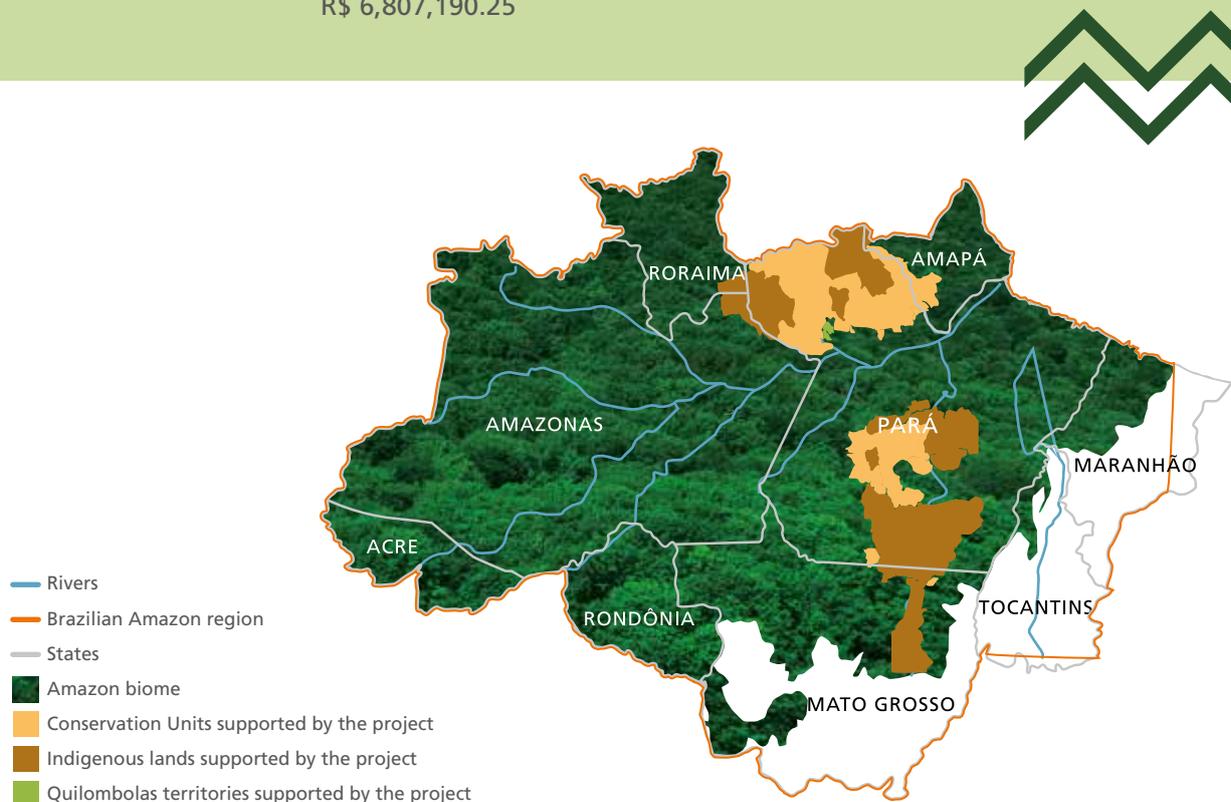
US\$ 5,411,041.23
R\$ 17,369,442.36

ESTIMATED EXECUTION TIME

42 months (from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|---------------------------------------|---|
| 1.18.2017 | 3.23.2017 | US\$ 2,120,620.02 R\$ 6,807,190.25 | 39% |



⁴⁰ Project manager website: <www.imaflora.org>.

Context

The “Brazil Origins” is a system of certification of origin created by Imaflora and the Socioenvironmental Institute (ISA) aiming to add value to the sustainable production of areas of socioenvironmental diversity. The initiative seeks to increase the profitability of extractive activities and the sustainable production of populations living in the forest, in order to mitigate the pressure of deforestation-inducing economic activities.

The system has tracking mechanisms that ensure that products bearing the label “Brazil Origins” come from areas of socioenvironmental diversity and that business relations between companies and producers were balanced and transparent, based on responsible use of natural resources and respect for the diversity of traditional ways of life.

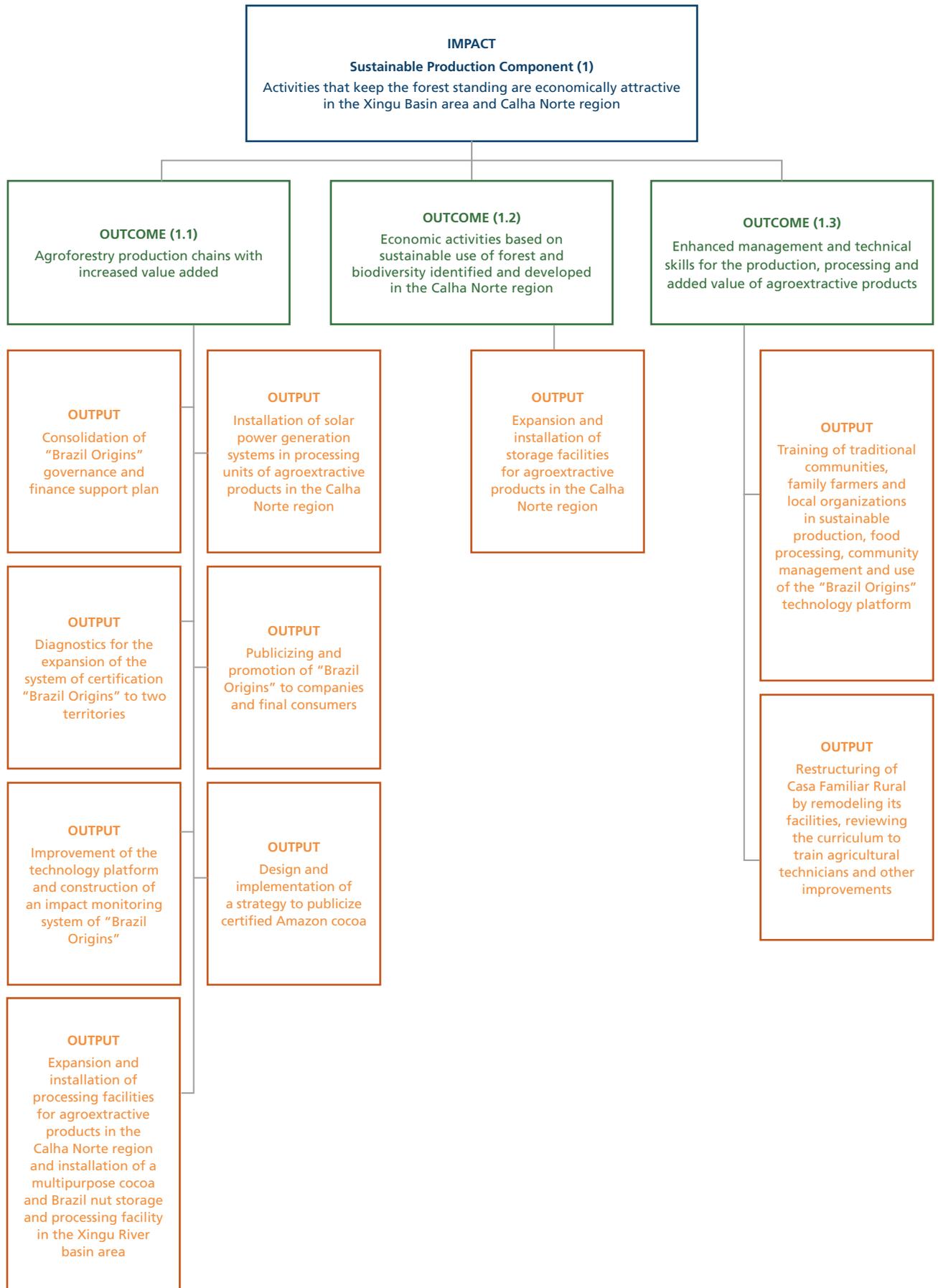
The project

The project provides for the consolidation and expansion of the system of certification of origin called “Brazil Origins” in order to strengthen production chains and add value to sociobiodiversity products in the Xingu territory, Calha Norte region in Pará and another area to be defined within the project’s regional scope. The territories of the Xingu and Calha Norte regions are the biggest clusters of protected areas of tropical rainforest in the world, covering a total area of approximately 52 million hectares, where about 23,800 people live, among indigenous, traditional, and extractive communities.

In addition, the project provides support for sustainable production of cocoa around the Xingu area, benefiting 5,000 family farmers located in an area of 10 million hectares, and contributing to the conservation of the Xingu territory.

Intervention logic

The project comes under the “sustainable production” (1) component of the Amazon Fund’s Logical Framework.



Forest Cities

PROJECT MANAGEMENT

Institute for the Conservation and Sustainable Development of the Amazon (IDESAM)⁴¹

REGIONAL SCOPE

14 municipalities in the state of Amazonas: Manaus, Itapiranga, Silves, São Sebastião do Uatumã, Apuí, Novo Aripuanã, Borba, Manicoré, Tefé, Carauari, Juruá, Jutai, Lábrea and Urucará

BENEFICIARIES

Peoples and communities living in reserves in the state of Amazonas, settlers and community extractivists

OBJECTIVE

To support the strengthening of community forest management in the state of Amazonas by: (i) developing the Forest Cities platform to connect forest actors and support productive chains of timber; and (ii) to support the sustainable production and trade of timber and vegetable oils

TOTAL COST OF PROJECT

US\$ 3,642,314.76
R\$ 12,092,485.00

AMAZON FUND SUPPORT

US\$ 3,642,314.76
R\$ 12,092,485.00

ESTIMATED EXECUTION TIME

36 months
(from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.27.2017 | - | - | 0% |



⁴¹ Project manager website: <www.idesam.org.br>.

Context

Community forest management, both timber and nontimber, has been identified as a tool to reduce deforestation, since it is an important source of sustainable income for managers and an alternative to predatory practices of conventional exploitation.

When carried out in a communitarian way, management has the potential to strengthen the social and political scope of families and the community – since they must act as protagonists in the production and organization process – besides providing productive inclusion, income guarantee and greater appropriation of land. However, there are barriers to be overcome in consolidating community forest management, such as: ensuring access and use of the forest, strengthening social organization, credit, technical assistance and market access.

Promoting forest management is particularly relevant in the state of Amazonas, which, on the one hand, has the largest area of conserved forest in the Amazon, but on the other recorded the highest deforestation growth between 2015 and 2016. Although approximately 10% of the area of the state of Amazonas is dedicated to plant extractivism, the participation of smallholder timber management plans of the total licensed volume was not very significant: 4% in the 2010-2014 period. And, according to a study by IDESAM, only 20% of the volume of timber licensed in 2014 by small-scale management plans prepared by the institution was commercialized.

The project

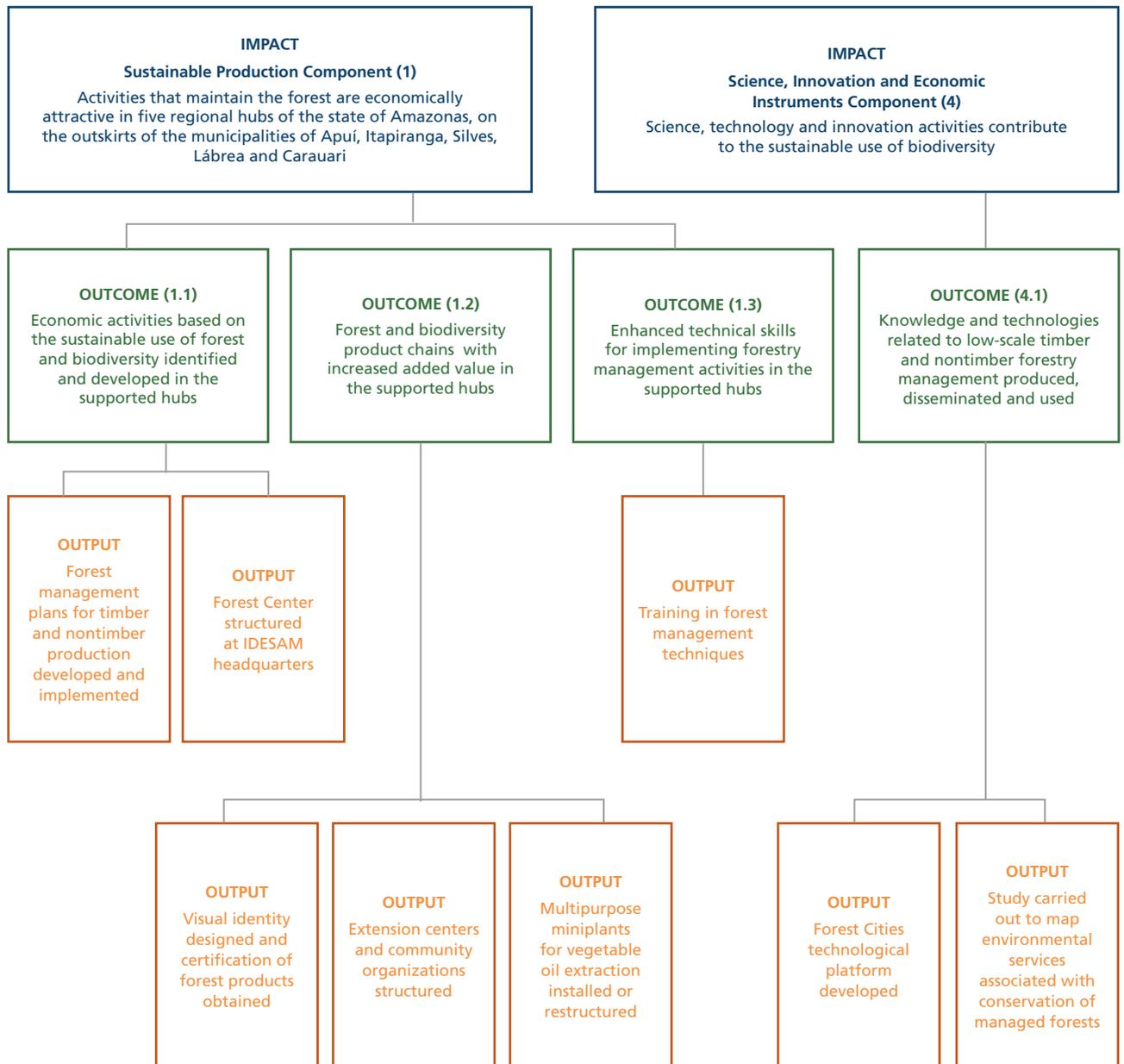
The project foresees the structuring of the Forest Cities network, which includes the physical structuring of a Forest Center – which will serve as the technology core of the project, besides facilitating the connection of forest actors – and the development of a technological platform. The tool will be dedicated to the management of the property, the elaboration and execution of the management plans and the connection between forest actors. The use of the platform seeks to ensure that forest management of small farms complies with current legislation, favoring adherence to public policies and promoting the commercialization of managed production.

In addition, the project will support the implementation of 25 management plans to be executed by 15 local associations, aiming to increase by 40% the current supply of timber from small-scale timber management plans in Amazonas. The support for the implementation of the plans will be provided through: (i) training of managers to maximize the use of raw materials, safety, planning and marketing; and (ii) field actions related to timber exploitation and commercialization.

The project will also support other initiatives dedicated to structuring a network of vegetable oils in Amazonas and increasing the attractiveness of forest products, such as the certification of production chains.

Intervention logic

The project comes under the “sustainable production” (1) and “science, innovation and economic instruments” (4) components of the Amazon Fund’s Logical Framework.



More Sustainability in the Field

PROJECT MANAGEMENT

State of Maranhão⁴²

REGIONAL SCOPE

State of Maranhão

BENEFICIARIES

Owners or settlers of family rural properties of up to four fiscal modules that develop agroforestry activities, including settlements, agrarian reform projects and traditional communities with collective use of their territory

OBJECTIVE

To support the implementation of the Rural Environmental Registry (CAR) in the state of Maranhão

TOTAL COST OF PROJECT

US\$ 12,413,356.93

R\$ 41,212,345.00

AMAZON FUND SUPPORT

US\$ 12,191,589.46

R\$ 40,476,077.00

ESTIMATED EXECUTION TIME

30 months (from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.27.2017 | - | - | 0% |



⁴² Project manager website: <www.saf.ma.gov.br>.

Context

The CAR is an electronic registry of georeferenced spatial information of rural properties, with delimitation of Permanent Preservation Areas (APP), Legal Reserve (RL), remnants of native vegetation, consolidated rural area and areas of social interest and public utility, with the objective of producing a digital map to calculate the value of areas for environmental diagnosis.

With the enactment of the new Forest Code (Law 12.651/2012), the CAR was established as a nationwide electronic public registry, mandatory for all rural properties, with the purpose of integrating the environmental information of rural properties and land possessions, thus creating a database for control, monitoring, environmental and economic planning and prevention of deforestation.

In this context, BNDES, through the Amazon Fund, plays an important role in supporting projects to implement CAR, and COFA has maintained this theme as one of the priority focus of action for the 2017-2018 period.

The project

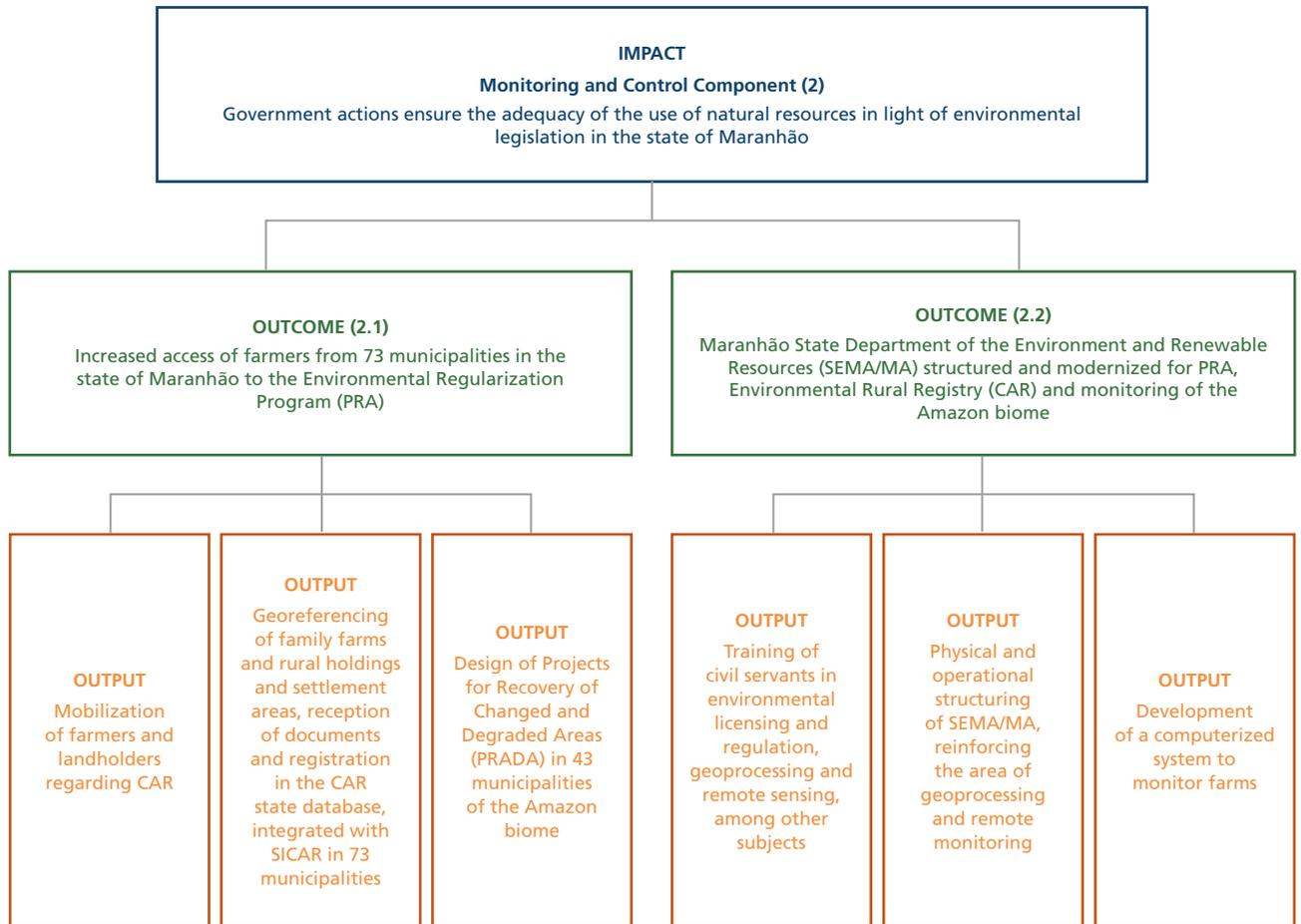
The project aims to register 100% of rural properties with up to four fiscal modules located in the 217 municipalities of the state of Maranhão, with support from the Amazon Fund for the registration of 182,500 properties in this category. The project also includes support for registration in traditional communities that make collective use of their territory, with emphasis on quilombola communities, with a significant presence in the state, as well as settlements, agrarian reform projects and conservation units.

Secretariat of Family Agriculture (SAF) will use the structure of the 19 regional units of the Agency for Technical Assistance and Rural Extension (AGERP), with direct cooperation of the agency's staff. It will also have the support of professionals from the Maranhão Institute of Colonization and Land (ITERMA) for properties located in state settlements. The SAF's strategy includes grouping municipalities into eight lots, with 12 mobilization and sensitization meetings per lots, with an expected average audience of fifty participants per meeting, mainly leaders or members of local organizations with the potential to spread information to their communities.

For the execution of the planned activities, the acquisition of computer equipment and furniture will be supported for the SAF teams and AGERP offices allocated to the project, as well as vehicles for field monitoring activities to be performed by servants of the secretary and of AGERP. The process of institutional strengthening also includes training courses for SAF, AGERP and ITERMA servants who will work on the project.

Intervention logic

The project comes under the “monitoring and control” (2) component of the Amazon Fund’s Logical Framework.



Municipalities previously selected for CAR initiatives: Açailândia, Alcântara, Alto Alegre do Pindaré, Amarante do Maranhão, Araguaianã, Arame, Bom Jardim, Bom Jesus das Selvas, Buriticupu, Centro do Guilherme, Centro Novo do Maranhão, Governador Newton Bello, Governador Nunes Freire, Grajaú, Itapecuru Mirim, Itinga, João Lisboa, Junco do Maranhão, Maracaçumé, Maranhãozinho, Nova Olinda do Maranhão, Pinheiro, Presidente Médici, Santa Luzia, Santa Luzia do Paruá, Santa Rita, São Francisco do Brejão, São João do Caru, Tiriáçu, Turilândia, Zé Doca, Bacabal, Presidente Juscelino, Bequimão, Paulo Ramos, Boa Vista do Gurupi, Arari, Miranda do Norte, Cândido Mendes, Pedro do Rosário, Presidente Sarney, Santa Helena, Lago do Junco, Mirador, Bacabeira, Rosário, São João Batista, Carutapera, Luís Domingues, Anajatuba, Bacuri, Olho d’Água das Cunhãs, Serrano, São Bento, Bacutituba, Cajari, Iguarapé do Meio, Viana, Central do Maranhão, Mirinzal, Lago Verde, Cidelândia, Marajá do Sena, Senador La Rocque, Vila Nova dos Martírios, Icatu, Conceição do Lago Açu, Brejo de Areia, São Pedro da Água Branca, Pio XII, Satubinha, Vitorino Freire and Penalva.

Environmental Monitoring of Brazilian Biomes

PROJECT MANAGEMENT

Space Science, Applications and Technology Foundation (FUNCATE) and National Institute of Space Research (INPE)⁴³

REGIONAL SCOPE

Atlantic Forest, Caatinga, Pampa and Pantanal biomes, in deforestation monitoring actions and proposal of forest reference emission levels (FREL); and the entire national territory in the development of a platform for analysis and visualization of large volumes of geospatial data

BENEFICIARIES

Individuals and institutions that may use information related to the monitoring of deforestation and forest degradation, as well as the Brazilian government, which will have a FREL proposal to submit to the United Nations Framework Convention on Climate Change (UNFCCC)

OBJECTIVE

(i) Development and implementation of deforestation monitoring systems for the Atlantic Forest, Caatinga, Pampa and Pantanal biomes; (ii) calculation of CO₂ emissions related to deforested areas and creation of a FREL proposal for each of these biomes; and (iii) development of a platform for analysis and viewing of large volumes of geospatial data

TOTAL COST OF PROJECT

US\$ 15,911,139.52
R\$ 49,778,000.00

AMAZON FUND SUPPORT

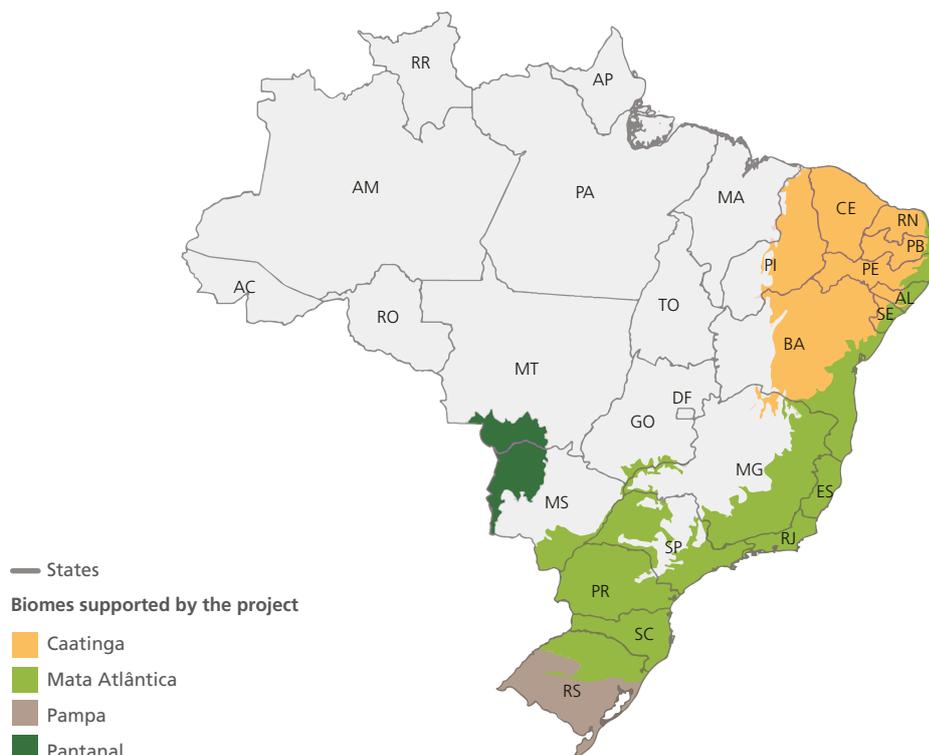
US\$ 15,911,139.52
R\$ 49,778,000.00

ESTIMATED EXECUTION TIME

60 months

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 9.25.2017 | - | - | 0% |



⁴³ Project managers websites: <<http://www.inpe.br>> and <www.funcate.org.br>.

Context

The so-called Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism is an economic tool developed under the United Nations Framework Convention on Climate Change (UNFCCC). Its function is to provide financial incentives to developing countries for the results achieved in combating deforestation and forest degradation and increasing forest cover. Through REDD+, developing countries that show reductions in greenhouse gas emissions and increase in carbon stocks are eligible to receive payments for results from various international sources. These payments are expected to be carried out by mitigation results, measured in tonnes of CO₂, equivalent against a reference level (FREL) formulated and submitted by the countries themselves and approved by an evaluation carried out under the UNFCCC.

In order to access REDD + resources, the country has the challenge of measuring mitigation results based on transparent and consistent data on deforestation, forest degradation and forest stock increase, as well as estimates of the amount of carbon per measured area unit.

Since 1988, deforestation in the Brazilian Amazon is monitored annually by the INPE, through the PRODES. Monitoring of deforestation in other Brazilian biomes, however, has not been systematic, but carried out through specific initiatives conducted by different institutions, whose results are not officially recognized by the Brazilian government.

Brazil submitted its first FREL in 2014, based on historical data from PRODES, covering only the Amazon biome (Amazon FREL). In this submission the country indicated that the national FREL would be calculated as the sum of the FRELs of each of its six biomes.

In January 2017 Brazil submitted to UNFCCC the reference level of forest emissions of the Cerrado biome (Cerrado FREL). This FREL was formulated based on a historical data series of gross deforestation produced by INPE, covering the period from 2000 to 2010, with 2000 as reference year.

The submission of the Cerrado FREL marks the continuation of the country's effort towards formulating a FREL that contemplates emissions from all Brazilian biomes, which will enable the definition of a national FREL and increase the country's capacity to obtain payments for results. Defining a national FREL depends on formulating subnational FRELs for the other Brazilian biomes: Atlantic Forest, Caatinga, Pampa and Pantanal.

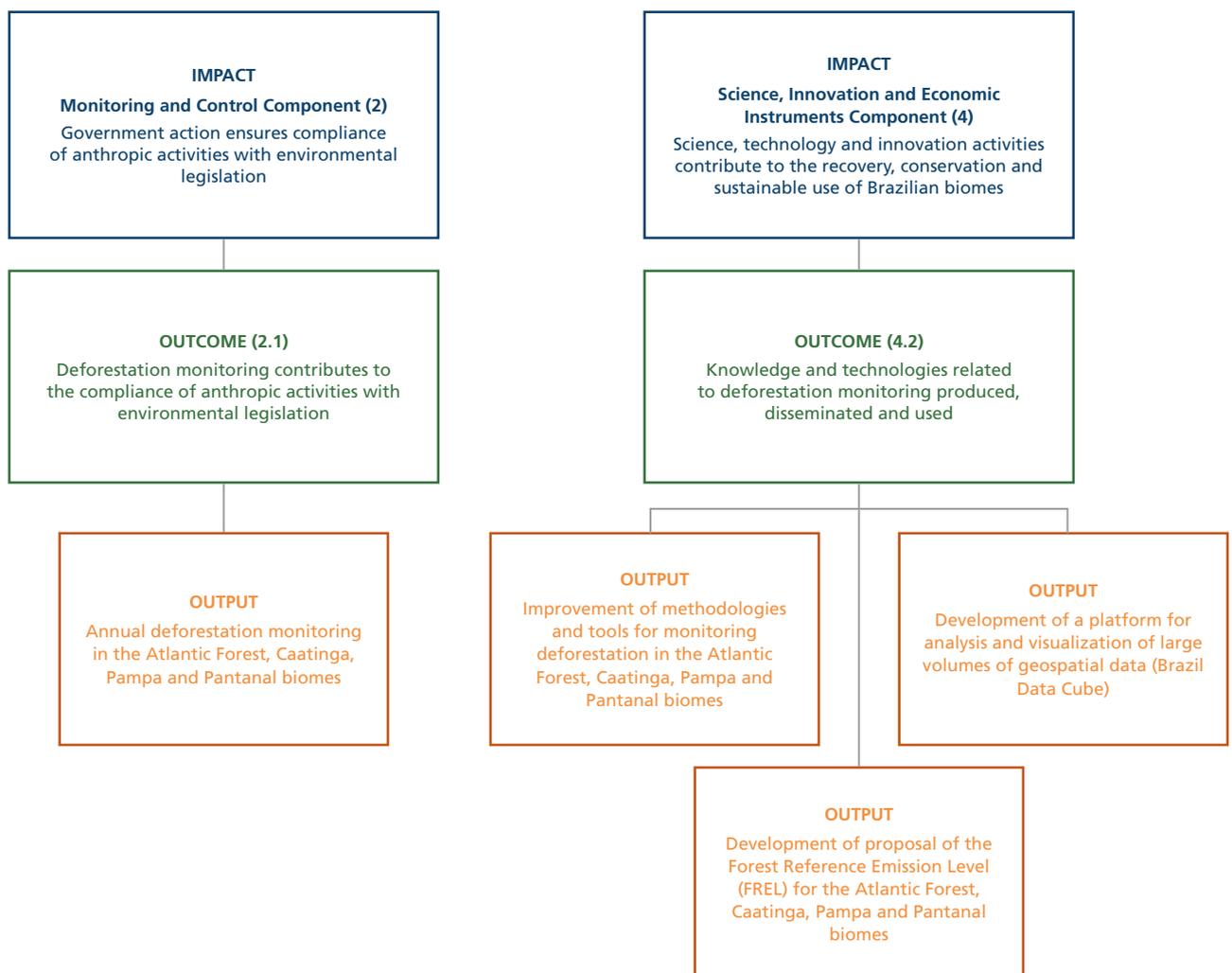
The project

The project provides for the development and implementation of deforestation monitoring systems for the Atlantic Forest, Caatinga, Pampa and Pantanal biomes, as well as calculation of CO₂ emissions related to deforested areas in these biomes and the formulation of a proposal of subnational FRELs for each of those biomes.

It also provides for the development of a technological solution to store and process large volumes of geospatial data, called “Brazil Data Cube”. This technological solution consists of a platform that will store data obtained from different satellites, with different observations of the vegetation cover of the Brazilian biomes made over time, allowing data analysis in both the spatial and temporal dimensions.

Intervention logic

The project comes under the “monitoring and control” (2) and “science, innovation and economic instruments” (4) components of the Amazon Fund’s Logical Framework.



Sowing Rondônia



PROJECT MANAGEMENT

Center for Studies on Culture and the Environment in the Amazon (RIOTERRA)⁴⁴

REGIONAL SCOPE

State of Rondônia: municipalities of Ariquemes, Castanheiras, Cujubim, Itapuã do Oeste, Jaru, Ji-Paraná, Machadinho D'Oeste, Novo Horizonte, Ouro Preto, Presidente Médici, Rio Crespo, and Rolim de Moura

BENEFICIARIES

Family farmers and their respective associations, managers and technicians of the state environmental agency, of technical assistance and of rural extension, as well as other members of local society

OBJECTIVE

To support the environmental adequacy of rural properties in Rondônia through: (i) creation and implementation of Projects for the Recovery of Degraded and Altered Areas in properties of up to four fiscal modules, of family farmers; (ii) rural extension, training and institutional strengthening of family farmers' associations; and (iii) landscape monitoring and evaluation

TOTAL COST OF PROJECT

US\$ 7,626,224.15
R\$ 25,305,337.00

AMAZON FUND SUPPORT

US\$ 7,626,224.15
R\$ 25,305,337.00

ESTIMATED EXECUTION TIME

48 months
(from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.18.2017 | - | - | 0% |



⁴⁴ Project manager website: <www.rioterra.org.br>.

Context

Among the nine states of the Brazilian Amazon, Rondônia was the third largest contributor to deforestation in the area in 2015 (PRODES/INPE). Therefore, the promotion of environmental regulation in this state, besides being a legal imperative, is essential to fulfill national restoration commitments and for the National Policy for the Recovery of Native Vegetation (PROVEG, Decree nº 8.972/2017), which aim to recover at least 12 million hectares in Brazil by 2030.

Deforestation distribution is not uniform across the territory. Historically the proximity of the transportation network is a major factor for deforestation. The 12 municipalities included in the project are located in the oldest occupation area of Rondônia, along the BR-364 highway. The region is part of the Amazon deforestation arc and is under pressure from productive activities such as livestock, timber and grains, as well as land speculation. The area covered by this project has a significant number of properties with no environmental regulation.

The project

The main objective of the Sowing Rondônia project is to contribute to the improvement of the environmental adequacy of rural properties of up to four fiscal modules in Rondônia. To achieve this goal, properties will be selected to be restored based on the project support and develop strategies for rural extension, training and institutional strengthening of small farmers' associations, as well as landscape monitoring and assessment activities.

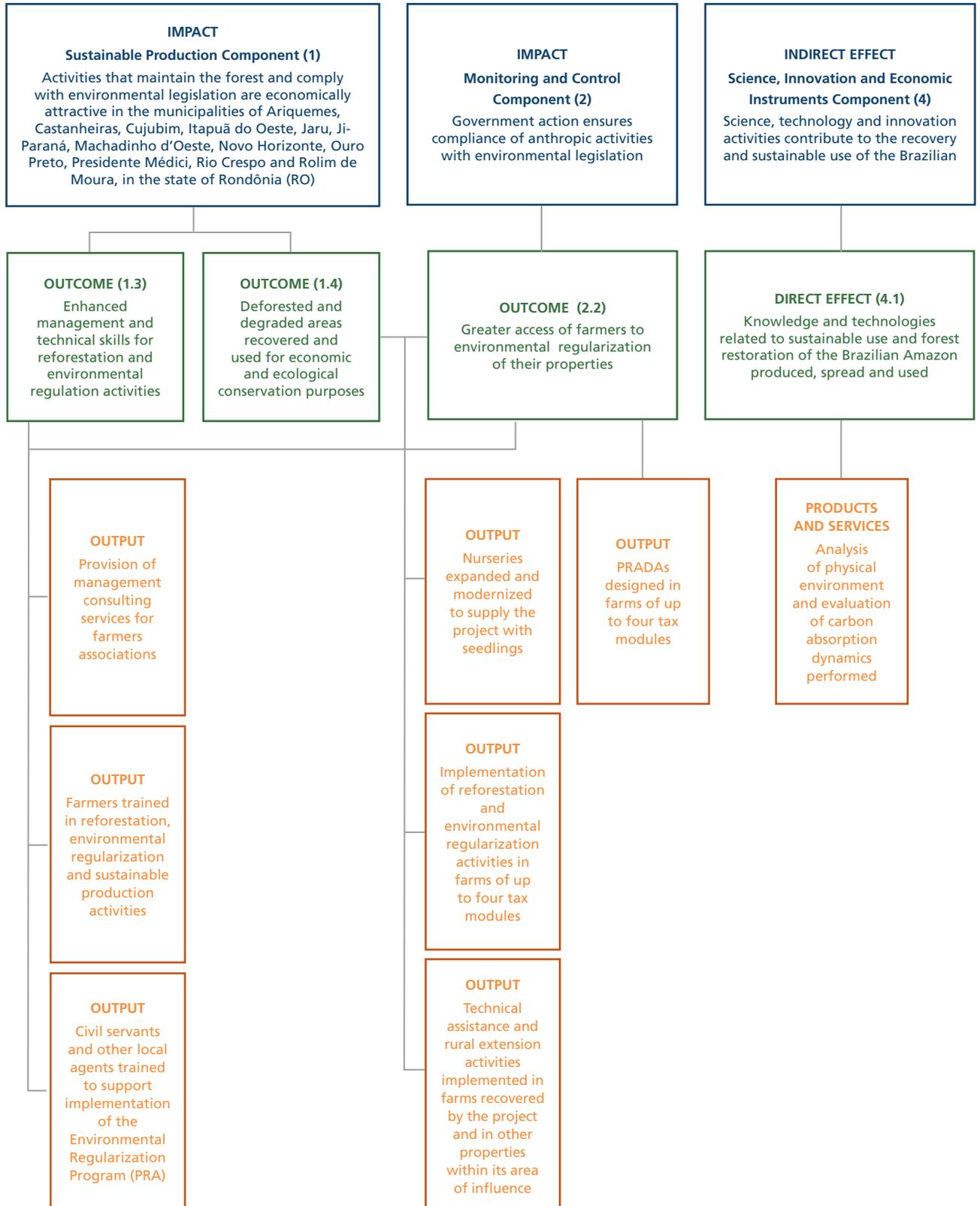
Forest restoration projects will be developed and implemented in 1,500 properties (3,000 hectares) of family farmers with environmental liabilities in accordance with the Forest Code, through the elaboration of Projects for the Recovery of Degraded and Altered Areas (PRADA), technical assistance and supply of inputs.

Rural extension actions will also be offered to 3,600 families, besides supporting the organization of associative nuclei to support the Environmental Regularization Program (PRA) implementation actions. In addition, six hundred family farmers will be trained in themes related to sustainable production and social organization, and communication and media campaigns will be carried out to publicize PRA information.

The project also provides for the production of specialized information to plan and monitor the success of regeneration by measuring carbon stocks.

Intervention logic

The project comes under the “sustainable production” (1), “monitoring and control” (2) and “science, innovation and economic instruments” (4) components of the Amazon Fund’s Logical Framework.



Sustainable Tapajós



PROJECT MANAGEMENT

Conservation International of Brazil (CI Brasil)⁴⁵

REGIONAL SCOPE

State of Pará, municipalities of Santarém, Aveiro, Belterra, Itaituba, Jacareacanga, Placas, Rurópolis and Trairão. Five CUs: Tapajós National Forest, Itaituba I National Forest, Crepori National Forest, Trairão National Forest and Tapajós-Arapiuns Extractive Reserve

BENEFICIARIES

Extractivists, small farmers, members of Protected Areas management councils

OBJECTIVE

To support the strengthening of sustainable community-based forest production and contribute to the valorization and conservation of the natural resources of the Tapajós region

TOTAL COST OF PROJECT

US\$ 7,438,704.49
R\$ 23,679,628.00

AMAZON FUND SUPPORT

US\$ 7,438,704.49
R\$ 23,679,628.00

ESTIMATED EXECUTION TIME

42 months

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 10.9.2017 | 12.18.2017 | - | 0% |



⁴⁵ Project manager website: <www.conservation.org/global/brasil/Pages/default.aspx>.

Context

The area covered by the project is the Tapajós region, part of which is conserved and preserved mainly due to the existence of conservation units and indigenous lands. However, governance of these protected areas and their sustainable production activities must be reinforced, since disorderly and illegal occupation of some forest areas leads to a dynamics characterized by land grabbing, deforestation of remaining areas, burning and forest fires, illegal exploitation of timber, gold and other minerals and, consequently, loss of biodiversity and social impacts. In the regional economy, there is a predominance of primary sector activities, namely grain agriculture (soybean, rice, corn) and cattle breeding. The average HDI (0.57) of the municipalities is below the national average (0.75), with little basic sanitation and health care, low schooling and social, land and environmental conflicts.

In the Tapajós National Forest (Tapajós FLONA), sustainable community-based timber production is well organized and the Tapajós National Forest Mixed Cooperative (Coomflona), a commercial entity that represents the FLONA communities, extracts wooden logs for commercialization, as well as using branches for the production of furniture. Since 2014, Coomflona has been certified by the Forest Stewardship Council (FSC), an international recognition of timber products resulting from environmentally sustainable forest management.

The Tapajós-Arapiuns Extractive Reserve was indicated by the Chico Mendes Institute for Biodiversity Conservation (ICMbio) as a CU with potential for the introduction of community timber management, given the existence of local organizations mobilized to carry out this activity, some of which already have Prior Authorizations to the Technical Analysis of the Sustainable Forest Management Plan (APAT) approved by that body.

All CUs covered by the project also have potential for nontimber forest product chains such as rubber, wax, fiber, oil, food items, aromatic and medicinal products, resins and dyes. Most of these products are still handcrafted, with low quality, inadequate processing and marketed on a small scale.

The extractivists and community members who will benefit from the project are poorly skilled, since the vast majority don't have access to formal education nor benefit from educational initiatives offered by other organizations. Consequently, their capacity to run representative and productive organizations is limited and they lack knowledge of technologies for sustainable production and other initiatives related to the strengthening of timber and nontimber production chains.

The Crepori, Trairão and Itaituba I National Forests, also included in the project, have management plans elaborated and approved, but outdated, with low execution, which requires action focused on reviewing and reinforcing such plans.

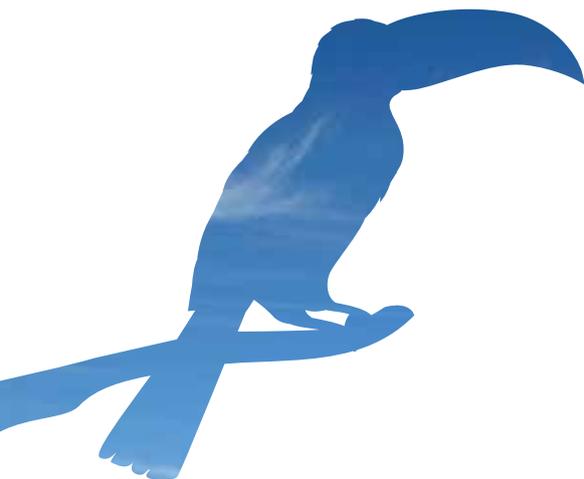
The project

The project aims to strengthen community-based timber production chains in the Tapajós FLONA and Tapajós-Arapiuns RESEX. A processing unit will be installed in Tapajós FLONA for the production and commercialization of products with higher added value in order to increase the revenue from this activity and the income of the local population involved. The project also includes the replication of the community timber management experience for the Tapajós-Arapiuns RESEX, by supporting the production of the timber management plan and the acquisition of equipment needed to start this activity in the reserve. The project will therefore contribute to the expansion of an activity with potential to become a sustainable alternative to illegal logging and generate income for traditional populations. Other initiatives include the preparation of a business plan and a forecasting study for sustainably managed timber and training actions for community timber management and timber processing.

The project will also contribute to strengthening the production chains of nontimber products by identifying business opportunities related to such chains and selecting, through a public call, subprojects by community organizations to receive investments to improve processes and increase the scale of production. In addition, the project provides for the preparation of a diagnosis and an action plan for the development of these value chains, a forecasting study of demand for these products and training in management techniques.

Also included are initiatives to improve the managerial skills of community members and strengthen social organization. Training in small business management will be offered, adapted to the characteristics of the target audience. Training for the Itaituba I, Crepori and Trairão UC's management councils will also be upgraded, updating the management plans of these APs, aiming to effective management.

In addition, their initiatives will be publicized in different media (print, video and social networks) and events will be held to exchange experiences on management and expenses.



Intervention logic

The project comes under the “sustainable production” (1) and “land-use planning” (3) components of the Amazon Fund’s Logical Framework.



Kayapó Territory, Culture and Autonomy

PROJECT MANAGEMENT

Protected Forest Association (AFP)⁴⁶

REGIONAL SCOPE

Two indigenous lands (IL) in southern Pará (Kayapó IL and Las Casas IL), totaling 3.3 million hectares

BENEFICIARIES

Approximately 3,000 inhabitants of the 21 communities represented by the AFP and, indirectly, another 2,000 inhabitants of other Kayapó IL communities not represented by the AFP

OBJECTIVE

To support the implementation and updating of the Kayapó IL Territorial and Environmental Management Plan (PGTA) and the implementation of the Las Casas IL PGTA, contributing to the protection and sustainable management of its territories and natural resources, the promotion of their economic autonomy and valorization of their culture

TOTAL COST OF PROJECT

US\$ 2,785,228.17
R\$ 9,089,870.67

AMAZON FUND SUPPORT

US\$ 2,785,228.17
R\$ 9,089,870.67

ESTIMATED EXECUTION TIME

36 months (from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 12.4.2017 | - | - | 0% |



- Rivers
- Brazilian Amazon region
- States
- Amazon biome
- Indigenous lands supported by the project

⁴⁶ Project manager website: <www.florestaprotegida.org.br>.

Context

The PGTA is an instrument of the National Policy for Territorial and Environmental Management of Indigenous Lands (PNGATI) – established by Decree 7,747, dated June 5, 2012. It is a dynamic instrument, designed to express the protagonism, autonomy and self-determination of indigenous peoples.

The PGTA embodies the planning, agreed by the entire indigenous community involved, of the use of its territory for cultural, environmental and economic purposes. In general, it is based on three main themes – territorial protection, management and sustainable use of natural resources and technical training – but reflects the particularities of each context and the local management strategies of the indigenous territories.

The AFP is a nonprofit Kayapó indigenous organization created in 2002 and headquartered in Tucumã (PA), developing activities in the Kayapó, Menkrangnoti and Las Casas ILs, located in southern Pará.

This is the only project of the Public Call for Projects focused on the support of the PGTA in ILs that was presented directly by an indigenous organization, being the second project of the Amazon Fund with direct support to indigenous organizations.

The project

The project presented by the AFP includes actions to implement the PGTAs of the Kayapó and Las Casas ILs and update the PGTA of the Kayapó IL.

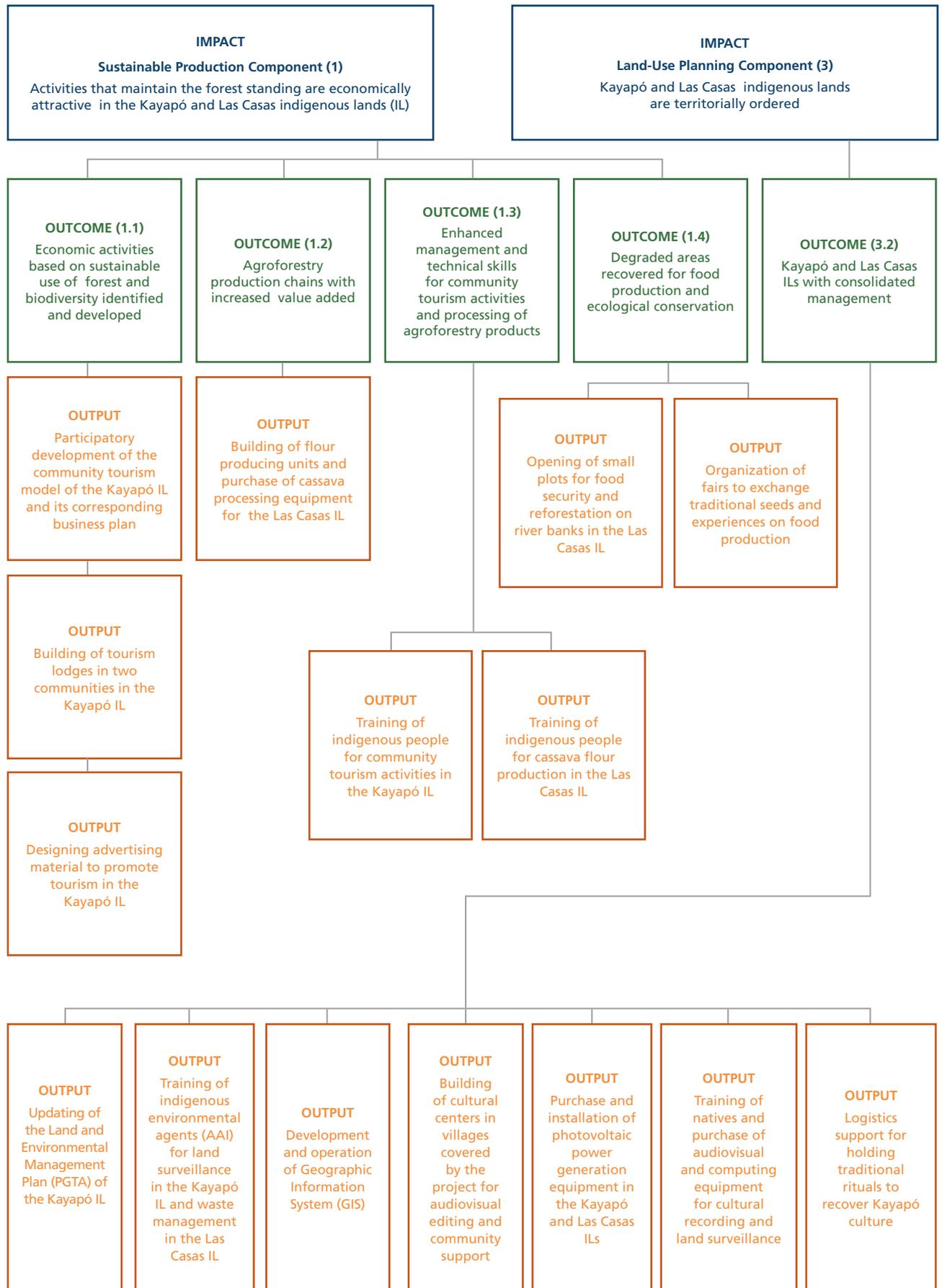
Activities at Kayapó IL will involve training indigenous environmental agents and deploying a community-based tourism project, while at Las Casas IL solid waste management actions will be implemented, roças (small farming plot) opened, reforestation of a permanent preservation area and production of cassava flour.

Support will also be given to other initiatives in both ILs, such as the development and operation of a geographic information system, support to organize traditional seed markets and traditional Kayapó rituals, production of cultural and audiovisual material and generation of photovoltaic power.

The project will also support the institutional strengthening of the AFP.

Intervention logic

The project comes under the “sustainable production” (1) and “land-use planning” (3) components of the Amazon Fund’s Logical Framework.



Use of Social Technologies to Reduce Deforestation

PROJECT MANAGEMENT

Interstate Agricultural Development Association (ADAI)⁴⁷

REGIONAL SCOPE

Communities in areas of influence of hydroelectric projects in the states of Pará, Mato Grosso, Rondônia and Tocantins

BENEFICIARIES

Riverine and agricultural households in areas of influence of hydroelectric projects, living on rural properties under four fiscal modules

OBJECTIVE

To implement family units of agroecological production, contributing to food security and income generation among riverine and farmer families in an environmentally sustainable way

TOTAL COST OF PROJECT

US\$ 2,779,138.85
R\$ 9,075,000.00

AMAZON FUND SUPPORT

US\$ 2,779,138.85
R\$ 9,075,000.00

ESTIMATED EXECUTION TIME

36 months

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|-------------------------------------|---|
| 5.24.2017 | 7.31.2017 | US\$ 383,316.04 R\$ 1,251,680.19 | 14% |



- Rivers
- Brazilian Amazon region
- States
- Amazon biome
- Areas influenced by hydroelectric power generation plants (HPP)

⁴⁷ Project manager website: <www.adaibrasil.org.br>.

Context

The Interstate Agriculture Development Association (ADAI) was founded in 1993 as a nonprofit entity to assist in implementing projects for communities affected by dams of hydroelectric power generation plants (HPP).

The area covered by the project comprises six regions where the way of life of families was affected by the operation, construction or planning of such projects, namely:

- » in the state of Rondônia: Santo Antônio HPP, Jirau HPP and Samuel HPP, involving the municipalities of Porto Velho, Candeias do Jamari, Alto Paraíso and Itapoá do Oeste;
- » in the state of Mato Grosso: Sinop HPP, involving the municipalities of Claudia and Sinop;
- » in the state of Tocantins: Estreito HPP, involving the municipalities of Filadélfia and Babaçulândia;
- » in the state of Pará: Belo Monte HPP, involving the municipalities of Altamira, Brasil Novo, Vitória do Xingu and Senador José Porfírio;
- » in the state of Pará: Tucuruí HPP, involving the municipalities of Marabá, São João do Araguaia, Bom Jesus do Tocantins and Tucuruí; and
- » in the state of Pará: São Luiz do Tapajós, involving the municipalities of Itaituba, Trairão and Rurópolis.

The project

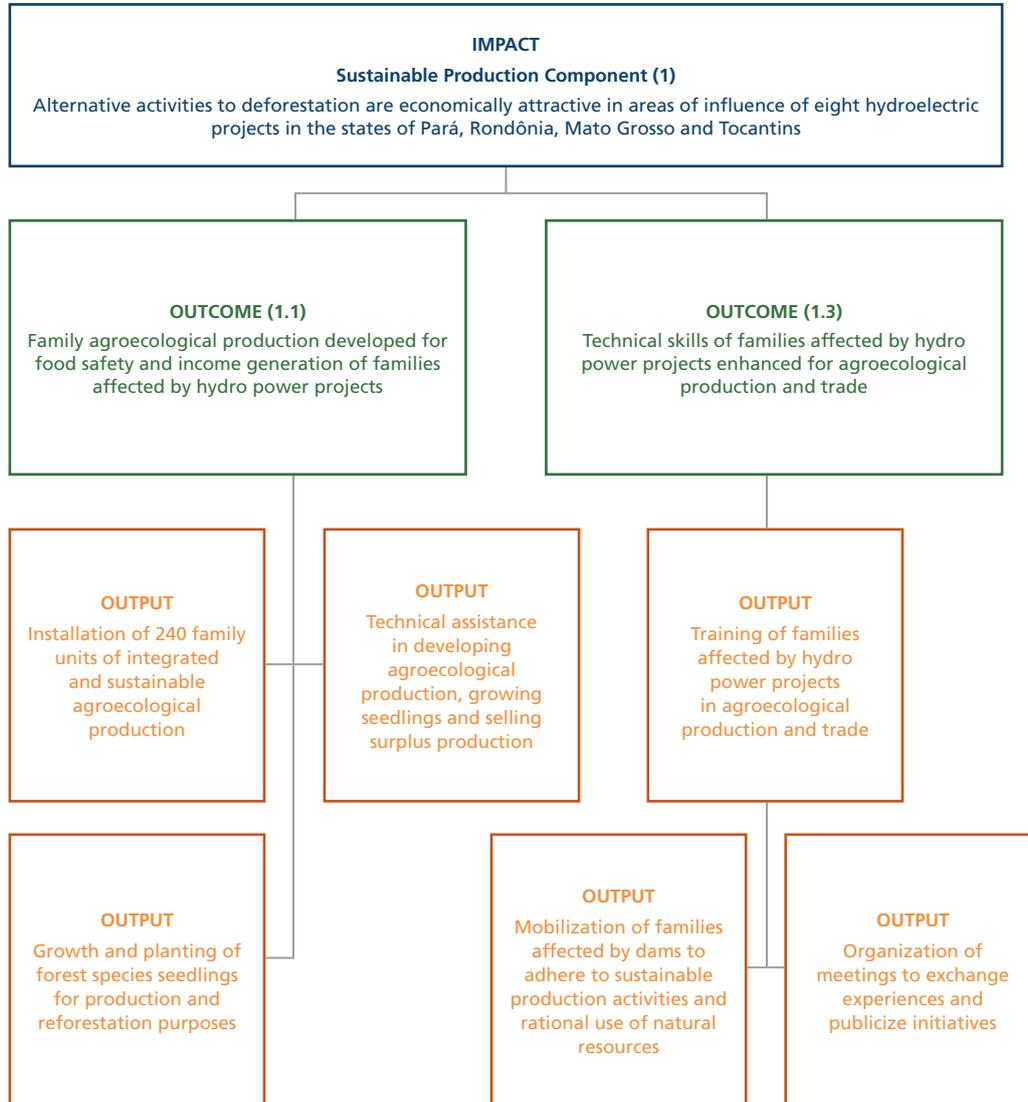
The project aims to promote agroecological production of food to provide food security for families and reduce pressure on natural resources. To this end, the PAIS (acronym for integrated and sustainable agroecological production) method will be used, which involves organic agriculture integrated with breeding of small animals, using inputs produced on site, which preserves and promotes soil quality. PAIS also allows the cultivation of diversified and healthier food for consumption and commercialization, and reduces dependence on external inputs, thus being directly linked with the improvement of the quality of life of family farmers. A total of 240 PAIS systems will be implemented, with irrigation systems powered with solar energy.

Native forest species (including Brazilian nut and fruit trees such as cupuaçu and açaí berry) will also be planted for purposes of diversifying production on a sustainable basis and reforesting degraded areas in sites supported by the project. Families will be trained in the preparation of seedlings and in planting management techniques, receiving assistance from the technical team throughout the project.

Combined with technical training for production, the project also aims to raise awareness and promote environmental education among the target audience. It is hoped that the implementation of the project will have a disseminating effect, creating new local dynamics and mobilizing a larger number of families besides those that will have PAIS systems introduced in their properties or land possessions.

Intervention logic

The project comes under the “sustainable production” (1) component of the Amazon Fund’s Logical Framework.



Adding Value to Amazonian Socioproductive Chains

PROJECT MANAGEMENT

Life Center Institute (ICV)⁴⁸

REGIONAL SCOPE

Municipalities of Alta Floresta, Colniza, Cotriguaçu and Nova Bandeirantes in the state of Mato Grosso

BENEFICIARIES

Family farmers and agrarian reform settlers, as well as their community and cooperative associations

OBJECTIVE

To support the strengthening of sustainable production arrangements in the Amazon region

TOTAL COST OF PROJECT

US\$ 4,999,847.61
R\$ 16,405,000.00

AMAZON FUND SUPPORT

US\$ 4,999,847.61
R\$ 16,405,000.00

PRAZO DE EXECUÇÃO

30 months (from the date of contract)

PROJECT PROGRESS

| DATE OF APPROVAL | DATE OF CONTRACT | TOTAL AMOUNT DISBURSED | TOTAL PERCENTAGE DISBURSED OF AMAZON FUND SUPPORT |
|------------------|------------------|------------------------|---|
| 11.11.2017 | - | - | 0% |



⁴⁸ Project manager website: <www.icv.org.br>.

Context

The Life Center Institute (ICV) is a nonprofit Brazilian civil association founded on April 14, 1991 and considered a public interest entity in Mato Grosso according to State Law 6,752/96. On December 5, 2003 it was qualified as a Civil Society Organization of Public Interest (OSCIP) with the mission of building shared solutions for the sustainable use of land and natural resources.

The region covered by the project comprises the municipalities of Alta Floresta, Colniza, Cotriguaçu and Nova Bandeirantes, which in 2016 accounted for 26% of the deforestation observed in Mato Grosso, the second most deforested state in the Amazon region (PRODES/INPE). This is a critical region for combating deforestation in the Amazon as it is located on the country's agricultural frontier, affected by the expansion of livestock production and grain crops.

The project

The project aims to promote the agroecological production of sociobiodiversity products to generate income and food security and reduce pressure on natural resources. To this end it will focus on six production chains (milk, Brazilian nut, babassu, fruit and vegetables, coffee and cocoa).

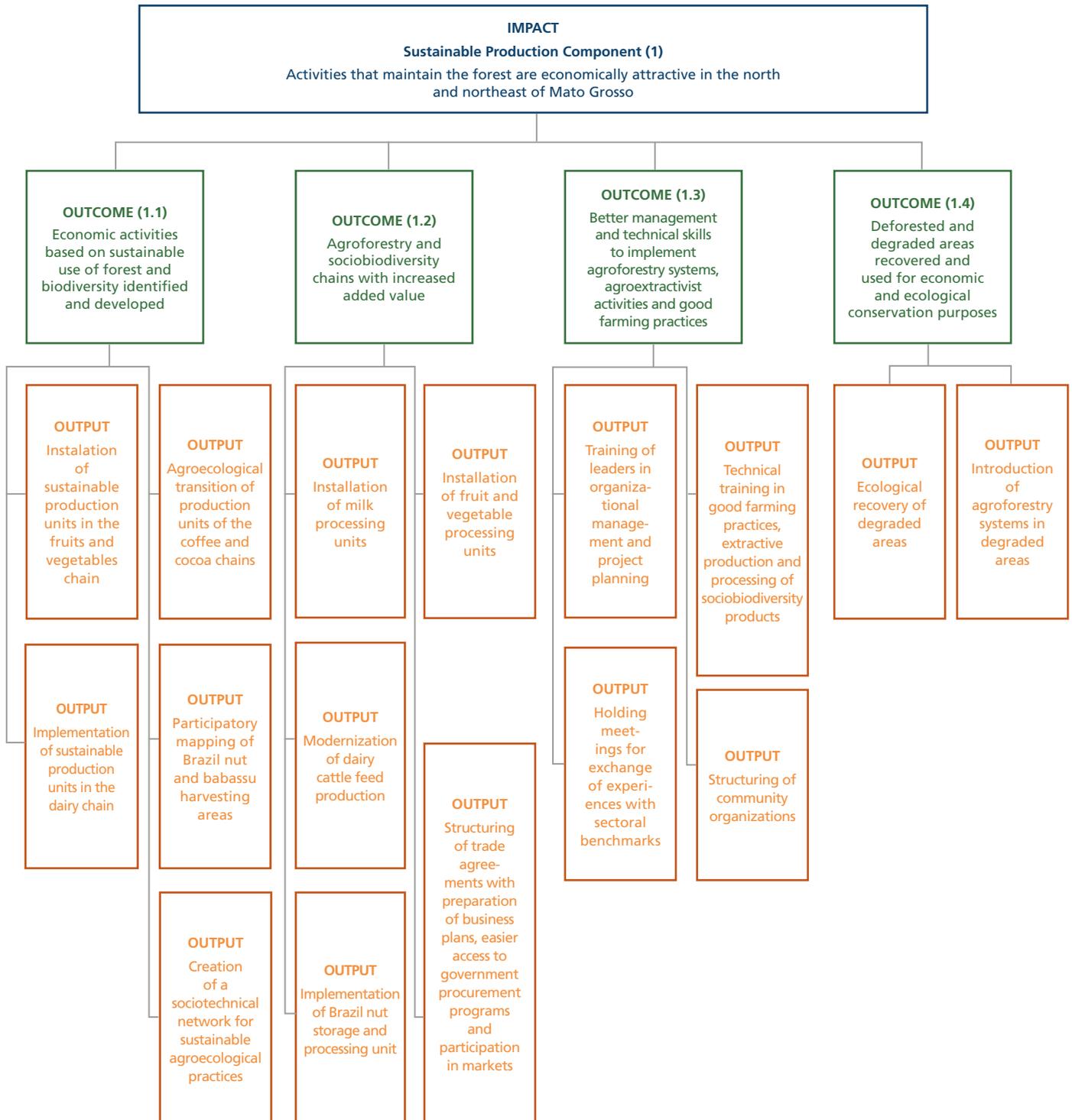
The project provides for the strengthening of twenty local organizations which support approximately four hundred families. One hundred and ninety sustainable production units are planned, with technical assistance and rural extension to implement agroecological production, besides ten processing units.

The project also aims to address the main difficulty of rural producers, which is marketing their products. To this end the project will support the access of small producers and community organizations to government markets, the Food Acquisition Program (PAA) and the National School Feeding Program (PNAE), as well as more robust private markets such as dairy companies and local or regional retailers.

Combined with technical training, workshops and seminars, the project aims to raise awareness and publicize the advantages of agroecological production, creating new local dynamics and mobilizing a larger number of families besides those that will receive direct support in their properties or holdings.

Intervention logic

The project comes under the “sustainable production” (1) component of the Amazon Fund’s Logical Framework.



The image is a vertical collage with a warm, autumnal color palette. At the top left, there is a large, semi-circular shape filled with a detailed pattern of orange and red leaf veins. To its right, a rectangular section contains a pattern of thin, parallel orange lines. Below these, a large, irregular shape is filled with a close-up of a sunflower's yellow petals. In the bottom foreground, there is a dark green silhouette of a dinosaur, possibly a T-Rex, facing left. The background is a solid, light orange color.

**PROJECTS IN
PROGRESS**

| PROJECTS IN PROGRESS | | | | | |
|--|---|--|------------------|---|---|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| High Juruá Ashaninka Association from the Amônia River – (Apiwtxa) | High Juruá River, state of Acre | To promote agroforestry management and production in traditional and indigenous communities for a sustainable economic alternative to deforestation; to support initiatives of land monitoring and control; and to strengthen the local community organization | 2.24.2015 | US\$ 2,289,95.10 R\$ 6,597,581.00 | US\$ 2,120,703.54 R\$ 6,109,958.98 92,61% |
| Amazon SAR Federal Government - Operations and Management Center of the Amazonian Protection System (CENSIPAM) | The goal is to monitor around 950,000 km ² per year (23% of the Amazon biome), divided as follows: 764,000 km ² located in areas under the greatest deforestation pressure; 144,000 km ² in the state of Amapá; and an additional 5% in isolated spots in the Amazon biome, due to specific demand | To implement a deforestation detection system in the Amazon region using space-based radar imaging | 6.23.2015 | US\$ 20,783,439.87 R\$ 63,923,626.00 | US\$ 12,638,409.78 R\$ 38,872,010.73 60,81% |
| APL Babassu Association of Settlement Areas in the state of Maranhão (ASSEMA) | Municipalities of Lago do Junco, Lago da Pedra and Bacabal, in the state of Maranhão | To support preservation and sustainable management of babassu palm tree groves and to recover degraded areas through agroforestry systems in three municipalities in the Amazon biome, in the state of Maranhão | 9.2.2014 | US\$ 2,363,754.25 R\$ 5,286,300.00 | US\$ 804,858.32 R\$ 1,800,104.08 34,05% |
| Arapaima: Production Networks Native Amazon Operation (OPAN) | Rio Biá, Espírito Santo, Acapuri de Cima, Estação, Macarrão and Deni Indigenous Lands (ILs), in the Uacari and Cujubim Sustainable Development Reserves and in the Middle Juruá Extraction Reserve, located in the Juruá and Solimões mid-basins in the state of Amazonas | To support in the Juruá and Solimões mid-basins, in the state of Amazonas: (i) fishing and non-timber forest resources management in indigenous lands and protected areas; and (ii) the strengthening of indigenous associations and extraction producers associations | 10.28.2014 | US\$ 2,511,633.32 R\$ 6,364,730.00 | US\$ 2,229,325.73 R\$ 5,649,030.40 88,76% |
| Sustainable Settlements in the Amazon Amazon Environmental Research Institute (IPAM) | Western Pará, covering the municipalities of Anapu, Pacajá, Senador José Porfírio, Mojuí dos Campos and Aveiros | To develop a representative project at INCRA settlements in Pará western region focused on sustainable production, as well as paying for environmental services provided by families working to reduce deforestation | 11.29.2011 | US\$ 13,411,056.34 R\$ 24,939,200.37 | US\$ 12,598,346.33 R\$ 23,428,495.22 93,94% |

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| PROJECTS IN PROGRESS | | | | | |
|---|---|---|------------------|--|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Sustainable Good Living Institute of Research and Indigenous Education (IEPÉ) | Parque do Tumucumaque (states of Amapá and Pará), Paru D'Este (state of Pará) and Zo'é (state of Pará) Indigenous Lands | To implement the Land and Environmental Management Plan (PGTA) in Parque do Tumucumaque (states of Amapá and Pará) and Rio Paru d'Este (state of Pará) ILs and develop PGTA for the Zo'é (state of Pará) IL | 11.19.2015 | US\$ 3,127,236.59 R\$ 11,858,793.87 | US\$ 1,890,727.24 R\$ 7,169,959.77 60,46% |
| Biodiversity Federal University of Pará (UFPA) and Research Support and Development Foundation (FADESP) | State of Pará | To expand UFPA's research infrastructure for biodiversity studies by: (i) building and structuring the Center for Advanced Studies on Biodiversity (CEABIO); and (ii) remodeling the Pharmaceutical Planning Laboratory and the Cellular and Molecular Neuro-Chemical Laboratory, as well as purchasing and installing laboratory equipment for biotechnology research | 4.24.2012 | US\$ 2,459,556.29 R\$ 4,639,706.98 | US\$ 2,459,556.29 R\$ 4,639,706.98 100,00% |
| Forest Assistance+ Program Sustainable Amazon Foundation (FAS) | 16 protected areas (PA) in the state of Amazonas measuring around 10.9 million hectares | Keep and expand actions of the Forest Assistance Program in Amazonas state PAs through: (i) support for developing small projects and sustainable productive forest arrangements; (ii) qualification of leaders and strengthening local residents associations for managing environmental, social and income generation projects; (iii) systematization and dissemination of contents, methodologies, lessons learned and innovative solutions; and (iv) development and implementation of public call-to-bid of small and medium projects that generate income in PA surrounding areas | 4.5.2016 | US\$ 8,786,621.50 R\$ 31,518,490.00 | US\$ 5,742,298.23 R\$ 20,598,198.00 65,35% |
| Value Chains of Non-timber Forest Products SOS Amazon Association | Six municipalities of the state of Acre: Cruzeiro do Sul, Mâncio Lima, Rodrigues Alves, Porto Walter, Tarauacá and Feijó; and four municipalities of the state of Amazonas: Pauini, Boca do Acre, Lábrea and Silves | To disseminate and support entrepreneurial initiatives in nine combined institutions to generate jobs and income through the sustainable development of the productive chains of vegetal oils, wild cocoa and rubber | 1.27.2015 | US\$ 3,848,494.18 R\$ 9,993,000.00 | US\$ 3,833,100.20 R\$ 9,953,000.00 99,60% |
| Values Chains in Indigenous Lands in Acre Acre Pro-Indigenous People Commission (CPI-Acre) | Kaxinawá do Rio Humaitá and Rio Gregório ILs (Tarauacá/state of Acre), Alto Rio Purus IL (Santa Rosa do Purus and Manuel Urbano/state of Acre) and Arara do Igarapé Humaitá IL (Porto Walter/state of Acre) | To strengthen sustainable production, culture and way of life in the Kaxinawá do Rio Humaitá, Arara do Igarapé Humaitá, Rio Gregório and Alto Rio Purus ILs, in the state of Acre, by organizing and promoting agroforestry product chains and indigenous technical assistance | 8.11.2015 | US\$ 889,760.23 R\$ 3,106,064.00 | US\$ 703,978.29 R\$ 2,457,512.31 79,12% |

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| PROJECTS IN PROGRESS | | | | | |
|--|--|---|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Sustainable Calha Norte Institute of Agriculture and Forest Management and Certification (IMAFORA) | Municipalities of Oriximiná and Alenquer, in the state of Pará | To strengthen extractive activities and family farming as development vectors of Pará Calha Norte by implementing food processing units, nurseries for agroforestry systems and community carpentry workshops in quilombola communities and settlements | 8.26.2014 | US\$ 1,452,506.58 R\$ 3,312,877.00 | US\$ 1,345,602.10 R\$ 3,069,026.85 92,64% |
| Training to Conserve Amazon Conservation Team (ECAM) | Protected areas in the state of Amapá | To train environmental agents and managers to strengthen protected areas in the state of Amapá | 9.23.2014 | US\$ 608,294.93 R\$ 1,452,000.00 | US\$ 599,535.48 R\$ 1,431,097.10 98,56% |
| CAR Acre State of Acre | State of Acre | To implement the Environmental Rural Registry (CAR) and adherence to the Environmental Regularization Program (PRA) in the state of Acre | 10.29.2013 | US\$ 7,707,589.49 R\$ 16,838,000.00 | US\$ 5,125,547.01 R\$ 11,198,000.00 66,50% |
| CAR Bahia Institute of the Environment and Water Resources of the State of Bahia (INEMA) | 161 municipalities in the state of Bahia through registration, and indirectly in the entire state, through training and improvement of infrastructure to implement CAR | To support CAR implementation in the state of Bahia | 3.25.2014 | US\$ 13,623,107.36 R\$ 31,671,000.00 | US\$ 7,931,373.10 R\$ 18,437,800.00 58,22% |
| CAR Ceará State Superintendence of Environment of the State of Ceará (SEMACE) | 109 municipalities in the state of Ceará, through registration, and indirectly in the entire state, through communication and improvement of infrastructure to implement CAR | To support CAR implementation in the state of Ceará | 2.23.2016 | US\$ 6,205,114.01 R\$ 24,583,420.70 | US\$ 1,742,396.01 R\$ 6,902,772.66 28,08% |
| CAR Mato Grosso do Sul Mato Grosso do Sul State Environmental Institute (IMASUL) | 69 municipalities in the state of Mato Grosso do Sul | To support CAR implementation in the state of Mato Grosso do Sul | 9.23.2014 | US\$ 3,682,362.80 R\$ 8,789,800.00 | US\$ 1,600,962.12 R\$ 3,821,496.58 43,48% |
| CAR Paraná Environmental Institute of Paraná (IAP) | State of Paraná | To support CAR implementation in the state of Paraná | 10.26.2016 | US\$ 4,523,532.16 R\$ 14,110,253.86 | US\$ 666,768.64 R\$ 2,079,332.50 14,74% |
| CAR Roraima Roraima State Foundation for the Environment and Water Resources (FEMARH) | State of Roraima | To support CAR implementation in the state of Roraima | 11.4.2014 | US\$ 4,536,254.28 R\$ 10,820,500.00 | US\$ 1,238,047.47 R\$ 3,075,205.25 28,42% |

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| PROJECTS IN PROGRESS | | | | | |
|---|--|---|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| CAR: Legal Tocantins State of Tocantins | State of Tocantins | To provide support to: (i) implement CAR in 96 municipalities in the state; (ii) improve the deforestation monitoring and control system; (iii) implement a program to decentralize environmental management in the municipalities of the Amazon biome; and (iv) develop the sustainable forestry hub in the state's Amazon biome | 5.21.2013 | US\$ 13,182,490.00 R\$ 26,800,000.00 | US\$ 9,660,290.21 R\$ 19,639,370.00 73,78% |
| Environmental Operations Company Federal Government – National Public Security Force | Amazon biome. The Environmental Operations Company may occasionally be requested to aid initiatives in other biomes | To support physical and operational structuring of the Environmental Operations Company of the National Public Security Force Department (DFNSP) to perform environmental operations in the Amazon biome | 1.27.2015 | US\$ 11,796,765.00 R\$ 30,631,480.00 | US\$ 329,129.74 R\$ 855,362.06 2,79% |
| Amazon Bioactive Composts Federal University of Pará (UFPA) | State of Pará | (i) To install a pilot production unit in UFPA's food laboratory to produce and characterize extracts rich in bioactive compounds; and (ii) to develop new products and technological applications based on bioactive compounds extracted from plants and fruit typical of the Eastern Amazon region | 1.3.2012 | US\$ 723,832.36 R\$ 1,352,336.00 | US\$ 723,832.36 R\$ 1,352,336.00 100,00% |
| Materialize Association of Small Agro-farmers in the RECA Project | Ponta do Abunã – municipalities of Porto Velho, in the state of Rondônia, and Acrelândia, in the state of Acre | To strengthen the cupuassu and acai berry production chain by implementing agroforestry systems and increasing and modernizing the production capacity of pulp processing units among traditional communities in Ponta do Abunã to create a sustainable economic alternative to deforestation | 10.14.2014 | US\$ 2,411,118.40 R\$ 6,422,748.00 | US\$ 2,411,118.40 R\$ 6,422,748.00 100,00% |
| Knowing to Preserve Amazon Museum (MUSA) | City of Manaus, state of Amazonas | To create the Amazon Museum (MUSA) and a Training Center in the Água Branca Settlement, in Manaus, to spread knowledge that contributes to the appreciation and preservation of natural resources of the Amazon region and of its cultural heritage, through an innovative model of forest visitation | 11.30.2010 | US\$ 5,302,059.59 R\$ 9,984,629.00 | US\$ 5,302,059.59 R\$ 9,984,629.00 100,00% |
| Consolidating Territorial and Environmental Management on Indigenous Lands Indigenist Work Center (CTI) | Five ILs in the states of Amazonas, Maranhão and Pará, covering 9,375,076 hectares: Vale do Javari (Amazonas), Krikati (Maranhão), Governador (Maranhão), Andirá-Marau (Pará and Amazonas) and Nova Jacundá (Pará) | To support the implementation of PGTA in the Vale do Javari (state of Amazonas), Krikati and Governador (state of Maranhão) ILs and the development of PGTA in the Andirá-Marau (states of Pará and Maranhão) and Nova Jacundá (state of Pará) ILs within the framework of the National Policy for Environmental and Land Management of Indigenous Lands (PNGATI) | 9.28.2016 | US\$ 3,688,281.11 R\$ 11,934,540.00 | US\$ 818,429.58 R\$ 2,648,446.92 22,19% |

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| PROJECTS IN PROGRESS | | | | | |
|---|---|--|------------------|---|---|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Mangrove Forests Federal University of Pará (UFPA) | State of Pará | (i) To research and develop knowledge and techniques related to recovering degraded mangrove areas in the Brazilian North region; (ii) to develop models to estimate biomass and carbon capture and to evaluate carbon stocks in mangrove forests; and (iii) to expand infrastructure in the UFPA Mangrove Ecology Laboratory by constructing a new facility and purchasing laboratory equipment | 1.24.2012 | US\$ 1,130,843.79 R\$ 1,982,143.00 | US\$ 1,130,843.79 R\$ 1,982,143.00 100,00% |
| Strengthening the Sustainable Forest-based Economy Extraction Commercialization Central Cooperative for the State of Acre (COOPERACRE) | 14 municipalities of the administrative regions of Alto Acre, Baixo Acre and Purus | To contribute to strengthen the Brazil nut and fruit pulp chains in the state of Acre by: (i) recovering degraded and/or changed areas located in small farms or rural family holdings; (ii) optimizing Brazil nut storage and fruit transportation logistics; (iii) improving Brazil nut processing; (iv) diversifying and adding value to products; (v) improving sales strategies; and (vi) training cooperative members | 9.23.2014 | US\$ 2,128,932.97 R\$ 5,081,763.00 | US\$ 1,539,857.22 R\$ 3,675,495.00 72,33% |
| Strengthening Environmental Management in the Amazon Amazon Institute of People and the Environment (IMAZON) | Several municipalities in the states of Amazonas, Mato Grosso, Pará and Rondônia | To support: (i) enhanced environmental management in key municipalities for the development of policies to prevent and control deforestation in the Amazon biome; (ii) studies to diagnose land title status in the states of Amazonas, Mato Grosso, Pará and Rondônia and expand communication of information on the progress of land-title regularization in Pará; and (iii) improved management of CUs in the Calha Norte region in the state of Pará | 11.6.2015 | US\$ 3,194,485.79 R\$ 12,104,865.00 | US\$ 3,194,485.79 R\$ 12,104,865.00 100,00% |
| Strengthening the Territorial and Environmental Management of Indigenous Lands in the Amazon The Nature Conservancy of Brazil (TNC Brazil) | Six indigenous lands partially located in three municipalities of the state of Amapá and five municipalities in the state of Pará | To promote sustainable land and environmental management in six ILs in Amapá and Pará to reduce deforestation in those areas | 9.16.2014 | US\$ 6,730,655.10 R\$ 15,750,406.00 | US\$ 4,292,811.82 R\$ 10,045,392.24 63,78% |
| Strengthening of Control and Environmental Monitoring for Combat Against Illegal Deforestation in the Amazon Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) | Brazilian Amazon | To support IBAMA's efforts of environmental monitoring and control of deforestation in the Brazilian Amazon region | 10.19.2016 | US\$ 17,662,033.20 R\$ 56,295,964.63 | US\$ 16,014,165.50 R\$ 51,041,006.09 90,67% |

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| PROJECTS IN PROGRESS | | | | | |
|--|---|---|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Fruits from the Forest Brazilian Union of Education and Teaching (UBEE) | Northern Pará and Lower Tocantins region | Strengthening biodiversity products chains in Pará by: (i) recovering degraded and/or changed forest areas located on small properties or rural family lands, through agroforestry systems; (ii) improving production and logistics for storing and transporting fruit; (iii) improving fruit processing; (iv) diversifying and adding value to products; (v) improving commercialization strategies for products; and (vi) training members of cooperatives and local associations | 4.14.2015 | US\$ 1,307,192.29 R\$ 4,053,734.00 | US\$ 154,510.13 R\$ 479,076.26 11,82% |
| Banco do Brasil Foundation (Phase 2) – Amazon Fund Banco do Brasil Foundation (FBB) | Brazilian Amazon | To support projects to develop productive activities, which are in line with the preservation and sustainable use of the Amazon Biome | 10.7.2014 | US\$ 4,979,666.36 R\$ 12,000,000.00 | US\$ 1,645,779.73 R\$ 3,965,481.92 33,05% |
| Banco do Brasil Foundation – Amazon Fund Banco do Brasil Foundation (FBB) | Brazilian Amazon | To support projects to develop productive activities, which are in line with the preservation and sustainable use of the Amazon Biome | 5.15.2012 | US\$ 7,550,588.95 R\$ 15,000,000.00 | US\$ 7,306,704.93 R\$ 14,515,520.43 96,77% |
| Dema Fund Federation of Organs for Social and Educational Assistance (FASE) | Traditional communities in the state of Pará, especially in areas affected by the Transamazon and BR-163 highways and in the Lower Amazon | To support low-cost socioenvironmental projects through eight public calls issued over a three-year period | 3.15.2011 | US\$ 4,579,312.13 R\$ 7,615,854.00 | US\$ 4,147,483.00 R\$ 6,897,461.41 90,57% |
| Kayapó Fund for Preservation in Indigenous Lands Brazilian Biodiversity Fund (FUNBIO) | Kayapó, Menkragnoti, Baú and Badjonkôre ILS, in Pará South region; and Capoto-Jarina IL, in Mato Grosso North region | Supporting Kayapó organizations' projects on sustainable production activities, institutional strengthening, preventing deforestation, conserving biodiversity and territorial protection by a long-term financial and operational mechanism, known as Kayapó Fund | 6.21.2011 | US\$ 10,583,004.57 R\$ 16,900,000.00 | US\$ 4,603,041.74 R\$ 7,350,597.36 43,49% |
| Sustainable Environmental Management of Indigenous Lands in the State of Amazonas State of Amazonas | 28 indigenous lands distributed over 15 municipalities in the state of Amazonas | To improve environmental management and develop sustainable production activities for indigenous peoples in the state of Amazonas to create jobs, income and contribute to social inclusion | 1.7.2014 | US\$ 6,921,266.13 R\$ 16,465,000.00 | US\$ 4,258,655.05 R\$ 10,130,656.00 61,53% |
| Management and Governance of Indigenous Lands in the Rio Negro and Xingu Rivers Basins – PGTA Socioenvironmental Institute (ISA) | Nine ILS in the Amazon biome, in an area exceeding 24 million hectares | Supporting the implementation of the Territorial and Environmental Management Plan (PGTA) of the Xingu Indigenous Park and the PGTA development for Yanomami IL and others in the Alto Rio Negro region, by systematizing knowledge and strengthening local government structures and indigenous organizations | 6.27.2016 | US\$ 3,467,961.63 R\$ 11,712,000.00 | US\$ 498,346.09 R\$ 1,682,929.57 14,37% |

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| PROJECTS IN PROGRESS | | | | | |
|---|--|---|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Forest Management Boosting Sociobiodiversity Production Chains in Amapá State of Amapá | State of Amapá | To provide support to: (i) expand knowledge, increase technical assistance and infrastructure related to the açai berry, timber and Brazil-nut production sectors for the extraction population; (ii) improve instruments for territorial planning; (iii) improve operational conditions and enhance professional qualification in entities and state autarchies to strengthen initiatives for environmental, territorial and forest management in the state; and (iv) develop instruments to implement projects for Reducing Emissions from Deforestation and Degradation (REDD) | 9.24.2013 | US\$ 18,292,651.93 R\$ 40,304,200.00 | 0,00 |
| Indigenous Territorial Management in the South of Amazonas State International Institute of Education of Brazil (IEB) | Eight ILS in the southern part of the Amazonas state, covering 1,095,169 hectares: Boca do Acre, Apurinã Km 124 BR-317, Água Preta/ Inari, Caititu, Jiahui, Nove de Janeiro, Ipixuna and Tenharim do Igarapé Preto | To support: (i) implementation of PGTA in ILS in the southern part of the Amazonas state, in the Purus River basin (Boca do Acre, Apurinã Km 124 BR-317, Água Preta/Inari and Caititu) and in the Madeira River basin (Jiahui, Nove de Janeiro and Ipixuna); and (ii) development of PGTA in the Tenharim do Igarapé Preto IL in the Madeira River basin | 11.1.2016 | US\$ 3,598,913.90 R\$ 11,448,505.00 | US\$ 1,432,007.84 R\$ 4,555,524.15 39,79% |
| National Forest Inventory – The Amazon Federal Government – Brazilian Forest Service (SFB) | Amazon biome | To implement the Forest Inventory in the Amazon biome to produce information on forest resources, carbon stocks and land use by local populations | 7.31.2012 | US\$ 31,999,485.00 R\$ 65,000,555.12 | US\$ 7,848,666.25 R\$ 15,942,995.75 24,53% |
| Irehi – Taking Care of Territory Native Amazon Operation (OPAN) | Menkü, Manoki, Pirineus de Souza and Marãiwatsédé ILS, all in the state of Mato Grosso | To conclude and implement PGTA in the Marãiwatsédé IL; and to implement PGTA in the Manoki, Menkü and Pirineus de Souza ILS | 12.18.2015 | US\$ 2,096,159.68 R\$ 8,160,140.00 | US\$ 1,554,721.63 R\$ 605,2618.35 74,17% |
| Jacundá, Green Municipality Economy Municipality of Jacundá | Municipality of Jacundá, state of Pará | To provide support to strengthen municipal environmental management by: (i) physically and operationally structuring the Municipal Secretariat of the Environment and Tourism; (ii) expanding the capacity and production of the municipal nursery; and (iii) designing a study to characterize the municipal territory | 11.29.2011 | US\$ 426,005.59 R\$ 792,200.00 | US\$ 107,183.01 R\$ 199,352.05 25,16% |
| Mamirauá Mamirauá Sustainable Development Institute (IDSM) | Tefé municipality (AM); Mamirauá Sustainable Development Reserve (RDS) – the municipalities of Uarini, Fonte Boa and Maraã (AM); Amanã RDS – the municipalities of Maraã, Barcelos and Coari (AM) | To support management and participatory management initiatives in Mamirauá RDS and Amanã RDS, through research, development and dissemination of knowledge in the following topics: sustainable agriculture, sustainable forest timber management, sustainable forest non-timber management, environmental education, environmental protection, and monitoring | 12.18.2012 | US\$ 4,068,834.82 R\$ 8,504,678.54 | US\$ 2,698,451.25 R\$ 5,640,443.58 66,32% |

(To be continued)

(Continued)

| PROJECTS IN PROGRESS | | | | | |
|--|---|---|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Sustainable Mato Grosso State of Mato Grosso | State of Mato Grosso with a focus on state protected areas and forty municipalities in the Amazon biome | To provide support to: (i) consolidate protected areas in the Amazon biome; (ii) strengthen surveillance and state environmental licensing; and (iii) deconcentrate and decentralize state environmental management | 12.3.2013 | US\$ 14,932,820.16 R\$ 35,015,970.00 | US\$ 5,233,953.47 R\$ 12,273,543.06 35,05% |
| Environmental Monitoring via Satellite in the Amazon Biome National Institute of Space Research (INPE)/Science, Applications and Space Technology Foundation (FUNCATE) | Amazon biome | To support the development of studies on land use and cover in the Amazon biome, as well as expand and improve satellite-based environmental monitoring by INPE | 10.7.2014 | US\$ 27,783,399.45 R\$ 66,952,436.00 | US\$ 27,783,399.45 R\$ 66,952,436.00 100,00% |
| Monitoring Forest Coverage in the Regional Amazon Amazon Cooperation Treaty Organization (ACTO) | Amazon region | To help develop the capacity to monitor deforestation, changes in the use of land and forests in the ACTO's member countries | 4.30.2013 | US\$ 11,847,412.87 R\$ 23,693,641.00 | US\$ 11,847,412.87 R\$ 23,693,641.00 100,00% |
| Buriti Springs Municipality of Carlinda | Municipality of Carlinda, state of Mato Grosso | To provide support to strengthen municipal environment management, by physically structuring the Municipal Secretariat of the Environment and Tourism, and efforts to recover 1,722 hectares of permanent preservation areas surrounding the springs | 8.2.2011 | US\$ 1,202,868.95 R\$ 1,870,581.50 | US\$ 1,202,868.95 R\$ 1,870,581.50 100,00% |
| Amazon's Nectar Peabiru Institute | Traditional communities in the municipalities of Curuçá, Almeirim and Monte Alegre, in the state of Pará, and in Macapá and Oiapoque, in the state of Amapá | To strengthen the production chain of honey from native bees in traditional communities in the municipalities of Curuçá, Almeirim and Monte Alegre, in the state of Pará, and in Macapá and Oiapoque, in the state of Amapá, to provide a sustainable economic alternative to deforestation | 5.13.2014 | US\$ 915,899.66 R\$ 2,030,000.00 | US\$ 915,899.66 R\$ 2,030,000.00 100,00% |
| Amazon Water Springs Phase 2 Municipality of Alta Floresta | Municipality of Alta Floresta, state of Mato Grosso | To provide support to recover degraded areas and develop sustainable production activities aimed at implementing environmental regularization for rural properties with family farming in the municipality of Alta Floresta | 6.11.2013 | US\$ 3,339,984.19 R\$ 7,182,970.00 | US\$ 3,322,950.27 R\$ 7,146,563.54 99,49% |
| Pará Combating Forest Fires and Unauthorized Burn-offs State of Pará/ State of Pará Military Firefighters (CBMPA) | State of Pará | To provide support for efforts towards monitoring, preventing and combating deforestation resulting from forest fires and unauthorized burn-offs in the state of Pará, by physically and operationally structuring the CBM fire stations located in 10 municipalities in the state | 11.27.2012 | US\$ 8,096,541.11 R\$ 16,830,280.00 | US\$ 8,096,541.11 R\$ 16,830,280.00 100,00% |

(To be continued)

(Continued)

| PROJECTS IN PROGRESS | | | | | |
|--|---|---|------------------|---|---|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Small Eco-social Projects in the Amazon Society, Population and Nature Institute (ISPN) | States of Mato Grosso, Tocantins and Maranhão, limited to the Amazon biome | To support the conduction of four public calls-for-submission for selecting and funding low-cost socioenvironmental projects focusing on family farmers, and traditional peoples and communities in Amazon biome areas in the states of Mato Grosso, Tocantins and Maranhão | 7.3.2012 | US\$ 6,456,480.19 R\$ 12,843,876.04 | US\$ 6,456,480.19 R\$ 12,843,476.00 100,00% |
| Sustainable Fishing WWF Brasil | Municipalities of Manuel Urbano, Feijó and Tarauacá, in the state of Acre | To promote the adoption of management measures coupled with entering into fishing agreements, to reduce damage to water ecosystems, as a means to create an economically sustainable alternative to deforestation in the state of Acre | 12.30.2013 | US\$ 1,362,028.63 R\$ 3,205,943.00 | US\$ 1,362,028.63 R\$ 3,205,943.00 100,00% |
| Prevfogo/Ibama Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) | Mainly the Amazon biome, but also strengthening the logistics center of the National Center to Prevent and Combat Forest Fires (PREVFOGO) in Brasília | To support the physical and operational structure of PREVFOGO and environmental education to raise awareness and train local actors to monitor, prevent and combat forest fires and unauthorized burnings in the Amazon biome | 12.30.2013 | US\$ 6,252,557.57 R\$ 14,717,270.00 | US\$ 2,003,319.45 R\$ 4,715,621.81 32,04% |
| Environmental Management Qualification Program Brazilian Institute of Municipal Administration (IBAM) | Municipalities of the Amazon biome | To strengthen environmental management in the Amazon Biome by offering training and technical assistance; disseminating knowledge and information via networks; stimulating innovation and fostering coordination with other government levels and society in general in the scope of environmental public policies | 12.18.2012 | US\$ 9,019,941.79 R\$ 18,853,482.32 | US\$ 9,019,941.79 R\$ 18,853,482.32 100,00% |
| Green Municipalities Program State of Pará | One hundred municipalities in the state of Pará | To consolidate the CAR of rural properties and strengthen municipal environmental management to contribute to combat deforestation and forest degradation in the state of Pará | 12.10.2013 | US\$ 35,469,778.26 R\$ 82,378,560.00 | US\$ 17,734,889.13 R\$ 41,190,342.00 50,00% |
| Sustainable Indigenous Amazon Project Association in Defense of Ethno-environmental Kanindé | Igarapé Lourdes (state of Rondônia), Zoró (state of Mato Grosso), Rio Guaporé (state of Rondônia) and Rio Negro Ocaia (state of Rondônia) ILS | To contribute to implement PGTA in the Igarapé Lourdes and Zoró ILS and to design PGTA in Rio Guaporé and Rio Negro Ocaia ILS | 12.4.2016 | US\$ 2,156,669.07 R\$ 8,188,872.44 | US\$ 1,692,769.55 R\$ 642,7464.28 78,49% |
| Project for Integrated Environmental Socioeconomic Development State of Rondônia/ Environmental Development State Department (SEDAM) | State of Rondônia | To support environmental management, including efforts to protect state protected areas, consolidate CAR and strengthen municipal environmental management to contribute to combat deforestation and forest degradation in the state of Rondônia | 10.21.2014 | US\$ 13,995,972.57 R\$ 31,227,392.40 | US\$ 4,769,687.49 R\$ 10,642,000.00 34,08% |

(To be continued)

(Continued)

| PROJECTS IN PROGRESS | | | | | |
|---|--|--|------------------|--|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Amazon Integrated Project Brazilian Agricultural Research Corporation (EMBRAPA) and Eliseu Alves Foundation (FEA) | Amazon biome | To stimulate the production and dissemination of knowledge and technologies for the recovery, conservation and sustainable use of the Amazon biome by supporting the execution of projects designed by EMBRAPA decentralized units, selected via an internal call | 12.29.2015 | US\$ 8,597,810.44 R\$ 33,691,380.00 | US\$ 388,621.03 R\$ 1,523,298.00 4,52% |
| Ethnic-environmental Protection for Isolated or Recently Contacted Indigenous People in the Amazon Center for Indigenous Work (CTI) | Amazon biome | To support the protection of isolated and recently contacted indigenous peoples to assure the physical boundaries and natural resources of areas where they live, thus contributing to reduce deforestation in the Amazon region | 10.28.2014 | US\$ 7,514,829.72 R\$ 19,043,330.00 | US\$ 7,292,390.76 R\$ 18,479,326.55 97,04% |
| Forest Protection in the State of Tocantins State of Tocantins Military Firefighters (CBMTO) | The area covered by the activities of the CBMTO Environmental Protection Corps, stationed in the municipality of Araguaína, in the north of the state; this area will be further extended to include the state's protected areas, such as the Araguaia-Bananal, Paranã-Pirineus and Jalapão-Chapada das Mangabeiras federal ecological corridors | To support efforts to monitor, prevent, and combat deforestation caused by forest fires and unauthorized burnings in the state of Tocantins, especially in the central-north region, by training, structuring integrated management mechanisms and purchasing materials and equipment to outfit the Environmental Protection Corps, stationed in the municipality of Araguaína | 3.27.2012 | US\$ 2,755,883.81 R\$ 5,000,000.00 | US\$ 2,733,285.56 R\$ 4,958,910.00 99,18% |
| Amazon Backyards Center for Studies on Culture and the Environment in the Amazon (Rioterra) | Municipalities of Machadinho do Oeste, Cujubim and Itapuã do Oeste, in the state of Rondônia | To support family farmers and land reform settlers in the state of Rondônia for: (i) registration of rural properties with CAR; and (ii) planting and research of agroforestry systems to recover changed or degraded areas in legal reserves and permanent preservation areas | 7.30.2013 | US\$ 4,032,464.95 R\$ 9,117,000.00 | US\$ 3,932,863.07 R\$ 8,891,687.09 97,53% |

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(Continued)

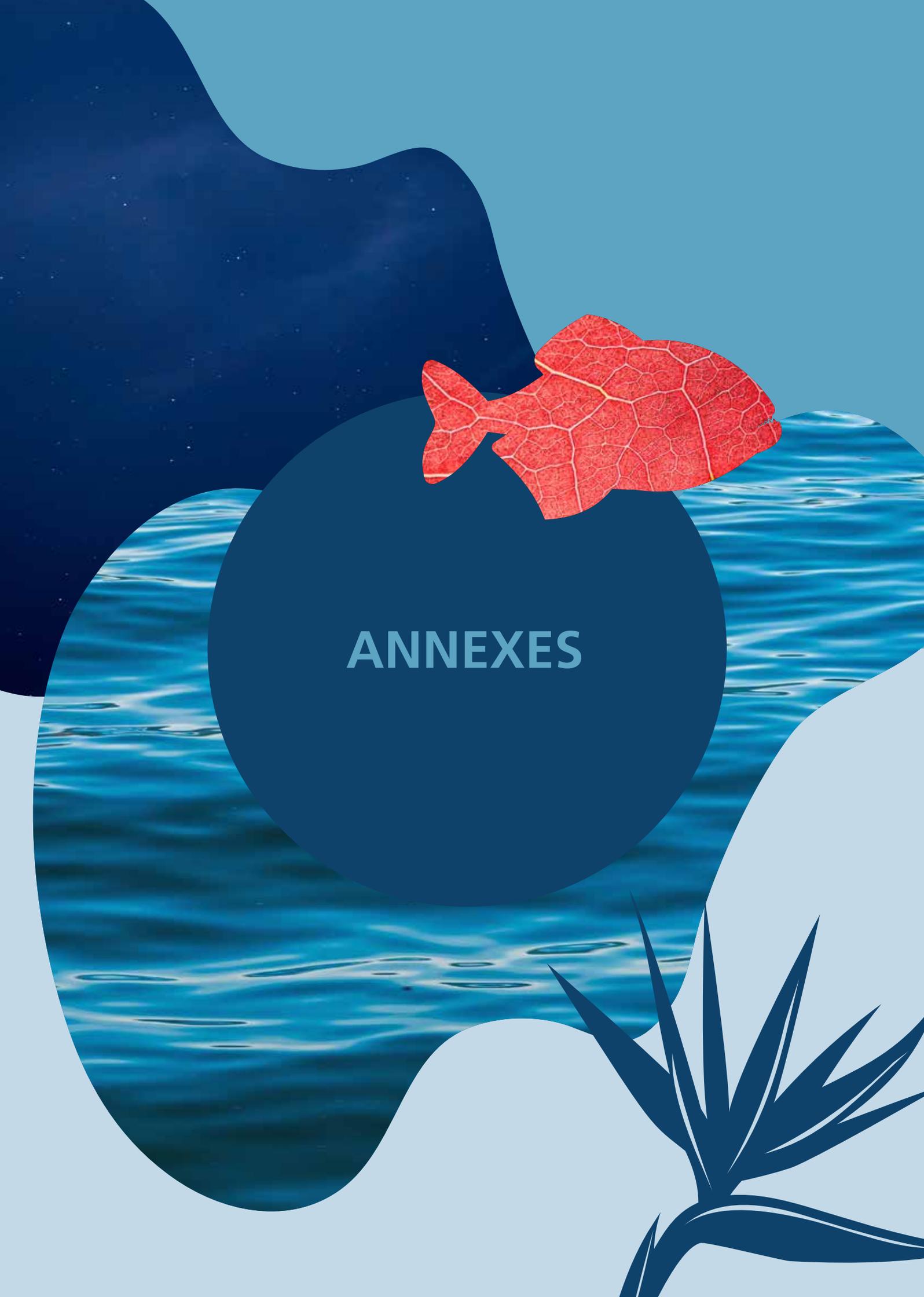
| PROJECTS IN PROGRESS | | | | | |
|---|---|--|------------------|---|--|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Greener Rondônia Firefighters in the state of Rondônia (CBMRO) | Area within the operational scope of the Air and Land Operations Base – to be installed in the state capital, Porto Velho – and the four largest fire brigade stations located in the municipalities of Ji-Paraná, Guajará-Mirim, Cacoal and Vilhena, which will also receive equipment funded by the project. The project will also include important environmental preservation and protection areas, especially the Pacaás e Serra da Cutia National Parks | To support initiatives to monitor, prevent and combat deforestation resulting from forest fires and unauthorized burnings in the state of Rondônia by training staff and purchasing material and equipment to outfit: (i) the Military Fire Brigade Air and Land Operations Base, to be built in the state capital, Porto Velho; and (ii) four operational stations, located in other municipalities in the state | 9.11.2012 | US\$ 7,430,709.95 R\$ 15,040,500.00 | US\$ 5,252,025.79 R\$ 10,630,751.90 70,68% |
| SDS Amazonas State of Amazonas | Municipalities in the southern region of the state of Amazonas (Boca do Acre, Lábrea, Apuí and Novo Aripuanã) | To support the strengthening of environmental management in areas under intense deforestation pressure in Amazonas by: designing legal frameworks for registration (CAR); encouraging environmental and land-title regularization; improving mechanisms for environmental licensing and monitoring; and recovering deforested areas by reforestation with economic and ecologic purposes | 8.17.2010 | US\$ 11,338,511.25 R\$ 20,000,000.00 | US\$ 9,963,879.01 R\$ 17,575,286.19 87,88% |
| Family Farming Value Chains in the State of Mato Grosso Alternative Technology Center Association (CTA) | Amazon Portal region and mid-northern and southeastern parts of the state of Mato Grosso | To support the strengthening of family farming in municipalities in the Amazon biome in the southeast region of the state of Mato Grosso by implementing and consolidating agroforestry systems, supporting collective processing facilities and structuring trading channels for products derived from these systems | 9.2.2014 | US\$ 1,447,876.95 R\$ 3,238,032.00 | US\$ 1,098,649.03 R\$ 2,456,955.37 75,88% |
| New Paths in Cotriguaçu Municipality of Cotriguaçu | Municipality of Cotriguaçu, state of Mato Grosso | To support the strengthening of environmental management in the municipality of Cotriguaçu by: (i) building and structuring the facilities of the Municipal Environment Department; (ii) recovering degraded permanent preservation areas (APPD) in rural properties of up to four tax modules and those surrounding water bodies in public areas; and (iii) implementing demonstrative units of pasture recovery and management | 7.22.2014 | US\$ 891,047.31 R\$ 1,981,511.00 | US\$ 602,704.40 R\$ 1,340,297.41 67,64% |

(To be continued)

(Continued)

| PROJECTS IN PROGRESS | | | | | |
|---|---|---|------------------|---|---|
| Project/Project management | Territorial scope | Objective | Date of approval | Amazon Fund support | Amount/ Percentage disbursed |
| Portal Seeds - Phase II Ouro Verde Institute (IOV) | Eight municipalities of the region known as Amazon Portal in the far north of the state of Mato Grosso: Apiacás, Alta Floresta, Carlinda, Colíder, Nova Canaã do Norte, Nova Guarita, Nova Santa Helena and Terra Nova do Norte | To support the recovery of degraded areas and the strengthening of family farming in the Amazon Portal region, in the state of Mato Grosso, by implementing and consolidating agroforestry systems, with agroforestry planting and enhancement, structuring of trading channels for products and seeds and research | 10.1.2013 | US\$ 7,213,452.91 R\$ 16,086,000.00 | US\$ 6,028,282.60 R\$ 13,442,603.55 83,57% |
| Forest Sentinels Cooperative of the Farmers in the Vale do Amanhecer (COOPAVAM) | Eight municipalities in the northwest of the state of Mato Grosso (Aripuanã, Brasnorte, Castanheira, Colniza, Cotriguaçu, Juara, Juína and Juruena) | To strengthen the Brazil nut production chain, from harvesting to processing and trading, increasing the income of extraction communities living off forest products in the region | 2.4.2014 | US\$ 2,195,440.85 R\$ 5,288,817.00 | US\$ 2,148,458.42 R\$ 5,175,522.50 97,86% |
| Productive Sociobiodiversity in Xingu Socioenvironmental Institute (ISA) | Xingu River basin, covering 11 municipalities in the state of Mato Grosso and two municipalities in the state of Pará | To structure and strengthen sociobiodiversity value chains in the Xingu River basin, including forest seeds and seedlings, rubber, chestnuts, pequi nuts and fruit, among indigenous populations, extractive communities and family farmers to improve the quality of life of those populations and foster sustainable extractive and agroforestry production | 12.3.2013 | US\$ 3,421,832.91 R\$ 8,023,856.00 | US\$ 3,421,832.91 R\$ 8,023,856.00 100,00% |
| Importance of Forest Environmental Assets State of Acre | State of Acre | To foster sustainable practices to reduce deforestation, with compensation for environmental services, adding value to environmental and forest assets to consolidate a clean, fair and competitive economy, based on Ecological and Economic Zoning | 10.26.2010 | US\$ 35,240,220.84 R\$ 60,000,000.00 | US\$ 31,220,371.65 R\$ 53,155,804.77 88,59% |





ANNEXES

ANNEX 1 – Independent auditor’s report and the financial statements

Fundo
Amazônia

(Administered by Banco Nacional de
Desenvolvimento Econômico e Social - BNDES)

Financial statements

December 31, 2017 and 2016

(A free translation of the original report
in Portuguese containing financial
statements prepared in accordance
with accounting practices adopted in
Brazil)

KPDS 222216

Fundo Amazônia
Financial statements
December 31, 2017 and 2016

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| Statements of changes in shareholders' equity | 8 |
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Independent auditors' report on the financial statements

To the administrator of
 Fundo Amazônia
 Brasília - DF

Opinion

We have examined the financial statements of Fundo Amazônia (the "Fund"), which comprise the balance sheet as at December 31, 2017 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002 R1).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the following section, titled "Auditor's Responsibilities for the Auditing of Financial Statements". We are independent of the Fund in accordance with the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



Administrator's responsibility for the financial statements

The Fund's Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to nonprofit entities (ITG 2000 R1) and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, regardless of whether caused by fraud or error.

In the preparation of the financial statements, Administrator is responsible, limited to prerogatives provided in NBC TG 26, for assessing the ability of the Fund to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless the Administrator intends to wind-up the Fund or cease its operations, or has no realistic alternative to avoid the closure of operations.

Auditors' responsibilities for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, regardless of whether caused by fraud or error, and to issue an auditors' that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material when, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the financial statements, regardless of whether caused by fraud or error, we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, once the fraud may involve the act of dodging the internal controls, collusion, falsification, omission or false intentional representations.
- We obtain an understanding of the internal controls relevant to the audit to design auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and the related disclosures made by the Administrator.
- We conclude on the appropriateness of Administrator's basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Administrator regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide to Administrator a statement that we fulfill the relevant ethical requirements, including the applicable independence requirements, and communicate all of the possible relations or matters that could considerably affect our independence, including, when applicable, the respective disclaimers.

Rio de Janeiro, March 28, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Marcelo Faria Pereira
Accountant CRC RJ-077911/O-2

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

BALANCE SHEETS
December 31, 2017 and 2016
(In thousands of reais)

| | Note | 12/31/2017 | 12/31/2016 |
|---|------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 3,201,236 | 2,877,950 |
| Prepaid expenses | 5 | 82,846 | 75,772 |
| Total assets | | 3,284,082 | 2,953,722 |
| LIABILITIES AND SHAREHOLDER'S EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Available project funds | 6 | 3,201,229 | 2,877,950 |
| Support funds | 7 | 82,846 | 75,772 |
| Other liabilities | 8 | 7 | - |
| SHAREHOLDER'S EQUITY | | | |
| Accumulated surplus/(deficit) | | - | - |
| Total liabilities and net assets | | 3,284,082 | 2,953,722 |

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

STATEMENT OF INCOME
Years ended December 31, 2017 and 2016
(In thousands of reais)

| | Note | 2017 | 2016 |
|---|------|-----------|-----------|
| Income | | | |
| Income from donations to investments | 6 | 223,761 | 134,146 |
| Revenues from donations to support | 7 | 1,119 | 2,557 |
| Financial income | 4 | 282,144 | 325,142 |
| EXPENSES | | | |
| Expenses with donations to investments | 6 | (223,761) | (134,146) |
| Expenses with remuneration of available project funds | 6 | (282,144) | (325,142) |
| Administrative expenses | 9 | (1,119) | (2,557) |
| SURPLUS/(DEFICIT) FOR THE YEAR | | - | - |

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
December 31, 2017 and 2016
(In thousands of reais)

| | Accumulated surplus/(deficit) |
|------------------------------|----------------------------------|
| Balance at January 1, 2016 | - |
| Year 2016 | - |
| Balance at December 31, 2016 | - |
| Year 2017 | - |
| Balance at December 31, 2017 | - |

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016
(In thousands of reais)

| | Note | 12/31/2017 | 12/31/2016 |
|--|------|------------|------------|
| Cash flow from operating activities | | | |
| Funds received | | | |
| Funds received - Donations | 6 | 273,089 | 331,142 |
| Funds received - Retained (3%) | 6 | (8,193) | (9,934) |
| Funds invested in projects | 6 | (223,761) | (134,146) |
| Financial income | 4 | 282,144 | 325,142 |
| Other liabilities | 8 | 7 | - |
| (=) Net cash generated by operating activities | | 323,286 | 512,204 |
| Cash and cash equivalents at the beginning of the year | | 2,877,950 | 2,365,746 |
| Cash and cash equivalents at the end of year | 4 | 3,201,236 | 2,877,950 |

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

Notes to the financial statements
December 31, 2017 and 2016
(In thousands of reais)

1. CONTEXT OF ACTIVITIES

Fundo Amazônia was created by BNDES Resolution 1640, of September 3, 2008, and commenced its activities on October 9, 2009, engaged in raising donations to non-reimbursable investments in prevention, monitoring and combating against deforestation, and for encouraging conservation and sustainable use of forests in the Amazônia Legal biome, under Decree 6527/2008, amended by Decrees 6565/2008 and 8773/2016.

Fundo Amazônia supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and surveillance;
- Sustainable forest management;
- Economic activities developed on the basis of sustainable use of vegetation;
- Ecologic and economic zoning, land use planning and land tenure;
- Conservation and sustainable use of biodiversity; and
- Recovery of deforested areas.

The management and administration of Fundo Amazônia is responsibility of Banco Nacional do Desenvolvimento Econômico e Social - BNDES, where among others it is responsible for fundraising, contracting and monitoring projects and supported actions, as well as operating as a legal representative.

Fundo Amazônia has a Steering Committee - COFA, which is responsible for determining its guidelines and monitoring the obtained results. The members of this committee are not remunerated for the functions exercised, since their attributions are considered of public interest.

Fundo Amazônia has no legal personality, and its transactions are written up in specific accounts of BNDES.

2. BASIS OF PREPARATION

The financial statements have been prepared and are being presented in accordance with Brazilian accounting practices for nonprofit entities, according to Interpretation ITG 2002 (R1), approved by Resolution 1409, of September 21, 2012, issued by the Federal Accounting Council.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

Notes to the financial statements
December 31, 2017 and 2016
(In thousands of reais)

a) Measuring basis

The financial statements have been prepared on the basis of historical cost, except for investments, recorded as "Cash and cash equivalents" and measured at fair value through profit or loss.

b) Functional currency

The Administrator concluded that the Real is the functional currency of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in detail below have been consistently applied to all the years presented in these financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents include high liquidity investments in two investments funds administered by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. - BB DTVM, which have conservative investment portfolio with low risk of change in the market value of investments. Income from investments in BB DTVM is linked to the variation of the quota of invested funds, as described in note 4.

3.2 Available projects funds

Refer to the balance of donations received and not yet allocated, including income from the investment of these resources.

According to Decree 6527/2008 and further amendments, 97% of the resources received are destined to projects. The amounts are recorded as liabilities, less the expenses incurred by each project, so that they do not result in increase or reduction of the shareholders' equity of the Fund, considering that the Fund is only the collecting and forwarding agent for execution of the projects.

3.3 Donations for support

Pursuant to §3 of article 1 of Decree 6527/08 and further amendments, the BNDES should segregate the amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia. Income from costing related to 3% of the donations is accounted for as "Support funds", and recognized according to the use of funds by the BNDES. The transfer of the 3% made by BNDES is presented as "Prepaid Expenses" and recorded as "Administrative Expenses" according to the use by the BNDES.

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

Notes to the financial statements
December 31, 2017 and 2016
(In thousands of reais)

3.4 Statement of cash flows

The Fund opted for the direct method in the presentation of this statement. The funds received from projects were treated as operating activities, since the Fund operates as collecting and forwarding agent for these funds.

4. CASH AND CASH EQUIVALENTS

Composed as follows:

| | 12/31/2017 | 12/31/2016 |
|---|------------------|------------------|
| Financial investment with the Administrator (*) | 3,201,236 | 2,877,950 |
| TOTAL | 3,201,236 | 2,877,950 |

(*) The Administrator maintains the Fund's resources in the investment fund BB Gaia Fundo de Investimento Renda Fixa (BB Gaia FIRF), whose portfolio is concentrated on Brazilian government bonds, and in BB Gaia II Fundo de Investimento em Cotas de Fundo de Investimento Renda Fixa (BB Gaia II FIC FIRF), which concentrates at least 95% of its equity in quotas of BB Gaia FIRF. Both funds have daily liquidity clause.

Pursuant to Decree 6527/08 and further amendments, the percentage of 97% of the donations received is destined to projects. The Fund segregates these resources in specific investment account. The resources, while not allocated to projects, are invested by the BNDES in the aforementioned exclusive funds, administered and managed by BB DTVM, and remunerated based on the yield rate of each of them.

Additionally, the exclusive fund BB Gaia II FIC FIRF was created in compliance with Board Decision 832/2012, which established the accounting segregation of values obtained from Brazilian public sources, which cannot be destined to projects carried out by the Federal Government.

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Changes in cash and cash equivalents are as follow:

| 12/31/2017 | | | | |
|--|------------------|----------------------------|--------------------------------|------------------|
| | Total | Project funds (Gaia FI) | Project funds (Gaia II FIC) | Support funds |
| Balance at January 1st, 2017 | 2,877,950 | 2,863,777 | 14,173 | - |
| Income | 282,144 | 280,696 | 1,448 | |
| Funds retained by BNDES (3%) | (8,193) | - | - | (8,193) |
| Funds to return | 7 | 7 | | |
| Funds released | (223,761) | (223,761) | - | - |
| Donations received | 273,089 | 263,127 | 1,769 | 8,193 |
| Norwegian Ministry of Foreign Affairs | 139,272 | 135,094 | - | 4,178 |
| KFW | 131,993 | 128,033 | - | 3,960 |
| Petrobras | 1,824 | - | 1,769 | 55 |
| Balance at December 31, 2017 | 3,201,236 | 3,183,846 | 17,390 | - |

| 12/31/2016 | | | | |
|--|------------------|----------------------------|--------------------------------|------------------|
| | Total | Project funds (Gaia FI) | Project funds (Gaia II FIC) | Support funds |
| Balance at January 1st, 2016 | 2,365,746 | 2,354,170 | 11,576 | - |
| Income | 325,142 | 323,475 | 1,667 | - |
| Funds retained by BNDES (3%) | (9,934) | - | - | (9,934) |
| Transfer of funds | - | 20 | (20) | - |
| Funds released | (134,146) | (134,146) | - | - |
| Donations received | 331,142 | 320,258 | 950 | 9,934 |
| Norwegian Ministry of Foreign Affairs | 330,163 | 320,258 | - | 9,905 |
| Petrobras | 979 | - | 950 | 29 |
| Balance at December 31, 2016 | 2,877,950 | 2,863,777 | 14,173 | - |

FUNDO AMAZÔNIA
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Notes to the financial statements
December 31, 2017 and 2016
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5. PREPAID EXPENSES

The balance of prepaid expenses is comprised of the equivalent to 3% of the value of donations, retained by BNDES to cover operating costs of Fundo Amazônia, net of amounts recognized as "Administrative Expenses" at Fundo Amazônia according to the use by BNDES.

6. AVAILABLE PROJECTS FUNDS

The balance of project funds was received from the following donors: (i) Norwegian Ministry of Foreign Affairs, (ii) KFW and (iii) Petrobras, and are destined to specific projects and associated to the purpose of Fundo Amazônia.

Changes in the available project funds are as follows:

| | 12/31/2017 | 12/31/2016 |
|---|------------------|------------------|
| Balance at the beginning of the year | 2,877,950 | 2,365,746 |
| Income | 282,144 | 325,142 |
| Funds released | (223,761) | (134,146) |
| Donations received (*) | 264,896 | 321,208 |
| Balance at the end of the year | 3,201,229 | 2,877,950 |

(*) Net amount of the portion of 3% destined to cover costs.

The amount of R\$ 223,761 (2016: R\$ 134,146) is recorded in the statement of income as "Income from donations to investments" and "Expenses with donations to investments", annulling each other because Fundo Amazônia is a nonprofit entity.

Since the beginning of its activities to December 31, 2017, Fundo da Amazônia received funds from the following donors:

| Up to 12/31/2017 | | | |
|---------------------------------------|---------------------|----------------------|------------------|
| Donor | Support funds 3% | Project funds 97% | Total 100% |
| Norwegian Ministry of Foreign Affairs | 87,430 | 2,826,925 | 2,914,355 |
| KFW | 5,781 | 186,909 | 192,690 |
| Petrobras | 481 | 15,565 | 16,046 |
| Total | 93,692 | 3,029,399 | 3,123,091 |

FUNDO AMAZÔNIA
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| Up to 12/31/2016 | | | |
|---------------------------------------|---------------------|----------------------|------------------|
| Donor | Support funds 3% | Project funds 97% | Total 100% |
| Norwegian Ministry of Foreign Affairs | 83,252 | 2,691,831 | 2,775,083 |
| KFW | 1,821 | 58,876 | 60,697 |
| Petrobras | 426 | 13,796 | 14,222 |
| Total | 85,499 | 2,764,503 | 2,850,002 |

7. SUPPORT FUNDS

The balance of support funds refers to the portion of the donation (3%) retained by BNDES not yet recognized as "Income from donation". Income from donation is recognized according to the use of support funds by BNDES. As of December 31, 2017, the amount of R\$ 8,193 was allocated for support (2016: R\$ 9,934).

8. OTHER LIABILITIES

It refers to the amount of R\$ 7 for investment overpaid in the Fundo BB Gaia in 2017, to be returned to BNDES in 2018.

9. ADMINISTRATIVE EXPENSES

In the year ended December 31, 2017, the amount of R\$ 1,119 (2016: R\$ 2,557) was recognized as administrative expenses, where the most relevant ones are: publicity, travels and lodging, lecturers and events and audit services.

10. TAXES

Any tax liability resulting from operations in the ambit of Fundo Amazônia is responsibility of BNDES, since the Fund does not have its own legal personality, and its transactions are written up in specific bookkeeping accounts of BNDES.

FUNDO AMAZÔNIA
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 Econômico e Social - BNDES)

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Pis and Cofins

According to article 1 of Law 11828, of November 20, 2008, amend by Law 12810, of May 15, 2013, donations in cash received by public financial institutions controlled by the Federal Government and intended for actions to prevent, monitor, combat deforestation, including compensation programs for environmental services, and promoting conservation and sustainable use of Brazilian biomes are exempted from PIS-PASEP and from the Contribution for the Financing Social Security (COFINS).

Income and social contribution taxes

There is no income to be presented for taxation of income tax (IRPJ) and social contribution on net income (CSLL). The income from donation is recognized at the same time as the recognition of operating expenses with projects intended within the scope of Fundo Amazônia (as approved by inquiry 59 SRRF07/Disit, 08/06/2009, performed by BNDES to the Federal Revenue Department). The same occurred in relation to the financial income derived from investments in investment funds.

11. RELATED PARTY TRANSACTIONS

Fundo Amazônia has a relationship with BNDES, which is authorized to earmark the value of donations received in cash to non-reimbursable investments in prevention, monitoring, combating deforestation and promotion of conservation and sustainable use of the Amazon biome. The relationship mentioned refers to values corresponding to "cash and cash equivalents" (as mentioned in Note 4), which are held in bank accounts held by BNDES.

Additionally, BNDES holds an amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia, see further explanations in note 5 "prepaid expenses".

12. SHAREHOLDERS' EQUITY

The shareholders' equity of Fundo Amazônia is composed of surplus/(deficit) for the years.

13. RISK MANAGEMENT

On December 31, 2017 and 2016, the Fund does not present material credit, liquidity, market and operational risks, since it has very limited operations. The Fund has concentration of credit risk with its Administrator (invested funds) as shown in Note 4. The book values represent the Fund's credit risk amount.

FUNDO AMAZÔNIA
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Notes to the financial statements
December 31, 2017 and 2016
(In thousands of reais)

EXECUTIVE BOARD:

Paulo Rabello de Castro - President

Cláudia Pimentel Trindade Prates

Carlos Alexandre Jorge da Costa

Carlos Thadeu de Freitas Gomes

Eliane Aleixo Lustosa de Andrade

Marcelo de Siqueira Freitas

Marilene de Oliveira Ramos Múrias dos Santos

Ricardo Luiz de Souza Ramos

SUPERINTENDENT OF THE CONTROLLERSHIP DEPARTMENT:

Vânia Maria da Costa Borgerth

Accountant - CRC-RJ 064817/O-3

HEAD OF THE DEPARTMENT OF FINANCIAL REPORTS:

Alexandre Cordeiro de Andrade

Accountant - CRC-RJ 080694/O-0

ANNEX 2 – Compliance audit report

NATIONAL BANK FOR ECONOMIC AND SOCIAL
DEVELOPMENT - BNDES

Ref.: Independent auditor's limited
assurance report

JC/CM/LL/LFFMM/AG/SC

16081/18

NATIONAL BANK FOR ECONOMIC AND SOCIAL DEVELOPMENT - BNDES

Independent auditor's limited assurance report

Contents

1. Introduction
2. Procedures applied
3. Scope and limitations
4. Projects supported
5. Environmental aspects of the analyzed projects related to the Amazon Fund
6. Conclusions

2



INDEPENDENT AUDITOR'S REPORT

To the
MANAGEMENT OF
National Bank for Economic and Social Development - BNDES
RIO DE JANEIRO - RJ

1. Introduction

We were engaged for the purpose of applying limited assurance procedures intended to check the compliance of projects supported by Amazon Fund in 2017 with standards and guidelines applicable to them.

Our responsibility is to issue a limited assurance report on the compliance of the projects supported by the Amazon Fund.

2. Procedures applied

The limited assurance procedures were followed according to the Standard NBC TO 3000 - Assurance Engagement Different from Audit and Review, issued by the Federal Association of Accountants (CFC) and approved by CFC Resolution 1.160/2009, and to ISAE 3000 - International Standard on Assurance Engagements, issued by International Auditing and Assurance Standards Board (IAASB), both for assurance engagements different from audit or review of historic financial information.

The limited assurance procedures comprise:

- a) Planning of the work, considering the relevance, coherence, and volume of quantitative and qualitative information;
- b) Understanding the methodology of analysis of the projects by means of interviews with the managers responsible for the information;
- c) Examining analysis reports, BNDES' management decisions and contracts, checking their compliance with Decree No. 6.527, of August 1, 2008, which addresses the creation of the Amazon Fund by the Brazilian Development Bank (BNDES), particularly the compliance with the provisions of Article 1, and with the standards and guidelines issued by the Amazon Fund Guidance Committee (COFA);



d) Evaluating the purpose compliance (products and services), expected results and objectives of the projects analyzed by the technical teams of BNDES, approved by its Management, engaged or to be engaged, to verify their compliance, when applicable, with the strategic guidelines included in the Sustainable Amazon Plan (PAS), and with the tactical and operational guidelines of the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM) and with the National Strategy for Reduction of Greenhouse Gas Emission Arising from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Increase in Forest Carbon stocks (ENREDD+);

e) Crosschecking the quantitative and qualitative information of the analysis reports and their conclusions against management decisions and the contracts entered into between BNDES and the executors of the projects.

3. Scope and limitations

The purpose of our work was the application of limited assurance procedures on the compliance by BNDES with the provisions of Decree No. 6.527/2008 in regard to supportable actions, with the guidelines and criteria issued by the Amazon Fund Guidance Committee (COFA) and, when applicable, with the strategic guidelines included in Sustainable Amazon Plan (PAS), and with the tactical and operational guidelines of the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM), and with the National Strategy for Reduction of Greenhouse Gas Emission Arising from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Increase in Forest Carbon stocks (ENREDD+), not including an evaluation of the compliance by the beneficiaries of the projects with the obligations agreed with BNDES.

The procedures followed and pertinent analyses made were restricted to the documents made available by BNDES, and their authenticity was not subject to validation.

The procedures applied do not represent an exam of financial statements according to Brazilian and international audit standards.

Our report does not provide limited assurance on targets met, results and expectations, and on information involving subjective evaluation.

Additionally, procedures to identify frauds and the expert exam of documents were not performed.



4. Projects supported

During the performance of the limited assurance work, we analyzed the approvals and contracts of non-reimbursable financial support to projects during 2017, comprising the following executors and their current status:

a) Projects approved in 2016 and contracted in 2017:

| | |
|---------------------------|--|
| Operation No. 5514535 (*) | CAR Paraná |
| Operation No. 5667923 (*) | CTI PNGATI - Consolidation of Territorial and Environmental Management in Indigenous Lands |

b) Projects approved and contracted in 2017:

| | |
|---------------------------|--|
| Operation No. 5731896 (*) | Communal Forests |
| Operation No. 5815810 (*) | ADAI - Use of social technologies to reduce deforestation |
| Operation No. 5818815 (*) | IMAFLORE - Valuable Forests - New business models for the Amazon |
| Operation No. 5958031 (*) | Sustainable Tapajós |

c) Projects approved in 2017 and to be contracted in 2018:

| | |
|---------------------------|--|
| Operation No. 5667925 (*) | AFP PNGATI - Kayapó territory, culture and autonomy |
| Operation No. 5697421 (*) | AMIQCB - Preserving the Babassu Forest |
| Operation No. 5814060 (*) | EST-MA CAR - More sustainability in the field |
| Operation No. 5928469 (*) | ICV - Adding Value to Amazonian Socioproductive Chains |
| Operation No. 5954557 (*) | INPE 2 Other Biomes - Environmental Monitoring of Brazilian Biomes |
| Operation No. 5960951 (*) | IDESAM Forest Cities |
| Operation No. 5991281 (*) | IMAZON 2 - Everlasting Forest |
| Operation No. 6002928 (*) | Plantar Rondônia |

(*) BNDES internal numbering

5. Environmental aspects of the analyzed projects related to the Amazon Fund

By the end of present work, we were provided with elements that contributed to a better understanding of the matter, both in regard to its current stage and future prospects, in order to assist the decision-making process. There is a great opportunity to promote environmental, social, and economic development and forest conservation in the areas covered by the Fund, with an actual prospect of containment of deforestation in Legal Amazon, and to enable alternatives for protection and sustainable use of the forest, based on the mechanisms and processes included in PPCDAM, PAS, ENREDD+ and in the legal provisions of Decree No. 6.527/2008 and Law No. 12.187/2009.



The analysis of the proposed projects and of the procedures and criteria used in the release of funds from the Amazon Fund has made apparent the axes that guide the scope of these projects and the release of the funds: land use; control and monitoring; promotion of sustainable production activities; science, innovation and economic instruments.

6. Conclusions

a) We crosschecked the clauses of the contracts for financial support to the projects listed in item 4, sub-item "a" (projects approved in 2016 and contracted in 2017) against the wording of BNDES' management decisions, which approved the financial contribution.

We found that the purpose established in BNDES' management decisions, that approved the financial support to the projects was maintained in the contracts. We also found that the contracts did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

The analysis reports and management decisions referring to these projects were the object of our assurance analysis, for the year 2016. The audit report issued on January 24, 2017 concluded on the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

b) We have crosschecked the information included in the analysis reports of the projects listed in item 4, sub-items "b" and "c" (projects approved and contracted in 2017 and projects approved in 2017 and to be contracted in 2018) against the requirements of Decree nº 6.527/2008, the criteria and guidelines established by COFA and, when applicable, with the strategic orientations of PAS and with the tactic-operational guidelines of PPCDAM, and with ENREDD+.

We did not find any non-conformances.

c) We crosschecked the wording of BNDES' management decisions which approved the financial support to the projects listed in item 4, sub-items "b" and "c" (projects approved and contracted in 2017, and projects approved in 2017 and to be contracted in 2018) against the information included in the analysis reports.



We found that the purpose of the projects, object of the analysis reports issued by BNDES' technical teams, was maintained upon the approval of BNDES' management. We also found that the management decisions did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

d) We crosschecked the clauses of the contracts for financial support to the projects listed in item 4, sub-item "b" (projects approved and contracted in 2017) against the wording of BNDES' management decisions.

We found that the purpose established in BNDES' management decisions, that approved the financial support to the projects was maintained in the contracts. We also found that the contracts did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

Rio de Janeiro, March 27, 2018.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/F

Julian Clemente

Accountant CRC 1 SP 197232/0-6 - S - RJ

Cristiano Mendes de Oliveira

Accountant CRC 1 RJ 078157/0-2

ANNEX 3 – Guidelines and criteria for allocation of resources and focuses in 2017 and 2018

| Projects in the Brazilian Amazon | | Projects in Brazil outside the Brazilian Amazon | | Projects in other tropical countries | |
|----------------------------------|---|---|---|--------------------------------------|---|
| A | Guidance Criteria | G1-G4 | Guidance Criteria | H1-H3 | Guidance Criteria |
| B | Minimum Requirements for Projects | G5-G14 | Minimum Requirements for Projects | H4-H12 | Minimum Requirements for Projects |
| C | Resource Application Modalities | G15-G16 | Resource Application Modalities | H13-H14 | Resource Application Modalities |
| D | Resource Use Restrictions | G17-G19 | Resource Use Restrictions | H15-H17 | Resource Use Restrictions |
| E | Equality Criteria in Resource Application | G20 | Equality Criteria in Resource Application | H18 | Equality Criteria in Resource Application |
| F | Resource Application Limitations | | | | |

| Amazon Fund's Support Focuses in 2017 and 2018 | |
|--|--|
| I1-I3 | General Guidance |
| I4-I6 | Operational Modalities |
| I7-I10 | Brazilian Amazon – Monitoring and Control |
| I11-I13 | Brazilian Amazon – Fostering Sustainable Production Activities |
| I14-I18 | Brazilian Amazon - Land-title regularization and land-use planning |
| I19-I24 | Brazilian Amazon – Science, Innovation and Economic instruments |
| I25-I26 | Amazon Fund support in Brazil outside the Brazilian Amazon |
| I27 | Amazon Fund support in other tropical countries |

CONSOLIDATED ON OCTOBER 20, 2017

Guidelines and criteria for the application of the Amazon Fund's resources in the Brazilian Amazon

| Application | Application limit of the total resources available in the year | Tables |
|----------------------------------|--|--------|
| Projects in the Brazilian Amazon | No limits | A-F |

A. GUIDANCE CRITERIA

| Code | Criteria |
|------|--|
| A1 | Topic |
| A2 | Geography |
| A3 | Diversity of Agents involved and Shared Governance |
| A4 | Target Audience |
| A5 | Importance |

B. MINIMUM REQUIREMENTS FOR PROJECTS

| Code | Condicionantes |
|------|--|
| B1 | Result Indicators |
| B2 | Applicants/Executors |
| B3 | Social Participation |
| B4 | Consistency with the Amazon Fund topics |
| B5 | Consistency with the federal plan and the state plans to prevent and combat deforestation and Proveg |
| B6 | Consistency with ENREDD+ |
| B7 | Additionality of Resources |
| B8 | Counterpart funds |
| B9 | Territorial Base |
| B10 | Publicity and Transparency |
| B11 | Project Sustainability |
| B12 | Non-concentration of resources |
| B13 | Benefits of collective use |
| B14 | Not replacing other sources of financing |

C. RESOURCE APPLICATION MODALITIES

| Code | Modalities |
|------|------------------------------------|
| C1 | Direct Application – Investment |
| C2 | Direct Application – Financing |
| C3 | Payment for environmental services |
| C4 | Indirect Application |

D. RESOURCE USE RESTRICTIONS

| Code | Restrictions |
|------|------------------------|
| D1 | Daily payment |
| D2 | Payment to Individuals |
| D3 | Taxes |

E. EQUALITY CRITERIA IN RESOURCE APPLICATION

| Code | Criteria |
|------|--|
| E1 | Equality in resource application per state |
| E2 | Equality per type of proponent |

F. RESOURCE APPLICATION RESTRICTIONS

| Code | |
|------|---|
| F1 | Projects with economic purposes |
| F2 | Projects with economic purposes to support socially-disadvantaged groups |
| F3 | Projects with economic purposes of collective use Local Production Arrangements (APLs) |
| F4 | Projects with economic purposes of scientific and technological research developed in cooperation with Technology Institutions (ITs) and entities with economic purposes. |

GUIDANCE CRITERIA

A1 – Topic

The Amazon Fund supports projects in the following thematic areas:

- Management of public forests and protected areas;
- Control, monitoring and environmental inspection;
- Sustainable forest management;
- Economic activities developed from the sustainable use of vegetation;
- Ecological and economic zoning, territorial planning and land regularization;
- Conservation and sustainable use of biodiversity; and
- Recovery of deforested areas.

The projects should follow the focus established in these guidelines in Table I.

A2 – Geography

- Projects carried out in the priority municipalities to prevent, monitor and combat deforestation (these municipalities are defined in accordance with Article 2 of Law Nº. 6,321/2007);
- Projects carried out in municipalities under area of influence of major infrastructure works;
- Projects carried out in municipalities / regions with greater conservation of forest cover and
- Projects carried out in priority areas for the conservation of biodiversity or the improvement of the conservation status of endangered species of fauna and flora.

A3 – Diversity of Agents Involved and Shared Governance

Projects involving contact between diverse agents from the public and private sector, third sector or local communities with a shared governance structure.

A4 – Target Audience

Projects involving direct benefits for traditional communities, settlements and family farmers.

A5 – Importance

Projects with the highest potential for replication

Projects with the highest potential impact (e.g. R\$/ sustainably managed or protected hectares of forest)

MINIMUM REQUIREMENTS FOR PROJECTS

B1 – Result Indicators

Project must include measurable indicators for results that are directly related to the Amazon Fund's goals .

B2 – Applicants / Executors

Projects must include agreement of all partners and co-executors.

B3 – Social Participation

Projects involving traditional communities and indigenous people must necessarily present documents certifying the previous consent of these communities or their representative institutions. The communities involved should be explained in the project.

B4 – Consistency with the Amazon Fund topics

Projects must be compatible with at least one topic, as stated in Law Nº. 6,527/2008.

B5 – Consistency with the Federal Plan and State Plans to Prevent and Combat Deforestation and Proveg

Projects must demonstrate clear coherence with actions foreseen in the Plan for the Prevention and Control of Deforestation in the Legal Amazon - PPCDAM, in the State Plans for Prevention and Combat of Deforestation and, when applicable, with the National Policy for the Recovery of Native Vegetation - Proveg.

B6 – Consistency with ENREDD+

Projects must demonstrate clear consistency with the National Strategy for Reducing Emissions of Greenhouse Gases from Deforestation and Forest Degradation, Forest Carbon Stocking, Sustainable Forest Management, and Forest Carbon Stock Enhancement – ENREDD+.

B7 – Additionality of Resources

Projects must respect the principle of additionality to the direct public budgets allocated to the Amazon Fund's application areas. In applying this criterion the following aspects may be considered:

- The average direct public budget executed in the previous two (2) years in the public budget invested in the proposed action;
- Variation of the budget of the responsible institution or government body compared to the variation of the budget of the federative entity to which it is linked or integrates (in relation to the previous year);
- Forecasts from current government pluri-annual plans (PPAs)

B8 – Counterpart funds

Projects must present counterpart funds and/or non-financial contributions, showing additionalities to resources received from the Amazon Fund and produce a multiplying effect for fund investments. Counter-applications can be in the form of financial resources directly invested in the project or by providing infrastructure, personnel and other indirect forms.

B9 – Territorial Base

Projects must clarify their territorial base (state and, where applicable, municipality)

B10 – Publicity and Transparency

Projects must present a disclosure mechanism of its implementation through the Internet.

B11 – Project Sustainability

Submit support strategies for the project's results after its implementation.

B12 – Non-concentration of resources

In the Fund's efforts, there must be an effort to balance support in all its topic areas, in accordance with the priorities that are established.

B13 – Benefits of Collective Use

The results of projects with economic purposes should prioritize collective or public benefits related to:

- The productive infrastructure, services and inputs for collective use, without prejudice to the individual appropriation of benefits by the target population of the Amazon Fund (item A 4);
- Studies and surveys with results available to the community;
- Training and capacity building open to the community;
- Technological development with results open to the community, whenever feasible;
- Replicable innovations with practical applications;
- Other collective benefits identified in the project evaluation process.

B14 – Not replacing other sources of financing

The Amazon Fund resources cannot replace other available sources of financing.

RESOURCE APPLICATION MODALITIES**C1 – Direct Application – Investment**

Applications made directly by project executors, even through third-party contracts. This includes investments in buildings, equipment, training and qualification to establish initiatives. Projects may use more than one modality.

C2 – Direct Application – Financing

Applications made directly by project executors, even through third-party contracts.

This includes travel expenses/field missions, individual or company consulting, field materials, communication, among others. Projects may use more than one modality.

C3 – Payment for environmental services

Payments made to providers of environmental services. Projects may use more than one modality.

C4 – Indirect Application

Indirect applications by aggregating small projects, including funds and other organizations that implement projects.

RESOURCE USE RESTRICTIONS

D1 – Out-of-pocket expense payments

No out-of-pocket expense payments will be made to public agents, such as civil servants, public employees or any person in a public post. This restriction does not apply in the case of financing for research activities.

D2 – Payment to Individuals

Payments of salaries or any type of remuneration may not be made to public agents, such as civil servants, public employees or any person in a public post in the three spheres of government (this restriction does not apply to the payment of research or study scholarships specifically related to the project).

D3 – Taxes

Resources cannot be applied to pay taxes that are not inherent or an integral part of financing or investments made by the project (restriction does not apply to taxes related to project activities, such as ICMS (valued-added tax on sales and services) included in the price of products; INSS (National Institute of Social Security) on the payment for the services of individuals etc.)

EQUALITY CRITERIA IN RESOURCE APPLICATION

E1 – Equality in resource application per state

Avoid concentration of project resources in one state only

E2 – Equality per type of applicant

Avoid concentration of resources among applicants: government agencies, research institutions and civil society organizations. Within the context of the Amazon Fund, civil society includes non-governmental organizations, unions/guilds (representations for categories), firms and other institutions governed by private law.

RESOURCE APPLICATION LIMITATIONS

F1 – Projects with economic purposes

The Amazon Fund maximum participation:

- 90% for projects that involve small and micro businesses, producer cooperatives or associations with annual gross operating revenues less than or equal to R\$ 3.6 million;
- 70 % for projects that involve medium-sized businesses, producer cooperatives or associations with annual gross operating revenue above R\$ 3.6 million and less than or equal to R\$ 300 million;
- 50% for projects that involve large companies, producer cooperatives or associations with annual gross operating revenue above R\$ 300 million.

Note: in the event of early activities on the calendar year, above limits will be proportional to the number of months in which the company has been operating, not considering fractions of months. In the case of companies under implementation, the annual sales projection will be considered, taking into account the total installed capacity. When the company is controlled by another company, or belongs to a business group, the size classification will consider the consolidated gross operating revenue.

F2 – Projects with economic purposes to support socially disadvantaged groups

Maximum share of the Amazon Fund, in duly justified cases: 100%. Economic results brought about by projects to support socially-disadvantaged groups should be distributed to the members, regardless of who the applicant is.

F3 – Projects with economic purposes for Local Production Arrangements (APLs) for collective use

Maximum share of the Amazon Fund: 90%

F4 – Projects with economic purposes for scientific and technological research developed in cooperation with Technology Institutions (ITs) and companies with economic purposes

Maximum share of the Amazon Fund:

90 % for projects involving small and micro businesses, producer cooperatives or associations with annual gross operating revenues less than or equal to R\$ 10.5 million;

80% for projects involving medium-sized businesses, producer cooperatives or associations with annual gross operating revenue greater than R\$ 10.5 million and less than or equal to R\$ 60 million;

70% for projects involving large companies, producer cooperatives or associations with annual gross operating revenue above R\$ 60 million - see note in item F1

- Beneficiaries of the financial resources from the Amazon Fund will be Technological Institutions (ITs) and/or Support Institutions (IAs).
- Technological Institution (IT): companies governed by internal public law or an entity directly or indirectly controlled by it or a non-profit company governed by, private law, whose institutional mission, among others, is to carry out basic or applied research activities of a scientific or technological character, as well as technological development.
- Supporting Institutions (IA): non-profit institutions created to support research, teaching, and extension and institutional, scientific and technological development of interest to higher education institutions and scientific and technological research institutions and those institutions created under the terms of law N°. 8,958, of December 20, 1994, which have the same purpose;
- Companies and/or other entities with economic purposes with strategic interest in research will not be direct beneficiaries of resources. They intermediate financing operations and will provide financial contribution to supplement the Amazon Fund's resources.
- Support is offered to investments made to benefit the Technological Institutions (IT), with a special purpose to meet project goals;
- Participation in the intellectual property and economic results from project creations will adhere to provisions in the Innovation Law (Law N°. 10,973, of December 2, 2004). Thus, the parties, in an agreement, will establish the ownership of intellectual property and profit sharing. Provided they are established in the agreement, these will be proportionately secured at a rate equivalent to the aggregate value of existing knowledge at the beginning of the partnership and of human, financial and material resources allocated by the Contracting Parties in the project.
- During analysis, the BNDES will check related aspects of intellectual property rights resulting from the research, development and innovation project so as to avoid, when appropriate, practices that restrict use and assignment of these rights. In addition to the matters referred to, the BNDES, in the analysis stage, will also verify the criteria for divvying up the project's financial results.

Guidelines and criteria for the application of the amazon fund's resources in projects to develop systems to monitor and control deforestation in Brazil outside the Brazilian Amazon

| Application | Application limit of the total resources | Tables |
|--|--|---------|
| Projects in Brazil outside the Brazilian Amazon and other tropical countries | 20% | G and H |

GUIDANCE CRITERIA

G1 – Diversity of Agents Involved and Shared Governance

Projects involving contact between diverse agents, public, private and third sector or local communities with a shared governance structure.

G2 – Relevance

Projects that develop and implement long-term monitoring methodology for REDD.

G3 – Priority

Within the scope of support for other Brazilian biomes, priority will be given to permanent monitoring system projects per biome, which contribute to nationwide system for monitoring and controlling deforestation, burn-offs and forest fires, in accordance with the prevention and control plans.

G4 – Scope

Rural Environmental Registration (CAR) projects and integration of state forest management data into the National Forest Control Origin System - Sinaflor are considered part of environmental control systems.

MINIMUM REQUIREMENTS FOR PROJECTS

G5 – Result Indicators

Projects must include measurable result indicators that are directly related to implementing systems so as to monitor deforestation or forest degradation.

G6 – Applicants / Executors

Projects must include agreement between all partners and co-executors.

G7 – Social Participation

Projects must have a monitoring phase, necessarily featuring governmental entities and civil society. Projects involving the development of monitoring systems should have a monitoring phase that necessarily includes the participation of governmental entities and civil society. Communities involved should be explained in the project.

G8 – Contribution to REDD

Projects must contribute directly or indirectly towards REDD.

G9 – Additionality of Resources

Projects must represent additionality to the public budgets destined to the areas of application of the Amazon Fund. In applying this criterion, the following aspects may be considered: the average direct public budget executed in the previous two (2) years in the public budget invested in the proposed action; variation of the budget of the responsible institution or government body compared to the variation of the budget of the federative entity to which it is linked or integrates (in relation to the previous year); and forecasts from current government multi-annual plans (PPAs).

G10 – Counterpart funds

Projects must present counterpart funds and/or non-financial contributions, showing additionalities to resources received from the Amazon Fund and produce a multiplying effect for fund investments. Counter-applications can be in the form of financial resources directly invested in the project or by providing infrastructure, personnel and other indirect forms.

G11 – Territorial Base

Projects must necessarily address the monitoring of forests of at least one entire biome.

G12 – Publicity and Transparency

Monitoring systems supported by the Amazon Fund must be based on platforms that enable broad dissemination, transparency and access to data produced, via the internet.

G13 – Project Sustainability

Demonstration of the capacity to economically sustain the project after it is implemented.

G14 – Decentralization of Resources

In the Fund's efforts, there must be an effort to balance support in all its topic areas, in accordance with the priorities that are established.

RESOURCE APPLICATION MODALITY**G15 – Direct Application – Investment**

Applications made directly by project executors, even through third-party contracts.
This includes investments in buildings, equipment, training and qualification to establish initiatives. Projects may use more than one modality.

G16 – Direct Application – Financing

Applications made directly by project executors, even through third-party contracts.
This includes travel expenses/field missions, individual or company consulting, field materials, communication, among others. Projects may use more than one modality.

RESOURCE USE RESTRICTIONS**G17 – Out-of-pocket expense payments**

No out-of-pocket expense payments will be made to public agents, such as civil servants, public employees or any person in a public post. This restriction does not apply in the case of financing for research activities.

G18 – Payment to individuals

Payments of salaries or any type of remuneration may not be made to public agents, such as civil servants, public employees or any person in a public post in the three spheres of government (this restriction does not apply to the payment of research or study scholarships specifically related to the project).

G19 – Taxes

Resources cannot be applied to pay taxes that are not inherent or an integral part of financing or investments made by the project (restriction does not apply to taxes related to project activities, such as ICMS (valued-added tax on sales and services) included in the price of products; INSS (National Institute of Social Security) on the payment for the services of individuals etc.)

EQUALITY CRITERIA IN RESOURCE APPLICATION**G20 – Equality in resource application per state**

Avoid concentration of project resources in one state only

Guidelines and criteria for the application of the Amazon Fund's resources in projects to develop systems to monitor and control deforestation in other tropical countries

| Application | Application limit of the total resources | Tables |
|--|--|---------|
| Projects in Brazil outside the Brazilian Amazon and other tropical countries | 20% | G and H |

GUIDANCE CRITERIA

H1 – Diversity of Agents Involved and Shared Governance

Projects involving contact between diverse agents, public, private and third sector or local communities with a shared governance structure.

H2 – Relevance

Countries with large-scale forest coverage.

H3 – Scope

In other tropical countries, the Amazon Fund support will be limited to projects that contribute to creating or improving systems to monitor forest coverage and deforestation control systems.

Forest coverage monitoring systems is understood as applying techniques that involve processing (e.g., geo-referencing, enhancements and classification) of images of the Earth's surface (aerial or satellite) for the purpose of mapping land cover and use, deforestation, forest degradation and forest regeneration (regeneration and reforestation), using the information produced (e.g., mapping, spatial analysis and statistics) for forest management.

Deforestation control systems include devising action plans to reduce deforestation, developing platforms for measuring, reporting and verifying forest cover data, organizing, managing and making available information on the process of deforestation, such as management plans, authorizations, permits, sale and transportation documents and other forest control documents. It also includes support for the creation and improvement of forest product traceability systems (definition of methodologies and procedures, database development and information management systems).

MINIMUM REQUIREMENTS FOR PROJECTS

H4 – Result Indicators

Projects must include measurable result indicators that are directly related to implementing systems so as to monitor deforestation or forest degradation.

H5 – Applicants / Executors

Projects must be presented by the central government of the beneficiary country, multilateral institutions or by Brazilian governmental institutions, and, in the two latter cases, must have the formal consent of the central government of the country that will benefit from the efforts in the project.

H6 – Contribution to REDD+

Projects must contribute directly or indirectly towards REDD.

H7 – Counterpart funds

Projects must present counterpart funds and/or non-financial contributions, showing additionalities to resources received from the Amazon Fund and produce a multiplying effect for fund investments. The following aspects may be considered: the average direct public budget executed in the previous two (2) years in the public budget invested in the proposed action; variation of the budget of the responsible institution or government body compared to the variation of the budget of the federative entity to which it is linked or integrates (in relation to the previous year); and forecasts from current government multi-annual plans (PPAs). The contributions can be in the form of financial resources directly invested in the project or by the provision of infrastructure, personnel and other indirect forms.

H8 – Publicity and Transparency

Monitoring systems supported by the Amazon Fund must be based on platforms that enable broad dissemination, transparency and access to data produced, via the internet.

H9 – Project Sustainability

Demonstration of the capacity to economically sustain the project after it is implemented. The BNDES will provide a standardized tool for integrating and disseminating updated information to implement all projects.

MINIMUM REQUIREMENTS FOR PROJECTS (cont.)**H10 – Decentralization of Resources**

In the Fund's efforts, there must be an effort to balance support in all its topic areas, in accordance with the priorities that are established.

H11 – Previous phase

As a stage to consider international projects, the BNDES, prior to project eligibility, will request a formal assessment from the Ministry of Foreign Affairs (MRE) on the priority and the impacts of the project with regard to Brazil's foreign relations.

RESOURCE APPLICATIONS MODALITIES**H12 – Direct Application – Investment**

Applications made directly by project executors, even through third-party contracts. This includes investments in buildings, equipment, training and qualification to establish initiatives. Projects may use more than one modality.

H13 – Direct Application – Financing

Applications made directly by project executors, even through third-party contracts. This includes travel expenses/field missions, individual or company consulting, field materials, communication, among others. Projects may use more than one modality.

RESOURCE USE RESTRICTIONS**H14 – Out-of-pocket expense Payment**

No out-of-pocket expense payments will be made to public agents, such as civil servants, public employees or any person in a public post. This restriction does not apply in the case of financing for research activities.

H15 – Payment to Individuals

Payments of salaries or any type of remuneration may not be made to public agents, such as civil servants, public employees or any person in a public post in the three spheres of government (this restriction does not apply to the payment of research or study scholarships specifically related to the project).

H16 – Taxes

Resources cannot be applied to pay taxes that are not inherent or an integral part of financing or investments made by the project .

EQUALITY CRITERIA IN RESOURCE APPLICATION**H17 – Equality in resource application per state**

Avoid project concentration in the same country.

Amazon Fund's Support Focuses in 2017 and 2018

GENERAL GUIDELINES

I 1 – Focuses for 2017 and 2018

The following items define the Amazon Fund's focus for the biennium 2017 and 2018 and establish additional guidelines and criteria. In the absence of a review of these focuses until 12.31.2018 the focuses defined herein will be in force until the next meeting of the Amazon Fund's Guidance Committee or until the approval of the new guidelines.

I 2 – Requirements for supporting states

Support for new projects presented by state governments will be conditional upon the state concerned being in the process of implementing the CAR in its territory, using either their own resources, those from the Amazon Fund or from other sources. Priority should be given to new projects submitted by states that are integrated or in the process of being integrated into the National System of Control of Origin and Forest Products - SINAFLOR, in compliance with article 35 of Law 12.651 / 2012.

Contracts between the Amazon Fund and the states within the Brazilian Amazon must include a contractual obligation for the state to revise their plans to prevent and combat deforestation (PPCDs) if they are outdated, and another obligation to produce and publicize an annual monitoring report on their PPCDs.

I 3 – Exception to the requirement of resource additionality in the Brazilian Amazon

Projects related to item I12 and projects that aim to continue or improve environmental monitoring and control of deforestation, presented by federal or state agencies or public institutions with legal mandate to carry out enforcement actions under the National Environmental System – SISNAMA, may exceptionally be exempted from the minimum condition of additionality of resources mentioned in item B8. Therefore, a technical justification formally presented by the Ministry of Environment will be required, as well as a declaration from the body / applicant institution stating the non-existence of available source of resources for the requested financial support. The above mentioned technical justification and statement are mandatory documents that must accompany the financial support request formally filed at BNDES, which will also check adherence to the conditions established in the donation agreements to the Amazon Fund.

OPERATIONAL MODALITIES

I 4 – Operational modalities

The focuses here defined will be supported through the direct presentation of structuring projects or projects selected through public calls promoted directly by the Amazon Fund (BNDES) or through partner institutions.

Support for scientific and technological development projects will be provided exclusively through the public call modality (promoted directly by the Amazon Fund / BNDES or through a partner institution) or through structuring projects that have the objective of subsidizing the formulation or implementation of public policies, according to criteria to be defined by COFA.

The Amazon Fund's Guidance Committee (COFA) may establish guiding criteria to induce the submission of projects adhering to the focus of the biennium, establishing aspects such as the minimum target scope, supported items, deadlines and other constraints.

I 5 – Structuring projects

Structuring project is one that meets cumulatively the following criteria:

- a. Contributes to the implementation of a public policy.
- b. Will have a decisive impact to solve the problem situation.
- c. Has scale in the territory (whenever the project develops its actions in the territory).

Structuring projects may be proposed by (a) federal government and its agencies; (b) state governments and its agencies; (c) private non-profit organizations or (d) companies.

The criterion "has scale in the territory" will be considered as fulfilled when, for example, the project actions cover in its entirety a set of municipalities, rural settlements or protected areas, a state planning region, the surroundings of major infrastructure works etc. Defining territorial scale must be done in accordance with the project's characteristics and the respective public policies.

I 6 – Call-to-submission

In addition to calls for projects directly promoted by the Amazon Fund (BNDES), support will be granted to partner institutions to promote public calls for projects. The partner institutions must demonstrate experience, knowledge and operational capacity to confer quality and scale to public calls, with partner institutions being understood as entities of the third sector and the federal and state governments.

The Amazon Fund will be permanently open to the presentation by partner institutions of requests for financial collaboration that seek their support for public calls for projects, focusing on the actions prioritized for the biennium 2017 and 2018 in the Legal Amazon.

Public calls promoted directly by the Amazon Fund or indirectly supported through the partner institutions should be publicized on the Amazon Fund's website or the partner institutions responsible, as the case may be.

BRAZILIAN AMAZON - MONITORING AND CONTROL

I 7 – Inspection and control of environmental crimes and infractions

Promotion of inspection, investigation and combat of crimes and environmental infractions, including support: (i) to increase the capacity of environmental inspection, investigation and combat of federal and state governments; (ii) integration of state intelligence and oversight systems with federal systems; (iii) integrated control actions, involving state environmental agencies, IBAMA, FUNAI and ICMBio; (iv) the integrated computerization of state forest management data to SINAFLO, including authorizations to suppress vegetation and management plans and (v) allocation of seized assets.

I 8 – Implementation and effectuation of the Rural Environmental Registry (CAR) and environmental regularization

Promotion of the environmental regularization process through: (i) support for registration in the Rural Environmental Registry (CAR) of small properties or rural family possessions (up to 4 government-established modules), indigenous lands and quilombolas; (ii) support to the integration of state CAR systems into the SICAR Rural Environmental Register System and adaptation of complementary modules for Analysis and Monitoring, management of State Environmental Regularization Programs (PRAs) and Environmental Reserve Quotas (CRAs); (iii) support to the development and implementation of the PRAs; (iv) support for activities to validate enrolments in the CAR; (v) support to the elaboration and validation of projects for the rehabilitation of degraded and altered areas (PRADAs) of small farms or family farms; and (vi) support for structuring and operationalizing the monitoring of the environmental regularity of rural properties.

Support for the implementation of the CAR and the environmental regularization of rural properties will be done primarily through operations with the states, which may sign partnerships / contracts to carry out the necessary actions, in compliance with applicable legislation. However, CAR and environmental regularization projects carried out by other partners in areas that were not included in state-run projects may also receive support.

I 9 – Preventing and combating the occurrence of forest fires

Support for actions to prevent and combat forest degradation caused by fires in native vegetation presented by government agencies operating in the Legal Amazon, military fire brigades or non-governmental organizations in partnership with government agencies, primarily in rural settlements, protected areas and lands of indigenous peoples.

To promote the integration of the information on authorizations of fires issued by the states with the National Fire Information System - Sisfogo, through support to the integration of systems.

I 10 – Improvement and strengthening of plant cover monitoring

Support for the monitoring of deforestation, the dynamics of land use change, forest degradation and burning in the Legal Amazon.

BRAZILIAN AMAZON - FOSTERING SUSTAINABLE PRODUCTION ACTIVITIES

I 11 – Economic activities for the sustainable use of forests and biodiversity

Structuring, strengthening and consolidation of productive chains of socio-biodiversity and family-based sustainable agriculture, including valorization of the extractive economy, timber and non-timber forest management, aquaculture and fishing arrangements, agroecological and agroforestry systems, community-based tourism, sustainable cattle raising and technical assistance for these activities.

I 12 – Green grant program and payments for environmental services

Strengthening of the Environmental Conservation Support Program – “Bolsa Verde” and of incentives for community-based environmental and ecosystem services.

I 13 – Restoration of degraded and altered areas

Support to the implementation of the National Policy for the Recovery of Native Vegetation - Proveg, especially the restoration of degraded and altered areas of: (i) small farms or properties up to 4 government-established modules, with prioritization of PRADAs implementation and (ii) protected areas, indigenous lands and traditional communities.

BRAZILIAN AMAZON – LAND-TITLE AND TERRITORIAL PLANNING

I 14 – Land-title regularization

Support for land-title regularization of public lands, with priority of the critical areas with greater deforestation and agrarian conflicts, including support for the allocation of public lands and the holding of joined efforts for agrarian and environmental regularization. No support will be made available to pay for expropriation.

I 15 – Territorial planning

Support for the elaboration, revision and detailing of ecological-economic zoning (ZEE), including actions to train managers and technicians of government and civil society, and the formulation of action plans that foresee the application of the ZEE in other public policy instruments, such as the Pluri-annual Plan, Environmental Regularization Programs, environmental licensing, rural credit granting and the granting of rights to use water resources.

I 16 – Indigenous lands

Support to the elaboration and implementation of the territorial and environmental management plans for indigenous lands, aligned with the National Policy for the Territorial and Environmental Management of Indigenous Lands - PNGATI, including the protection and surveillance of indigenous lands.

I 17 – Protected areas

Support for the creation, recognition and consolidation of protected areas (nature conservation units and indigenous lands).

Support for the formation of ecological corridors, connecting public and private lands, by means of, among others: (i) the creation of protected areas (nature conservation units); (ii) improvement of the environmental and territorial management of protected areas, including areas of permanent preservation (APP), legal reserve and restricted use; (iii) recovery of degraded areas, in compliance with the provisions of item I 13 and (iv) of the formalization of agreements to maintain corridors.

Support for the restoration and maintenance of priority areas for management of protected areas in buffer zones, noted that support will be limited to small properties or rural family possessions (up to 4 government-established modules).

I 18 – Settlements

Support for the environmental and land regularization of settlements, including the implementation of the “Green Settlements Program” (Program for Prevention, Combat and Alternatives to Illegal Deforestation in Amazon Settlements).

BRAZILIAN AMAZON - SCIENCE, INNOVATION AND ECONOMIC INSTRUMENTS

I 19 – New products from socio-biodiversity

Support for scientific and technological research focused on socio-biodiversity product chains, including the development of new products based on Amazonian biodiversity - pharmaceuticals, phytopharmaceuticals, medicines, cosmetics and other products of interest to the chemical and food industries.

I 20 – Sustainable production activities

Support for scientific and technological research aimed at timber and non-timber forest management, recovery of degraded areas (including species selection, seed management and methods to optimize recovery), integration of crop- livestock-forest (ILPF), fisheries and aquaculture, conservation of water resources and soil.

I 21 – Systems for the monitoring and control of deforestation, forest degradation and fires

Support to the development, implementation and improvement of land use and land cover monitoring systems and control of deforestation, forest degradation, regeneration and fires to quantify deforestation, as a subsidy to public policies to prevent and combat deforestation .

I 22 – Studies, projections and simulations

Support for studies, projections and simulations related to land use and land cover, with the objective of subsidizing the elaboration and implementation of public policies to prevent and combat deforestation and to reduce greenhouse gas emissions resulting from deforestation, according to criteria to be defined by COFA.

I 23 – Community financing

Support for the structuring and contribution of financial resources to community revolving funds or similar instruments to enable the expansion of the value chains of forest management, socio-biodiversity and agroecology.

I 24 – Promotion of public procurement policy

Support for the expansion of the public procurement policy for products originating from forest management, socio- biodiversity and agroecology, aiming to give them support and a greater scale.

AMAZON FUND'S SUPPORT OUTSIDE THE BRAZILIAN AMAZON

I 25 – Rural Environmental Registry (CAR) and environmental regularization of rural properties

Promotion of the environmental regularization process through: (i) support for registration in the Rural Environmental Registry (CAR) of small properties or rural family possessions (up to 4 government-established modules); (ii) support for the integration of state CAR systems into the Rural Environmental Registry System - SICAR and adaptation of complementary modules for analysis and monitoring; and (iii) support to activities for the validation of enrollments in the CAR.

Beneficiaries of CAR support projects outside the Brazilian Amazon must necessarily make a financial contribution. In projects that contemplate states where the cerrado, caatinga and pantanal biomes represent, cumulatively, more than 40% of their territory, financial contributions must be of at least 10% of the total value of the project. In other cases outside the Brazilian Amazon, financial contributions must be of at least 20% of the total value of the project.

Support for the implementation of the CAR will be done primarily through operations with states, which may sign partnerships / contracts to carry out the necessary actions, in compliance with applicable legislation.

I 26 – Deforestation monitoring systems

Support to projects that contribute to the creation or improvement of systems for monitoring forest cover outside the Brazilian Amazon, according to the guidelines and criteria in force (see items G 1 to G 20).

Support for protection and surveillance on indigenous lands.

Promote integrated computerization of state forest management data to the Sinaflor - National Forest Control Source System, including authorizations for suppression of vegetation and management plans.

AMAZON FUND'S SUPPORT IN OTHER TROPICAL COUNTRIES

I 27 – Deforestation monitoring systems in other tropical countries

Support for projects that contribute to the creation or improvement of forest cover monitoring systems and deforestation control systems in other tropical countries, according to current guidelines and criteria (see items H 1 to H 17).

ANNEX 4 – Members and substitutes of COFA in 2017

Federal Government

MINISTRY OF THE ENVIRONMENT

Marcelo Cruz
Everton Frask Lucero

MINISTRY OF INDUSTRY, TRADE AND SERVICES

Gustavo Saboia Fontenele e Silva
Demétrio Florentino de Toledo Filho

MINISTRY OF FOREIGN AFFAIRS

José Antônio Marcondes de Carvalho
Reinaldo José de Almeida Salgado

MINISTRY OF AGRICULTURE, LIVESTOCK AND SUPPLY

José Rodrigues Pinheiro Dória
Pedro Alves Corrêa Neto

MINISTRY OF JUSTICE – NATIONAL INDIAN FOUNDATION

Juan Felipe Negret Scalia
Máximo Oliveira de Souza

MINISTRY OF SCIENCE, TECHNOLOGY, INNOVATIONS AND COMMUNICATIONS

Jailson Bittencourt de Andrade
Fabio Donato Soares Larotonda

OFFICE OF THE CHIEF OF STAFF OF THE PRESIDENT OF THE REPUBLIC

Fabiana Cardoso Martins de Souza
Milena Souto Maior de Medeiros

BRAZILIAN DEVELOPMENT BANK

Marilene de Oliveira Ramos Múrias dos Santos
Gabriel Rangel Visconti

Amazon states

ACRE

Carlos Edegard de Deus
Magaly da Fonseca e Silva Tavares de Medeiros

AMAPÁ

Marcelo Ivan Pantoja Creão
Robério Aleixo Anselmo Nobre

AMAZONAS

Marcelo José de Lima Dutra
Adilson Coelho Cordeiro

MARANHÃO

Marcelo de Araújo Costa Coelho
Adelmo de Andrade Soares

MATO GROSSO

André Luis Torres Baby
Railda Assis dos Santos

PARÁ

Luiz Fernandes Rocha
Justiniano de Queiroz Netto

RONDÔNIA

Vilson de Salles Machado
Francisco de Sales Oliveira dos Santos

RORAIMA

Gilberto Uemura
Rarison Francisco Rodrigues

TOCANTINS

Luzimeire Ribeiro de Moura Carreira
Rubens Pereira Brito

Civil society

NATIONAL CONFEDERATION OF INDUSTRY (CNI)

Mário Augusto de Campos Cardoso
Adelaide de Fátima Gonçalves de Oliveira

COORDINATION OF INDIGENOUS ORGANIZATIONS OF THE BRAZILIAN AMAZON (COIAB)

Kleber Luis Santos dos Santos
Mario Nicacio

NATIONAL CONFEDERATION OF AGRICULTURAL WORKERS (CONTAG)

Rosmari Barbosa Malheiros
Carlos Augusto Santos Silva

BRAZILIAN FORUM OF NGOS AND SOCIAL MOVEMENTS FOR THE ENVIRONMENT (FBOMS)

João Bosco Campos dos Santos
Adriana de Carvalho Barbosa Ramos Barretto

NATIONAL FORUM OF FOREST-BASED ACTIVITIES (FNABF)

Geraldo Bento
Valdinei Bento dos Santos

BRAZILIAN SOCIETY FOR THE PROGRESS OF SCIENCE (SBPC)

Adalberto Luis Val
Maria Olívia de Albuquerque Ribeiro Simão

During 2017, the following members were also active:

Federal Government

MINISTRY OF SCIENCE, TECHNOLOGY, INNOVATIONS AND COMMUNICATIONS

Andrea Ferreira Portela Nunes
Substitute until 10.18.2017

Amazon States

AMAZONAS

Antonio Ademir Stroski

Regular until 10.15.2017

Antônio Luiz Menezes de Andrade

Substitute until 10.15.2017

MATO GROSSO

Rita de Cássio Volpato Castilho

Substitute until 4.6.2017

RORAIMA

Rogério Martins Campos

Regular until 11.20.2017

Paulinho Felippin

Substitute until 11.20.2017

Civil society

NATIONAL CONFEDERATION OF AGRICULTURAL WORKERS (CONTAG)

Antoninho Rovaris

Regular until 8.27.2017

Alessandra da Costa Lunas

Substitute until 8.27.2017

Annex 5 – Cancellations and supplementations

| CANCELED PROJECTS | | | |
|------------------------------|--|----------------------------|----------------------|
| Name of the project | Project management | Value of the support (R\$) | Year of cancellation |
| S.O.S. Cumaru do Norte | Cumaru do Norte Municipality (PA) | 755,299.70 | 2012 |
| Sustainable Porto de Moz | Porto de Moz Municipality (PA) | 337,206.46 | 2014 |
| Anapu Towards the Green Seal | Anapu Municipality (PA) | 431,940.00 | 2014 |
| Sustainable Maranhão | Maranhão State | 20,036,000.00 | 2016 |
| Roraima's Firefighters | Roraima State | 12,800,000.00 | 2016 |
| SEPROR Agroecology | Amazonas State | 14,900,000.00 | 2017 |
| Forest Income | Vale Association for the Sustainable Development – Vale Fund | 35,000,000.00 | 2017 |
| Agroforestry Businesses | Jari Foundation | 2,838,549.00 | 2017 |
| Total | | 87,098,995.16 | |

| PROJECTS WITH REDUCED VALUES | | | | |
|--------------------------------------|---|----------------------------|-------------------------------------|------------------------------|
| Name of the project | Project management | Value of the support (R\$) | Original value of the support (R\$) | Value of the reduction (R\$) |
| Forest Assistance Program | Sustainable Amazon Foundation (FAS) | 19,166,347.89 | 19,169,087.00 | 2,739.11 |
| Protected Areas in the Amazon (ARPA) | Brazilian Biodiversity Fund (FUNBIO) | 19,949,058.91 | 20,000,000.00 | 50,941.09 |
| Portal Seeds | Ouro Verde Institute (IOV) | 5,397,778.87 | 5,423,450.00 | 25,671.13 |
| Preserving Porto dos Gaúchos | Porto dos Gaúchos Municipality (MT) | 120,655.00 | 133,890.00 | 13,235.00 |
| Recovering Marcelândia | Marcelândia Municipality (MT) | 554,215.22 | 669,126.00 | 114,910.78 |
| Dema Fund | Federation of Organs for Social and Educational Assistance (FASE) | 7,615,854.00 | 9,347,384.00 | 1,731,530.00 |
| CAR: Legal Tocantins | Tocantins State | 26,800,000.00 | 40,504,400.00 | 13,704,400.00 |
| Total | | 79,603,909.89 | 95,247,337.00 | 15,643,427.11 |

| PROJECTS WITH SUPPLEMENTATION | | | | | |
|-------------------------------|---|----------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| Name of the project | Project management | Value of the support (R\$) | Original value of the support (R\$) | Value of the supplementation (R\$) | Year of approval of supplementation |
| Knowing to Preserve | Amazon Museum (MUSA) | 9,984,629.00 | 8,454,421.00 | 1,530,208.00 | 2015 |
| Materialize | Association of Small Agro-farmers in the RECA Project | 6,422,748.00 | 4,751,520.00 | 1,671,228.00 | 2015 |
| Total | | 16,407,377.00 | 13,205,941.00 | 3,201,436.00 | |

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