

AMAZON FUND

THE AMAZON FUND'S ANNUAL REPORT 2009





Brazil protects it. The world supports it. Everybody wins.

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MESSAGE FROM THE MINISTER OF THE ENVIRONMENT

The Amazon Fund, which celebrates its first full year of operation, is an immense achievement for Brazilian society. It was made possible thanks to efforts towards combating deforestation in the Amazon over the last few years. The coordinated efforts in inspecting, monitoring, land-use planning and promoting sustainable development, adopted by federal, state, municipal governments, civil society, private players and research organizations, enabled a 70% reduction in the rate of deforestation between 2005 and 2009. Recognizing that the Amazon is heritage that must be preserved has made it possible for Brazil to reach such an excellent result. This upshot can be translated as an important Brazilian contribution to humanity via the mitigation of climate change, among other aspects.

Forest emissions and the use of land, whose main components are deforestation and degradation, account for around 17% of total greenhouse emissions in the world, according to a report from the Intergovernmental Panel on Climate Changes (IPCC) conducted in 2007. In this same year, in Brazil, some 45% of CO₂ - equivalent emissions derived from activities related to forests and land use, according to estimates made by the Ministry of the Environment (MMA).

The relevant role that reducing emissions from deforestation and degradation plays in mitigating the causes of global warming has enabled the Amazon Fund to raise international donations so that Brazil can reinforce its efforts towards combating deforestation and promoting sustainable development in the Amazon. Its simple logic, based on the conversion of Brazil's reduced deforestation into tons of CO₂, and attested to by data from satellite monitoring conducted by the National Institute of Spatial Research (INPE), offers a reliable parameter. Besides this, verification is made easy for donators interested in contributing to the mitigation of climate changes and to the conservation of the Amazon. With this pretext, Norway donated 700 million Norwegian Crowns to the Fund in 2009 and committed to allocating the same amount in 2010 and 2011. It was the first country to acknowledge the importance of the Amazon Fund. According to negotiations between

this country and Brazil, around US\$ 1.0 billion may be donated by 2015. Other countries, including Germany, have already announced they will also make donations.

The Amazon Fund is a remarkable innovation in terms of public policy, as it recognizes the need for a financial instrument with the capacity to respond to all aspects of deforestation, besides consolidating the integrated perspective proposed in the Sustainable Amazon Plan (PAS) and in the Action Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAM). Furthermore, it offers effective possibilities for changes to the standard of development in the Amazon. It also acknowledges the promise that must be made to several segments of society to achieve positive results in reducing deforestation and implementing strategies for sustainable development. The Guidance Committee of the Amazon Fund (COFA) and the Technical Committee of the Amazon Fund (CTFA) assure that society's wishes and scientific proof will both be duly respected.

As in every innovation, however, the Amazon Fund faces several challenges. Creating operational routines that allow the effective inclusion of all relevant players in the dynamics for developing the Amazon is the main difficulty.

The Ministry of the Environment, in the Presidency of the Guidance Committee of the Amazon Fund in 2009 and 2010, together with the Brazilian Development Bank (BNDES) and segments of society, has been making concerted efforts to turn the Amazon Fund into a worldwide example of a financial instrument for the conservation of the forest, which adheres to the principles of sustainable development. This effort will result in significant rewards for Brazilian and global societies, besides confirming that Brazil is a country that is committed to sustainable development and to good forest governance.

IZABELLA TEIXEIRA

Minister of the Environment

MESSAGE FROM THE PRESIDENT OF THE BNDES

Tackling serious challenges requires, in general, building institutions that are capable of taking effective measures that can be maintained for some considerable time. Sustainable development of the Amazon is one of these challenges requiring unwavering and unremitting efforts. As such, the Amazon Fund is a key instrument for implementing such efforts.

The Fund, an innovative initiative taken by the Brazilian government aimed at supporting efforts to reduce the emission of greenhouse gases deriving from deforestation and forest degradation, was created by decree from the President of the Republic on August 1, 2008. As of this legal landmark, the BNDES' efforts and dedication have been needed to transform the idea into a reality.

There is still much to do, but the year 2009 was marked by intense and successful efforts to make the Amazon Fund fully operational. It is with pride that we present the first results.

During this period, an organizational structure was set up and a team was put together to manage the Fund. The initial proposals to obtain resources were also received and analyzed by the BNDES and, during the 15th Conference of the Parties held in December 2009 by the United Nations Framework Convention on Climate Change (UNFCCC), in Denmark, Brazil was able to announce the first five projects approved by the Bank.

The operational work of the Fund began in parallel with the creation of the BNDES' Environmental Division (AMA), also in 2009. With the new division, the BNDES expanded its coverage and institutionally strengthened its environmental performance. The decision to create a division dedicated to addressing the issue took into account the acknowledgement of the importance of Brazil in preserving the planet's ecosystem, which is considered the strategic role played by the Amazon. However, not only this. Also taken into consideration was the need to strengthen environmental awareness in companies and establish a working partnership between

the private initiative and the federal government to combat climate change and to reduce deforestation.

The Amazon Fund is a pioneering initiative in the world. One of first mechanisms to reduce emissions from degradation and deforestation is a clear and democratic structure of governance, which includes representatives from the federal government, from the governments of states in the Brazilian Amazon involved in combating deforestation, from civil society, and the scientific community.

It is important to thank the relevant and honorable contribution from the government of Norway, the first country to take on the commitment to donate funds to the Fund, revealing its trust in this initiative and its commitment towards the planet's climate balance.

The work to manage the Amazon Fund, duly recorded and detailed in this Report, is another expression of the priority attributed by the BNDES to preserving, conserving and restoring of the environment. In its Environmental Policy, the Bank takes on the commitment to provide adequate resources, especially non-reimbursable, to promote environmental quality and technological innovation with sustainability targets. Besides this, it is devoted to developing new sustainable activities as well as upholding ethical social-environmental principles in the granting of credit. It also invests in efforts to encourage the preservation of the environment and promote the dissemination of ecological values.

From this set of efforts aimed at contributing to helping insert competitive standards in the country, coupled with a low carbon economy, the Amazon Fund is a great paradigm. May its efforts be expanded and its example multiplied.

LUCIANO COUTINHO

President of the BNDES

MESSAGE FROM THE MANAGING DIRECTOR OF THE BNDES' ENVIRONMENTAL DIVISION

This first Amazon Fund Report registers the work of the BNDES' staff in charge of managing the Fund. Since the Bank was appointed manager, we have realized that, for the BNDES, the environmental issue has taken a central and organizational position in its development efforts. Therefore, we have created a new division to encompass the expanding scope of the Bank's operations.

The work of the BNDES in the environmental division is not new. Since 1989, we have had an environmental area dedicated to providing support to the operational divisions on environmental issues and for the development of new programs. The Bank's experience in managing funds is extensive and well-established; there are numerous funds managed by the Bank, both those belonging to the Bank and to third parties. None of them, however, has the characteristics of the Amazon Fund, that is, its international responsibility, the diversity of entities represented in its Guidance Committee and, more importantly, its global significance in terms of environmental responsibility.

Therefore, the management of the Fund has placed the Bank under the watchful eye of several institutions and countries and has allocated the responsibility to respond to the confined demands from a region that is little understood and quite often ignored.

We began the management of the Fund by listening to a group of renowned experts, with whom we discussed the main issues for the Amazon throughout a series of seminars held in 2009, which were published in a book. Subsequently, we examined the requests for financial support, when the forwarded projects were analyzed in accordance with the strict standards we use for all requests

for support, whether they are large or small. Among the beneficiaries of the first contracted projects are prominent institutions, excellent examples of the quality of the entities that deal with problems in the Amazon.

We have structured and developed the Fund together with the beginning of other activities in the new Environmental Division (AMA), including the launch of market-driven initiatives, such as the Efficient Carbon Index together with BM&FBOVESPA. The BNDES' operations aim to be comprehensive, and other initiatives focusing on the Amazon Biome, with funding from the Bank itself, combined with other public and private sources, will complement projects supported by the Amazon Fund. An example is the Forest Participation and Investment Fund to which the BNDES will transfer large amounts of funds to recover degraded areas in the forest.

This report reflects the team effort in structuring the Amazon Fund not only as support for projects submitted, but also in back-office activities, including organizing meetings of the Fund's Guidance Committee and rendering accounts to donators and a wide array of agents in society.

Certain we have accomplished our mission, we will continue to strive to manage the Fund in accordance with the Bank's standards of excellence and in keeping with the guidelines established by the Guidance Committee.

EDUARDO RATH FINGERL

Managing Director of the BNDES' Environmental Division

PRESENTATION

The percentage of renewable energy sources used in the Brazilian energy grid is one of the world's highest, about 45% of all sources, while the world average is 13% and the average for developed countries (OECD) is 6%. However, Brazil is among the world's ten largest emitters of greenhouse gases. It is estimated that half of Brazil's emissions come from deforestation, especially those that occur in the Amazon.

In this context, Brazil's efforts to contain and reduce deforestation in the Amazon have achieved significant international success and acknowledgment. Indeed, the deforestation rate in the Amazon Biome, which was showing an upward trend, began to show a consistent decrease as of 2005. In accordance with the National Institute of Spatial Research (INPE), the deforested area, which reached its peak of 27,000 km² in 2004, dropped to 7,000 km² in 2009.

Several factors contributed to the sharp fall of nearly 75% in approximately five years. Initially, Brazilian technological pioneering in monitoring changes in the Amazon forest coverage, along with the set of integrated efforts implemented by the Brazilian government as of 2004, were decisive in reversing the trend of deforestation, carried out over an extensive period of time.

The systems developed by the National Institute for Spatial Research (INPE), which since 1988 have measured deforestation in the Legal Amazon, have provided the tools for monitoring, thus increasing the effectiveness of control, surveillance and prevention efforts. At the same time, availability of information enables organizations of society and communities involved to consciously take part.

The INPE's tools to detect deforestation – Prodes (Deforestation Monitoring Project in the Legal Amazon) and Deter (Deforestation Detection in Real Time) – and the joint efforts of the Federal Police and IBAMA in environmental inspection and combating illicit acquisition of land and/or land titles have produced quick and significant results in reducing deforestation. These integrated

operations are the result of carrying out, since 2004, the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAM). Under the coordination of the Secretariat of the Presidency of the Republic, PPCDAM is a tactical and operational plan that brings together 13 ministries and several government agencies at the federal and state levels. Its efforts are articulated according to three main areas: (i) Land-Title Regularization and Land-Use Planning; (ii) Environmental Monitoring and Control; and (iii) Development of Sustainable Production Activities. Moreover, the states within the Legal Amazon, under the guidance of the federal government, began the process of preparing State Plans to Combat Deforestation.

During the 12th Conference of Parties (COP) of the United Nations' Convention on Climate Change held in Nairobi, Kenya, in 2006, Brazil, with the excellent results achieved, submitted a proposal in which developed countries would contribute funds to countries with tropical forests, and these contributions would not be reduced from their quotas as foreseen in the Kyoto Protocol. The Brazilian proposal eventually led to the Amazon Fund, which was officially established by presidential decree (Decree N°. 6,527) in 2008, and the BNDES was put in charge of managing it. It is important to highlight that the government of Norway played a relevant role in creating the Fund by assuming a commitment within the initiative through its key contribution of financial resources.

The Amazon Fund is aimed at raising funds from voluntary donations for non-reimbursable support for efforts to prevent, monitor and combat deforestation, as well as to promote conservation and the sustainable use of the Amazon forests. In 2008, the first two meetings of the Guidance Committee of the Amazon Fund (COFA) were held to establish guidelines for the operation of the Fund.

Simultaneously, the BNDES was preparing to organize its Environmental Division in accordance with its strategic planning for the 2009-2014 period. Once the creation of the division was authorized, the

unit responsible for managing the Amazon Fund, the Management Department of the Amazon Fund (DEFAM), whose structuring began in 2009, was included in the Bank's organizational chart.

This report outlines the activities implemented by the BNDES throughout 2009 and follows the structure suggested in the Project Document of the Amazon Fund, reproduced in the donation agreement signed with Norway and approved for the preparation of this report at the 7th COFA Meeting, held on June 16, 2010.

The report is organized in topics that explain the targets, the areas responsible for applying funds, the beneficiaries, the mechanisms and the limits for raising funds from voluntary donations. It provides guidelines, priorities and criteria established by COFA, public policies that orient it and its structure for governance, comprising a Technical Committee and a Guidance Committee.

Also described are the responsibilities assigned to the BNDES as manager of the Amazon Fund, such as communication policy, the disclosure of information, the activities of representation, guidance for the interested public, articulation, institutional relations and rendering accounts.

Furthermore, this report includes information on the project cycle at the BNDES, on the financial and operational performance of the Amazon Fund, as well as the development of tools to plan and monitor efforts, and to assess results.

Accordingly, this report falls within the scope of the so-called good practices for dissemination of information and the rendering of accounts, while describing the inaugural experience of turning an idea into a reality. As it has been acknowledged as a pioneering mechanism to mobilize global resources for the protection of the planet's forests, the Fund has built up a bevy of expectations regarding its development.

The Brazilian initiative is of interest because, faced with immense and crucial challenges for the planet, it establishes a path to collective learning, shared responsibilities and incentives for good practices, without losing sight of the commitment to sustainable economic development and the well-being of a population of approximately 25 million inhabitants.

Besides the implementation of the groundwork and the Fund's initial operational conditions, established together with agents and stakeholders, agencies at federal, state and municipal levels, as well as organized civil society, this report also presents the results: The high point of 2009 was the presentation of the first supported projects at the 15th Conference of Parties (COP), in Denmark.

**AMAZON FUND
BRAZIL PROTECTS IT. THE WORLD SUPPORTS IT. EVERYBODY WINS.**





The Amazon plays a key role in the environmental stability of the planet. With seven million km², it is the largest rainforest in the world, stretching across nine South American countries, namely: Bolivia, Brazil, Colombia, Ecuador, French Guyana, Guyana, Peru, Suriname and Venezuela.

Considered the most important biological diversity reserve in the world, the Amazon is also the largest Brazilian biome in size, covering approximately 50% of the national territory, 4.2 million km², including the states of Acre, Amapá, Amazonas, Pará and Roraima, a large part of Rondônia (98.8%), more than half of Mato Grosso (54%), in addition to a part of Maranhão (34%) and Tocantins (9%).

On Brazilian soil, the Amazon Biome, with its dense and open forests, accounts for 30% of all remaining tropical rainforests in the world. The region is home to a priceless heritage, represented by its biodiversity and the richness of its natural resources.

The region of the Legal Amazon encompasses a wider area, covering the states of Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima, Tocantins and part of Maranhão.

About half the greenhouse gas emissions in Brazil result from deforestation, mainly in the Brazilian Legal Amazon. The reasoning behind deforestation is primarily economic. Forests are converted to allow for activities that are, for those who in fact deforest, more profitable than the sustainable use of the forest. Such activities include lumber yards, farming, cattle-raising among other operations.

Thus, the Brazilian approach to the problem of emissions caused by deforestation in the Amazon Region is an important topic for global discussion on climate change.

The Amazon Fund was conceived to help fight this problem. Established and authorized by Decree N°. 6,527 of August 1, 2008, the Fund may be considered a practical demonstration of the incentives for the REDD mechanism (Reducing Emissions from Deforestation and Degradation, i.e. Reducing Emissions from Greenhouse Gases caused by Deforestation and Degradation), one of the subjects on the agenda of the United Nations Framework Convention on Climate Change (UNFCCC).

The main objective of the Amazon Fund is to provide support to projects to prevent, monitor and combat deforestation, as well as for the conservation and sustainable use of forests in the Amazon Biome. Up to 20% of the Fund's resources may additionally be used to finance projects to develop monitoring and control systems for deforestation in other Brazilian biomes and in other countries with tropical forests.

The Fund's structure for governance also relies on the Guidance Committee of the Amazon Fund (COFA), consisting of representatives from the federal and state governments, as well as civil society. They are responsible for establishing the guidelines and application criteria for resources. There is also the Technical Committee of the Amazon Fund (CTFA), consisting of experts appointed by the Ministry of the Environment. The team is assigned with the task of certifying the Emissions of Carbon Derived from Deforestation (ED), and, for such, they evaluate the methodology used to calculate the area of deforestation and the amount of carbon per hectare used in the calculation of such emissions.

As manager of the Amazon Fund, the BNDES undertakes the challenge to collaborate on the implementation of a new development model in the Amazon, associated with a low-carbon economy and based on environmental sustainability as well as the responsible use of its natural resources. Through the funds raised, which are based on real reductions of emissions from deforestation obtained over the last few years, the Amazon Fund contributes to achieving the goals established by the National Plan on Climate Change (PNMC),¹ particularly the sustained reduction of deforestation rates and suspending losses in forest coverage by 2017.

TABLE 1 AMAZON, SOME CONCEPTS

AMAZON BASIN	AMAZON BIOME (BRAZIL)	LEGAL AMAZON
<p>WHERE IT IS: In Peru, Colombia, Ecuador, Venezuela, Guiana, Bolivia and Brazil (in the states of Acre, Amazonas, Roraima, Rondônia, Mato Grosso, Pará and Amapá).</p> <p>AREA: 6.5 million km²</p> <p>WHAT IT IS: Set of water resources that converge to the Amazon River, occupying 2/5 of South America and 5% of the Earth's surface. It is the largest water basin on the planet, responsible for the flow of around 1/5 of the fresh water volume in the world. Of its total area, around 3.8 million km² is in Brazil.</p>	<p>WHERE IT IS: In the states of Acre, Amapá, Amazonas, Pará e Roraima and part of Rondônia, Mato Grosso, Maranhão and Tocantins.</p> <p>AREA: 4.2 million km²</p> <p>WHAT IT IS: The Amazon Biome is made up of the region with similar climate, forest vegetation, fauna and ecologic dynamic and processes.</p>	<p>WHERE IT IS: In the states of Acre, Amapá, Amazonas, Mato Grosso, Pará, Roraima, Rondônia, Tocantins and part of Maranhão.</p> <p>AREA: 5.2 million km²</p> <p>WHAT IT IS: Area instituted by the Brazilian government that includes regions with identical economic, political and social problems. It comprises nine Brazilian states that belong to the Amazon Basin, that is, these states have parts of the Amazon Forest within its territory, along with other biomes, too.</p>

Source: IBGE.

¹ Launched by the Brazilian government in December 2008, the National Plan for Climate Change (PNMC) has a series of four-year targets to reduce deforestation in the Amazon, as established by the Interministerial Committee on Climate Change, with the collaboration of other groups and instances, including the Brazilian Forum on Climate Change and the Interministerial Committee on Global Climate Change. One of the targets is to reduce the deforestation rate for the 2006-2009 period by 40%, in comparison with the rate for the 1996-2005 period, and a further 30% in the following four-year period. The entire PNMC is available on the MMA site (www.mma.gov.br).

FIGURE 1 BRAZILIAN AMAZON - TERRITORIAL COVERAGE



FIGURE 2 BIOME AND AMAZON IN BRAZIL



Source: Instituto Brasileiro de Geografia e Estatística (IBGE).





The Amazon Fund is an initiative aimed at the consistent and continued reduction of deforestation rates in Brazil and at contributing to the reduction of greenhouse gas emissions caused by this process and the degradation of forests.

The Fund's purpose is to raise funds from voluntary donations earmarked for non-reimbursable financing of efforts focused on preventing, monitoring and combating deforestation and promoting conservation and sustainable use of the Amazon Biome.

In order to reach its objectives, the Amazon Fund supports projects in the following areas, specified in Decree N°. 6,527/08.

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

In order to maximize operational efficiency and better distribute the analysis and follow-up work on projects and their results, the BNDES has grouped the aforementioned areas into four large categories:

1. Promoting sustainable production activities;
2. Conserving and protecting Public Forests and Protected Areas;
3. Scientific and technological development;
4. Modernization and institutional development (agencies operating in the Amazon Region).

The initiatives supported by the Amazon Fund must also be in keeping with the Sustainable Amazon Plan (PAS), the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAM), State Plans to Combat Deforestation, COFA's guidelines and criteria, as well as the BNDES' operational policies.

TABLE 2 FUNDAMENTAL DETERMINING FACTORS

PAS	Projects must be coherent with the Sustainable Amazon Plan (PAS)
PPCDAM	Projects must be coherent with the Action Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAM)
STATE PLANS	Projects must be coherent with the State Plans to Combat Deforestation
COFA GUIDELINES AND CRITERIA	Projects must be coherent with the guidelines and criteria established by the Guidance Committee of the Amazon Fund (COFA)
THE BNDES' OPERATIONAL POLICIES	Projects must be coherent with the BNDES' Operational Policies for the Amazon Fund

Source: BNDES.



TABLE 3

SUSTAINABLE AMAZON PROGRAM (PAS)

The Sustainable Amazon Plan (PAS) is a federal government initiative in partnership with the states of the Amazon region. It proposes strategies and action plans, aligning the pursuit of economic and social development pertaining to the environment.

The Plan aims at implementing a new model of development in the Brazilian Amazon, based on adding value to the potential of its enormous natural and socio-cultural heritage. Its strategies are aimed at generating employment and income, reducing social inequalities, making dynamic and innovative economic activities feasible, including them in regional, national and international markets, as well as focusing on the sustainable use of natural resources to maintain ecological balance.

PAS is organized around five main aspects:

- sustainable production with innovation and competitiveness;
- environmental management and land-use planning;
- social inclusion and citizenship;
- infrastructure for development; and
- new funding standard.

PLAN FOR PREVENTION AND CONTROL OF DEFORESTATION IN THE LEGAL AMAZON (PPCDAM)

Launched in 2004 as a government response to the increasing rates of deforestation in the Amazon region, aims at promoting the reduction of deforestation rates through a set of integrated efforts including land-use planning and tenure, environmental control and monitoring, promoting sustainable production activities, involving partnerships between federal government, state governments, city halls, entities from civil society and the private sector.

The PPCDAM at first involved initiatives from 13 ministries under the coordination of the President's Chief of Staff, organized in three main implementation strategies:

1. Land and territory-use planning;
 2. Monitoring and environmental control; and
 3. Promotion of sustainable production activities.
-

After the assessment of its first phase, on November 2009, the priorities for the second phase (2009-2011) were established in order to adjust the PPCDAM to the changes occurring in the deforesting dynamics, to the maturing of efforts, and to the successes already achieved in the first four years, with the following guidelines:

1. Add value to the forest to conserve biodiversity, forest management of wood and non-wood products and the rendering of environmental services.
2. Encourage better use of already-deforested areas, considering technological innovation and sustainable production systems.
3. Support processes of certification and adding value to products from the biodiversity and to those from local activities: agriculture, cattle-raising and others.
4. Provide land title regulation, combating the illicitly obtained titles for public property and strengthening instruments for democratic and sustainable territory management, enabling alternative models for land reform that is appropriate for the Amazon, and the creation and consolidation of conservation units and native lands.
5. Improve monitoring, licensing and inspection tools for deforestation with innovative methodologies, observing its integration with incentives to prevent environmental damages.
6. Use a decentralized management style that shares public policies, through partnerships between the federal, state and municipal governments.
7. Encourage active participation of different sectors of the Amazonian society interested in managing the policies related to the prevention and control of deforestation.
8. Encourage the implementation of the Rural Environment Registration, an instrument through which the environmental organizations rely on the geo-reference of rural property, so as to qualify remote monitoring and the effectiveness of inspection operations in the field, as well as guiding the environmental title regularization process of rural property.
9. Enforce environmental liability for illegal deforestation, aiming at improving inter-institutional cooperation for the effective administrative, penal and civil liability of transgressors.
10. Support the implementation of the State Plans of Prevention and Control of the Deforestation in the Brazilian Amazon;
11. Increase and encourage sectorial pacts in order to establish the commitment of the entities in production sectors (soybean, wood, vegetal coal), aiming at preserving forests; and
12. Provide visibility to the PPCDAM's efforts, through dissemination of information.

STATE PLANS TO COMBAT DEFORESTATION

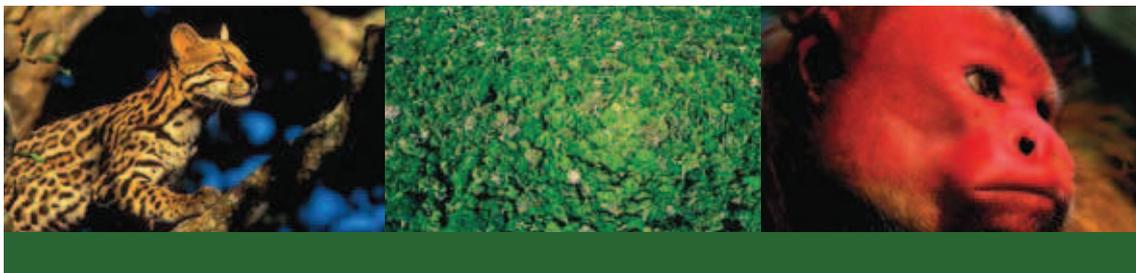
Plans to combat deforestation, put together by the Amazon states, whose goal is to ensure the achievement of targets envisaged in the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAM), are under the guidance of the federal government, which established, initially, three main efforts: land-use planning, environmental control and promotion of sustainable production activities. To be entitled to vote in COFA's decisions, the states must have a state plan to combat deforestation (item II of Article 4 of Decree N°. 6,527, of August 1, 2008, which created the Amazon Fund).

Source: BNDES.





FUNDRAISING – DEFORESTATION AND RESULTING CARBON EMISSIONS



Raising funds for the Amazon Fund is based on reducing greenhouse gas emissions caused by deforestation, i.e. the reduction of deforestation in the Amazon must be confirmed to make new funding possible.

It is up to the Ministry of the Environment to regulate the calculation methodology for the limit of annual fundraising for the Amazon Fund, and it is up to CTFA specialists to assess the calculation methodology of the deforested area and the amount of carbon per hectare used when calculating emissions.

In order to facilitate understanding, the method was chosen based on simplicity and precaution. Accordingly, the estimates are conservative to ensure that the values of reduced emissions are never over-estimated. Briefly, the calculation for the values of reduced carbon emissions from deforestation, which correspond to emissions avoided in tons of carbon, results from the difference between the historical average deforestation rate and the deforested area effectively verified in the year evaluated (historical average deforestation rate – annual deforestation rate), multiplying this result by the amount of carbon present in the biomass, in tons of carbon per hectare, which mathematically, would be represented as follows:

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

ED – Reduced Carbon Emissions from Deforestation in tons of carbon (tC)

TDM – Average Deforestation Rate

TD – Annual Deforestation Rate for the period

tC/ha – Tons of carbon per forest hectare

The concepts involved in calculating the estimated reduced emissions from deforestation are as follows: (i) average annual deforestation rate measured by the National Institute for Spatial Research (INPE); (ii) historical average deforestation rate; and (iii) estimate of carbon contained in forest biomass, obtained by the Brazilian Forestry Service (SFB). Here is some information on these concepts:

(i) Annual deforestation rate measured by the INPE

Since 1988, the INPE has been using an efficient system to monitor forest coverage in the Brazilian Amazon, which enables estimating the annual deforestation rates in the region.

Since 2002, these estimates have started to be obtained by a digital classification system of images, according to Prodes Methodology (Project for Monitoring Deforestation in the Legal Amazon), which uses sensors capable of capturing all deforestation larger than 6.25 hectares. With these characteristics, the system is deemed reliable and has become renowned.²

Fees are calculated annually for periods from August 1 to July 31. Thus, the reference rates in 2008, for example, involve all deforestation identified from August 1, 2007, to July 31, 2008.

PRELIMINARY DATA ON DEFORESTATION

Preliminary data from the INPE, published in November 2009, indicate that deforestation in the Amazon during the period from August 1, 2008 to July 31, 2009, was approximately 7,000 km², the lowest deforestation rate (TD) held since this institute started monitoring the Amazon plant coverage, 21 years ago. If this rate is confirmed, there will have been a reduction of close to 45% compared to the rate observed in the previous period, as well as a reduction of almost 75% compared with 2004, a period when there was the highest rate of deforestation.

² In accordance with CTFA, the Prodes' margin for error is around 8%.

CHART 1 ANNUAL DEFORESTATION IN THE LEGAL AMAZON (SHALLOW CUT – KM²)

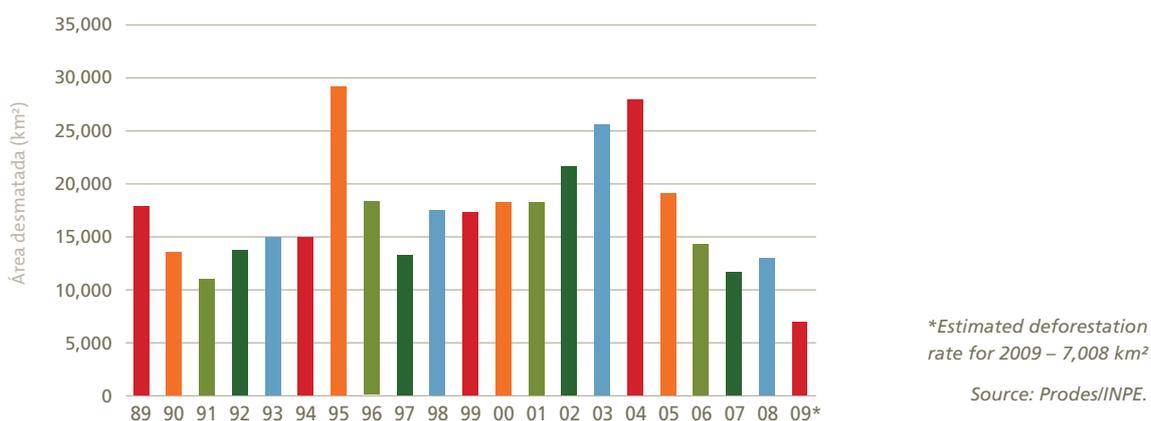


TABLE 4 DEFORESTED AREA (KM²) IN LEGAL AMAZON BETWEEN 1988 AND 2009

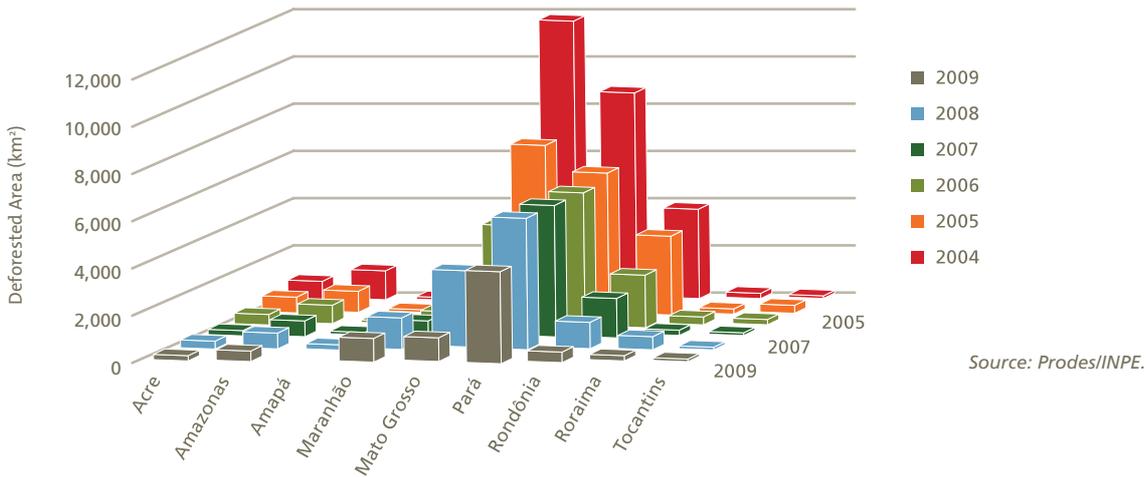
YEAR	DEFORESTED AREA	YEAR	DEFORESTED AREA	YEAR	DEFORESTED AREA	YEAR	DEFORESTED AREA
1988	21,050	1994	14,896	2000	18,226	2006	14,196
1989	17,770	1995	29,059	2001	18,165	2007	11,633
1990	13,730	1996	18,161	2002	21,523	2008	12,911
1991	11,030	1997	13,227	2003	25,396	2009*	7,008
1992	13,786	1998	17,383	2004	27,772	*Estimated deforestation rate for 2009 – 7,008 km ²	
1993	14,896	1999	17,259	2005	19,014		

Source: Prodes/INPE.

All Amazon states presented a reduction in the 2009 deforestation rate when compared with 2008.³ The states of Roraima, Mato Gross and Rondônia presented large variations in deforestation during this period: 80%, 68% and 56%, respectively. The smallest relative variations were in the states of Acre and Maranhão: down 17% and 23%, respectively. In absolute terms, the states of Mato Grosso and Para stand out, managing to reduce, together, about 4,000 km² compared to 2008.

³ The state of Amapá could not be monitored properly, as it presented a high rate of cloud coverage in the period, which compromises the capturing of images.

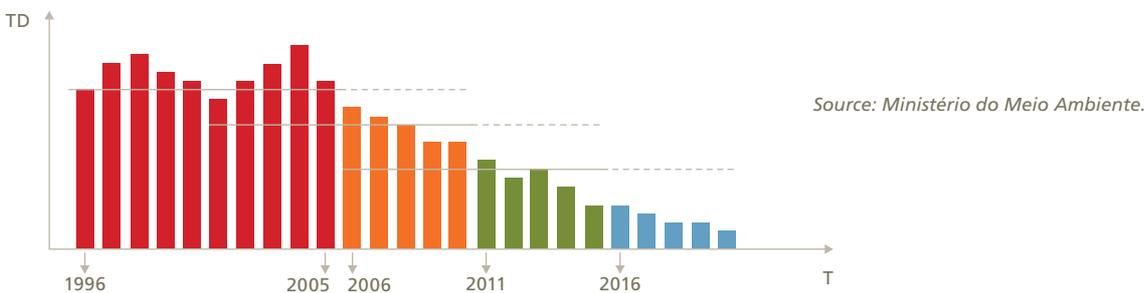
CHART 2 DEFORESTATION IN AMAZON IN 2004-2009 PERIOD - RATES PER STATE



(ii) Historical average deforestation rate

The annual deforestation rates to be employed in the calculation of emission reductions are compared with the average deforestation rates for 10-year periods. These 10-year numbers are updated every five years, so that in the period from 2006 to 2011, annual deforestation rates will be compared with the average deforestation rate from 1996 to 2005 (average deforestation rate – TDM 1996-2005). In the subsequent period, from 2011 to 2015, the annual deforestation rates will be compared with the average deforestation rate from 2001 to 2010.

CHART 3 REPRESENTATION OF THE CALCULATION MODEL OF DEFORESTATION REDUCTION FOR CALCULATION OF THE REDUCTION OF EMISSIONS

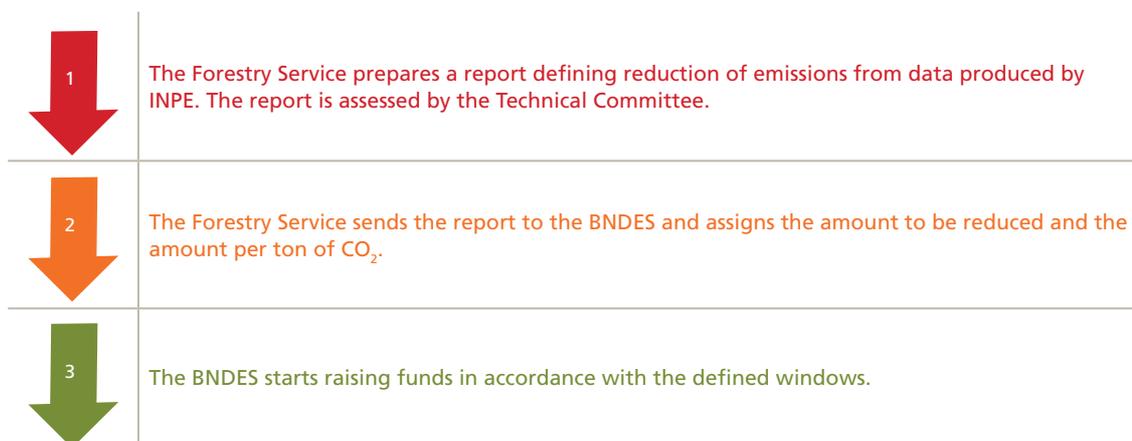


(iii) Estimate for carbon contained in forest biomass

The Amazon Fund adopts a value of 100 tC/ha (tons of carbon per hectare) of biomass, equivalent to 367 tCO₂e/ha (tons of carbon dioxide equivalent per hectare). This is a conservative value in light of the data found in literature (between 130 and 320 tC/ha); however, it is appropriate to simplify the calculations and the understanding of the mechanism proposed.

In 2009, the standard price of US\$ 5.00 / tCO₂ (five U.S. dollars per ton of carbon dioxide) was used. It is important to note that the estimate for carbon can vary according to location and features of the forest area in question, and that the data related to degradation are not yet registered by Prodes. Thus, the result from reduced emissions could be altered with the implementation of these two variables, which will happen when data from the National Forest Inventory and future monitoring systems are operating.

TABLE 5 FUNDRAISING FLOW CHART



Source: BNDES.





Based on data on emission reductions provided, the BNDES is authorized to raise donations for the Amazon Fund, issuing certificates equivalent to the tons of carbon that correspond to the amount of financial contribution to the Fund. These certificates are nominal, non-transferable and do not generate rights or credit of any nature. The Amazon Fund has already received donations from foreign governments and is preparing to receive donations from multilateral institutions, non-governmental organizations, companies and individuals.

Donation agreement with the government of Norway

As authorized by Decree N° 6,527/08, the BNDES signed, on March 25, 2009, a donation agreement with the Ministry of Foreign Affairs of Norway, in which a donation was provided to this Bank, charged with managing the Amazon Fund, in an amount of up to NOK 700 million⁴ (approximately US\$ 107 million) for use in 2009. This deadline was subsequently extended to 2011; the agreement establishes the terms and procedures applicable to the donations from Norway related to the Amazon Fund.

SUMMARY OF THE AGREEMENT

The amount of funding is linked to the reduction of gas emissions from deforestation and forest degradation and covers only support for projects to be financed by the Fund in the 2009-2015 period. Donations after 2009 will be specified in additional terms proposed by the donor and will depend on the results of the efforts to reduce the annual deforestation rate. Disbursements by the Norwegian government are made every six months or less, at the request of the BNDES, based on the

⁴ NOK – Norwegian krone.

Fund's financial needs and the amount of reduced Carbon Emissions caused by Deforestation (ED), which must be attested by the CTFA.

The BNDES is responsible for the analyzing, approving and contracting projects, as well as supervising, monitoring and rendering accounts. In addition, the Bank must maintain proceeds derived from donations separate in its accounting books.

In December 2009, the first version of the Results was completed in which goals, purposes and indicators are explained. Also foreseen as the BNDES' obligation, the Framework of Results was based on Decree N°. 6,527/08 and on the general guidelines of the Sustainable Amazon Plan (PAS); and the Plan of Action for the Prevention and Control of Deforestation in the Legal Amazon.

ADDENDA TO THE DONATION AGREEMENT

On November 9, 2009, the addendum related to the referred donation agreement was signed. The Norwegian government committed to making additional donations of up to NOK 750 million (approximately US\$ 134 million) in 2010 and up to NOK 750 million in 2011. In addition



to these amounts, the possibility of additional donations by the government of Norway was also foreseen for 2010 and 2011.

Certificate

For every contribution to the Amazon Fund, the BNDES issues a certificate, identifying the donator and the amount of its contribution to the effort to reduce carbon dioxide emissions. The effectiveness of reducing emissions caused by deforestation, which defines the amount to be received each year by the Amazon Fund, is attested by the CTFA, which comprises recognized scientists in the area of climate change.

The first installment of the donation made by the government of Norway was received by the BNDES on October 9, 2009 in the amount of R\$ 36,448,350.22, equivalent, on that date, to US\$ 20,960,578.70. These amounts correspond to:

TONS OF CARBON DIOXIDE (CO ₂)	TONS OF CARBON (C)	YEAR OF EMISSION REDUCTIONS	FACTOR TO CONVERT CARBON (C) TO CO ₂	VALUE PER TON OF CO ₂
4,192,115.7	1,142,265.9	2006	3.67	US\$ 5.00

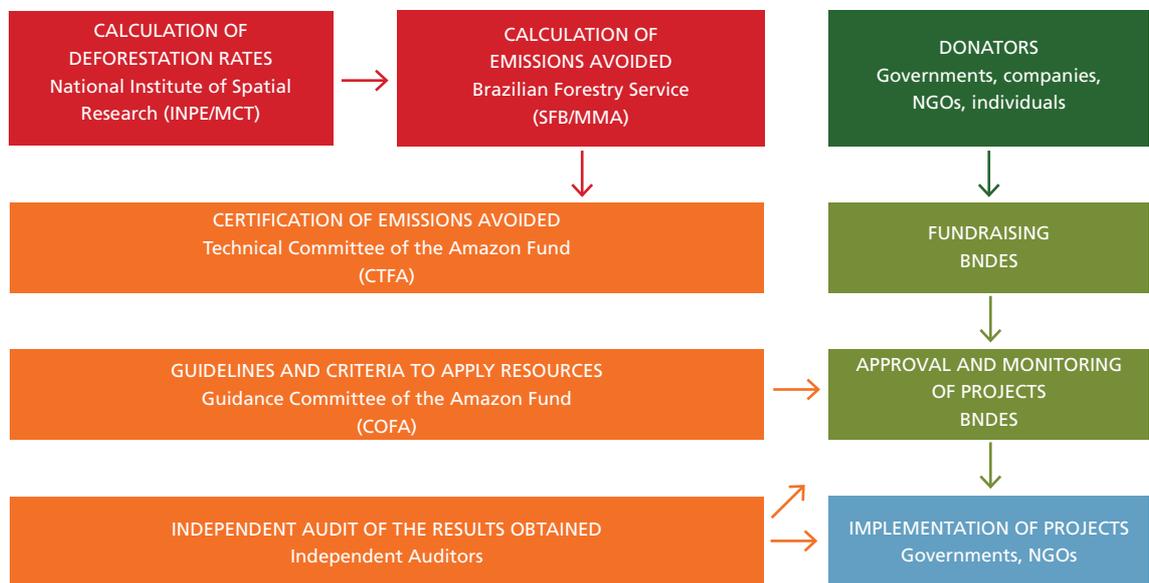






The Amazon Fund has an inclusive structure for governance that comprises representatives from the federal government, the state governments in the Brazilian Legal Amazon that are involved in combating deforestation, as well as civil society (NGOs, social movements, indigenous people and companies) and the scientific community, in addition to independent auditors responsible for checking the appropriate application of donations, as illustrated in the following chart:

FIGURE 3 GOVERNANCE IN THE AMAZON FUND



Source: BNDES.





The Technical Committee of the Amazon Fund (CTFA) is charged with attesting the Carbon Emissions caused by Deforestation (ED), calculated by the Ministry of the Environment (MMA). For such, the methodology to calculate the area of deforestation must be assessed, as must the amount of carbon per hectare used when calculating emissions.

The CTFA usually meets once a year and consists of leading specialists with renowned technical-scientific knowledge, appointed by the Ministry of the Environment, after consulting the Brazilian Forum on Climate Change. The term of office of the members is three years, which can be renewed once for an equal period of time.

The participation in the CTFA is considered of public interest and does require any kind of remuneration.

Members

The CTFA was established by MMA Ministerial Order N°. 345 of October 22, 2008, with the following members:

1) **ADALBERTO LUIS VAL, REPRESENTING THE NATIONAL RESEARCH INSTITUTE OF THE AMAZON (INPA)**

Researcher from the INPA with post-doctorate degree from the University of British Columbia, in Canada. Member of various teaching and research institutions, among them National Technical Commission of Biosafety (CTNBio-Brazil), the Brazilian Science Academy, Support Foundation for Research of the Amazon State (Fapeam), Carlos Chagas Filho Foundation for Research Support of Rio de Janeiro State (Faperj) and Support Foundation for Research of Minas Gerais State (Fapemig).

2) ADALBERTO VERISSIMO, REPRESENTING THE INSTITUTE OF PEOPLE AND THE ENVIRONMENT OF THE AMAZON (IMAZON)

Senior researcher and one of the founders of Imazon – a research civil society organization of public interest (OSCIP), founded in 1990. He graduated in Agronomics Engineering with a graduate degree in Ecology from the State University of Pennsylvania (US).

3) CARLOS AFONSO NOBRE, REPRESENTING THE NATIONAL INSTITUTE OF SPATIAL RESEARCH (INPE)

He is the head researcher at INPE, former general coordinator of the Center for Weather Forecasts and Climate Studies (CPTEC-INPE) and president of the Scientific Committee of the International Geosphere-Biosphere Program (IGBP). He graduated in Electronic Engineering from Instituto Tecnológico da Aeronáutica (ITA), with a doctorate in Meteorology from the Massachusetts Institute of Technology (MIT).

4) CHRISTIANO PIRES DE CAMPOS, REPRESENTING THE PETROBRAS RESEARCH CENTER (CENPES)

Engineer with a Master's in Energy Planning from the Federal University of Rio de Janeiro, where he is currently taking his doctor's degree. Research topics: Climate Convention, the Brazilian Proposal, Historical Responsibility, Model of Contribution to Climate Change.



5) PAULO ROBERTO DE SOUZA MOUTINHO, REPRESENTING THE NATIONAL ENVIRONMENTAL INSTITUTE OF THE AMAZON (IPAM)

Research Coordinator at IPAM and associate scientist at The Wood Hole Research Center. Graduated in Biological Sciences with a Master's and a Doctoral degree in Ecology from the State University of Campinas. He is also a professor of at the Federal University of Pará.

6) ROBERTO DALL'AGNOL, REPRESENTING THE FEDERAL UNIVERSITY OF PARÁ (UFPA)

Coordinator of the Geosciences Division of Higher Education for Personnel Development (Capes), Pro-Rector for Research and Post-graduation at UFPA, and head member of the Brazilian Science Academy since 2002. A Geologist with a Ph.D. from the Paul Sebatier University, in France.

CTFA Meetings

Held on November 10, 2008, the first CTFA meeting approved the amount of reduced emissions related to 2006 (200 million tons of CO₂) and the meeting in 2007 (303 million tons of CO₂). In the second meeting, held on December 1, 2009, the estimated amount of reduced emissions related to 2008 (245.7 million tons of CO₂) was validated. The minutes of these meetings are published on the Amazon Fund site.







The Guidance Committee of the Amazon Fund (COFA) is responsible for establishing the guidelines, approving information on the application of resources and the Annual Report of the Amazon Fund. It is structured as a three-tiered committee, comprising the following blocks: the federal government, state governments and civil society. Each block is entitled to one vote at meetings. Resolutions must be approved by consensus. All members are entitled to one vote within their designated block.

It is also COFA's role to watch over the commitments of the initiatives supported by the Amazon Fund, and determine the guidelines for application of resources, which must always be in accordance with the public policies of the Plan for the Prevention and Control of Deforestation in the Legal Amazon and the strategic guidelines within the Sustainable Amazon Plan.

Framework

FEDERAL GOVERNMENT	STATE GOVERNMENTS	CIVIL SOCIETY
Besides the Ministry of the Environment and the BNDES, also participating in COFA are: the Ministry of Development, Industry and Trade, the Ministry of Foreign Affairs, the Ministry Agriculture, Cattle -Raising and Supply, the Ministry of Agricultural Development and the Ministry of Science and Technology, as well as the Chief of Staff and the Secretariat for Strategic Affairs of the Presidency of the Republic.	Government representatives of the nine states within the Legal Amazon are included in the COFA. Only those that have elaborated a state plan to prevent and combat deforestation have the right to vote.	The following entities are represented: the Brazilian Forum for NGOs and Social Movements for the Environment and Development (FBOMS), the Coordination of Indigenous Organizations of the Brazilian Amazon (COIAB), the National Confederation of Agricultural Workers (Contag), the Brazilian Society for the Progress of Science (SBPC), the National Confederation of Industry (CNI) and the National Forum of Forestry Activities (FNABF).

The members of COFA in 2009, with the names of institutions, the owners and their deputies can be found in Annex 1.

COFA Meetings

Up to December 2009, COFA met on six occasions. The first two meetings were held at the BNDES, in Rio de Janeiro, on October 24 and November 19, 2008. During the first meeting, COFA was established, and its by-laws and inaugural guidelines were discussed for the application of resources from the Amazon Fund, for which documents were approved in the following meeting.

All meetings are recorded in Records of Technical Referrals (RETs), which, once approved by all members, are published on the Amazon Fund site on the Internet.

TABLE 6 SUMMARY OF MEETINGS HELD IN 2009

DATE		SUMMARY OF SUBJECTS
3 RD MEETING	MAY 29	Approval RET* 2 nd Meeting
RIO DE JANEIRO – BNDES		Presentation of Mechanism for Carbon Credit Raising (MMA) Presentation of 2 nd Phase PPCDAM (reports from states) Presentation of Setting Up a Portfolio of Projects (BNDES) Inform on Implementation Process of Amazon Fund (BNDES)
4 TH MEETING	AUGUST 7	Approval RET* 3 rd Meeting
RIO DE JANEIRO – BNDES		Presentation of the Operational Support for Profitable Undertakings (BNDES) Presentation of Flow of Projects (BNDES) Presentation of the Visit Program (round of presentations) (BNDES)
5 TH MEETING	SEPTEMBER 21	Approval RET* 4 th Meeting
BRASÍLIA CENAFLOR – IBAMA		Report of the Work of the Temporary Committee on Additional Guidelines Inform on the BNDES' New Policy for the Agricultural-Cattle Raising Sector (BNDES) Information on New Forestry Programs (BNDES)
6 TH MEETING	DECEMBER 3	Approval RET* 5 th Meeting
BELÉM – MUSEU PARANAENSE EMÍLIO GOELDI		Review of COFA Guidelines and Criteria for 2010 Overview of Project Portfolio of Amazon Fund (BNDES) Report from 2 nd Meeting of CTFA Workshop on REDD projects in Brazil Agenda for the Amazon Fund in COP15 (BNDES)

*RET – Records of Technical Referrals. Source: BNDES.

Priorities for applications of the Amazon Fund in 2009 were approved by COFA's representatives and consolidated in the Summary Charts of the Guidelines for the Application of the Amazon Fund, listed below.

DISTRIBUTION OF FUNDS AMONG THE AREAS OF APPLICATION

INVESTMENT AREAS	LIMIT OF INVESTMENT OF TOTAL FUNDS AVAILABLE IN THE YEAR
A. PROJECTS IN THE AMAZON BIOME	No limit
B. PROJECTS IN THE OTHER BRAZILIAN BIOMES AND IN OTHER TROPICAL COUNTRIES	20%

Note: The BNDES should endeavor all efforts to apply funds into other biomes and other countries.

A. PRIORITIZATION CRITERIA

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
P1	GEOGRAPHIC	<ul style="list-style-type: none"> ■ Projects performed in the prioritization municipalities to prevent, monitor and combat deforestation; ■ Projects carried out in the municipalities under influence of large PAC works; ■ Projects carried out in the municipalities / regions with the highest conservation of forest coverage. 	Not applicable.	Not applicable.
P2	THEMATIC	(see table below)	Not applicable.	Not applicable.
P3	DIVERSITY OF PLAYERS INVOLVED	<ul style="list-style-type: none"> ■ Projects involving articulation and performance covering public authority, private sector, NGOs/social movements and local communities. 	Same as Amazon Biome.	<ul style="list-style-type: none"> ■ Same as Amazon Biome. ■ Projects involving regional articulation.
P4	TARGET AUDIENCE	<ul style="list-style-type: none"> ■ From projects involving direct benefits to traditional communities, settings and family farmers. 	Not applicable.	Not applicable.
P5	RELEVANCE	<ul style="list-style-type: none"> ■ Projects with the highest potential to be duplicated. ■ Projects with the highest potential of impact (Ex. R\$ / ha of sustainably protected or managed forest) 	Projects that develop and implement long-term monitoring methodology for REDD.	Countries with the highest forest coverage.
P6	LINES OF APPLICATION – BNDES	<ul style="list-style-type: none"> ■ Prioritize the projects that envisage the lines (a) sustainable production activities and (d) scientific and technological development. 	Not applicable.	Not applicable.

Notes:

- P1 – The definition of these municipalities is performed in compliance with art. 2 of Decree 6,321/2007. For 2008, 36 municipalities were considered priority according to MMA's evaluation in 2008.
- P6 – The BNDES must endeavor all efforts to apply funds in the priority areas, including instruments of induction of demand.

PRIORITIZATION – AMAZON BIOME

GENERAL GUIDANCE	PRIORITIES
EFFORTS TO ADD VALUE TO THE STANDING FOREST (CONSERVATION AND SUSTAINABLE USE)	<ul style="list-style-type: none"> ■ Promotion and increase of production scale in production chains for timber and non-timber forestry products coming from sustainable management of the forest, including management plans, research, innovation and scientific and technological diffusion, market development, training and qualification; ■ Implementation of payment systems for environmental services associated with increasing and / or maintaining forest cover and / or forestry and agroforestry systems; ■ Development and implementation of models for recovery of PPAs and the Legal Reserve, with emphasis on economic use; ■ Consolidation of protected areas, in particular, the Conservation Units of Sustainable Use and Indigenous Lands;
EFFORTS TO PROMOTE LAND-USE PLANNING AND LAND TITLE REGULARIZATION	<ul style="list-style-type: none"> ■ Allocation of Non-Destined Public Forests, with priority for community forests; ■ Repression of illegally obtained land titles, land title regularization and land-use planning, preferably in areas with higher concentration of wealth and / or conflicts;
EFFORTS TO STRUCTURE AND INTEGRATE THE CONTROL, MONITORING AND ENVIRONMENTAL SURVEILLANCE SYSTEMS IN THE AMAZON	<ul style="list-style-type: none"> ■ Support to structure state agencies responsible for state forest management; ■ Support to implement municipal monitoring and environmental surveillance systems; ■ Structuring and integration of control systems for forest management, environmental licensing of rural properties and tracking and chain of forest and agricultural products; ■ Expansion and strengthening of monitoring systems for deforestation and forest degradation.

Notes:

- *PT-c) – The economic use of PPA will only be supported under the existing legislation.*
- *EN-f) – Regularization of land includes the regularization processes (putting titles into order) and society's follow-up of these processes.*

B. MINIMUM CONDITIONS FOR PROJECTS

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
C1	INDICATORS OF RESULTS	The project must include measurable result indicators directly related to the objectives of the Amazon Fund.	The project must include measurable result indicators directly related to implementing a system that monitors deforestation or forestry degradation.	The project must include measurable result indicators directly related to implementing a system that monitors deforestation or forestry degradation.
C2	APPLICANTS / PERFORMERS	The project should include acceptance by all applicants and performers already in its presentation.	Same as Amazon Biome.	Same as Amazon Biome and has the participation and/ or acceptance of the central government of the beneficiary country.
C3	SOCIAL PARTICIPATION	Projects involving traditional communities and indigenous peoples must necessarily present a document proving the previous consent of these communities or their representative institutions.	Projects should have monitoring that necessarily involves governmental entities and civil society.	The project should have a monitoring, necessarily involving the participation of governmental entities and civil society.
C4	CONSISTENCY WITH THE AMAZON FUND	The project must fall into at least one area of Decree N°. 6,527/2008.	Not applicable.	Not applicable.
C5	CONSISTENCY WITH THE FEDERAL PLAN AND THE STATE PLANS TO PREVENT AND COMBAT DEFORESTATION	The project must show clear consistency with the efforts envisaged in PPCDAM and in the State Plans to Prevent and Combat Deforestation.	Not applicable.	Not applicable.
C6	CONSISTENCY WITH PAS	The project must show clear consistency with the guidelines of PAS.	Not applicable.	Not applicable.
C7	CONTRIBUTION TO REDD	The project should contribute directly or indirectly to lead to REDD.	Same as Amazon Biome	Same as Amazon Biome

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
C8	ADDITION RESOURCES	The projects must represent additionalities to the public budgets earmarked for application areas of the Amazon Fund.	Same as Amazon Biome.	Not applicable.
C9	COUNTERPART	Counterpart and/or non-financial contributions must be presented, demonstrating additionalities to resources taken from the Amazon Fund and producing a multiplying effect for the Fund's investments.	Same as Amazon Biome.	Same as Amazon Biome.
C10	TERRITORIAL BASE	The projects should explain their territorial base for application (state and, where applicable, municipality).	The projects must necessarily address the monitoring of forests of at least one biome in full.	The projects must necessarily address the monitoring of forests nationwide.
C11	PUBLICITY AND TRANSPARENCY	The projects must have a mechanism for disseminating their implementation on the Internet.	Monitoring systems supported by the Amazon Fund should be based on platforms that allow ample disclosure, transparency and access to data generated through the internet.	Monitoring systems supported by the Amazon Fund should be based on platforms that allow ample disclosure, transparency and access to data generated through the internet.
C12	PROJECT SUSTAINABILITY	Present strategies for sustaining the project results after implementation.	Demonstration of economic capacity to sustain the project – after implementation.	Demonstration of economic capacity to sustain the project – after implementation.
C13	DECENTRALIZATION OF RESOURCES	The amount applied in each of the four operational modalities should not be less than 10% or greater than 40% of available resources in the year. The amount disbursed to a single project should not exceed 10% of the total available in the Amazon Fund for the year.	Same as Amazon Biome.	Same as Amazon Biome.

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
C14	BENEFITS OF COLLECTIVE USE	The results of the projects with economic purposes should be of public or collective use, related to: <ul style="list-style-type: none"> ■ production infrastructure for collective use; ■ studies and surveys with results made available to the community; ■ training and capacity building open to the community; ■ technological development with the results open to the community, whenever feasible; ■ replicable innovations and of practical application; ■ other collective benefits identified in the evaluation process of the projects. 	Not applicable.	Not applicable.
C15	NO SUBSTITUTION OF OTHER FUNDING SOURCES	The resources of the Amazon Fund cannot replace other sources of funding available.	Not applicable.	Not applicable.

Notes:

- C2 – Applicants must necessarily be national institutions in tropical countries, in accordance with their national laws.
- C3 – The project involving the development of monitoring systems should have monitoring, necessarily with the participation of governmental entities and civil society
 - C3 – The communities involved should be explained in the project.
 - C3 – Projects related to the duties of public bodies, or the establishment of public policies, do not need, necessarily, the consent of the beneficiaries.
- C5 – In the absence of the State Plan to Prevent and Combat Deforestation does not apply to the criterion.
 - C9 – In applying Criterion C9, the following aspects may be considered:
 - Average budget executed in the previous two years in national budget invested in the proposed effort;
 - Level of contingency of resources in the national budget for the implementation of the effort;
 - Prediction in multi-annual plans of government in force (PPAs).
- C9 – The counterparties may be in the form of financial resources directly invested in the project or by providing infrastructure, personal and other indirect ways, as stipulated in conditions in C9.
 - C11 – The BNDES will provide a standardized tool for integrating and disseminating updated information on the implementation of all projects.

C. MODALITIES OF APPLICATION OF THE RESOURCES

CODE	MODALITY	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
M1	DIRECT APPLICATION – INVESTMENT	Applications made directly by the performers of the projects, including through the contracting of third parties. It includes investments in buildings, equipment, training and capacity building for the establishment of initiatives.	Same as Amazon Biome.	Same as Amazon Biome.
M2	DIRECT APPLICATION – COSTS	Applications made directly by the performers of the projects, including through the contracting of third parties. It includes travel expenses / field missions, consultancies from individuals or companies, field materials, communication, among others.	Same as Amazon Biome.	Same as Amazon Biome.
M3	PAYMENT FOR ENVIRONMENTAL SERVICES	Payments made to providers of environmental services.	Not applicable.	Not applicable.
M4	LONG-TERM CONTINUED SERVICES	These are services that must be sustained in the long run to obtain long-term results, such as monitoring deforestation or forest degradation, forest inventory, among others.	Not applicable.	Not applicable.

Notes:

- M4 – The continuing service projects may be of up to 10 years and must have a continuous monitoring mechanism for their implementation, besides public disclosure of their results.
- M1 to M4 – Projects may involve the use of more than one modality.

D. RESTRICTED USE OF THE RESOURCES

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
R1	DAILY ALLOWANCES	Daily allowances cannot be paid to civil servants (this restriction does not apply to research activities involving public research institutions).	Same as Amazon Biome.	Same as Amazon Biome.
R2	PAYMENT OF INDIVIDUALS	Payments of salaries or any type of compensation to full-time civil servants employed in any of the three governmental spheres cannot be made (the restriction does not apply to the payment of scholarships or research specifically related to the project).	Same as Amazon Biome.	Same as Amazon Biome.
R3	TAXES AND CONTRIBUTIONS	The funds cannot be applied in the payment of taxes or fees that are not inherent and / or full part of the cost or investments made by the project (the restriction does not apply to taxes related to project activities, such as ICMS included in product prices; INSS in the payment of services provided by individuals, etc.).	Same as Amazon Biome.	Same as Amazon Biome.

E. CRITERIA OF FAIRNESS IN THE APPLICATION OF THE RESOURCES

CODE	CRITERION	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
E1	FAIRNESS IN THE APPLICATION OF THE RESOURCES PER STATE	Avoid the concentration of project resources in the same state.	Avoid the concentration of project resources in the same biome.	Avoid the concentration of project resources in the same country.
E2	FAIRNESS PER TYPE OF APPLICANT	Avoid the concentration of resources among types of applicants: government agencies, research institutions and civil society organizations.	Not applicable.	Not applicable.

Notes:

E1 – Option not to establish specific indicators for concentration of resources in exclusive projects in a state, throughout the first year of operation of the Amazon Fund.

E2 – In the context of the Amazon Fund, the non-governmental organizations, unions, companies and other institutions of private law are included.

F. LIMITATIONS IN THE APPLICATION OF RESOURCES

CODE	TYPE OF PROJECT	AMAZON BIOME	OTHER BIOMES	OTHER COUNTRIES
L1	PROJECTS WITH ECONOMIC PURPOSES	<p>a) Maximum participation of the Amazon Fund:</p> <ul style="list-style-type: none"> ■ 90% for projects involving micro and small companies, cooperatives or associations of producers with annual gross operating revenues less than or equal to R\$ 10.5 million; ■ 70% for projects involving medium-sized companies, cooperatives or associations of producers with annual gross operating revenues higher than R\$ 10.5 million and less than or equal to R\$ 60 million; ■ 50% for projects involving large companies, cooperatives or associations of producers with annual gross operating revenues higher than R\$ 60 million. 	Not applicable.	Not applicable.
L2	PROJECTS WITH ECONOMIC PURPOSES OF SUPPORT TO WEAKENED SOCIAL GROUPS	b) Maximum participation of the Amazon Fund, in duly substantiated cases: 100%	Not applicable.	Not applicable.
L3	PROJECTS WITH ECONOMIC PURPOSES OF LOCAL PRODUCTIVE SYSTEMS (APLS) OF COLLECTIVE USE	a) Maximum participation of the Amazon Fund: 90%	Not applicable.	Not applicable.

Notes:

L1 – In the case of activities starting in the same calendar year, the above limits will be proportional to the number of months in which the company has exercised legal activity, disregarding fractions of months. In the cases where companies are being implemented, the annual sales forecast used in the venture will be considered, taking into account the total installed capacity. When the company is controlled by another company or belongs to an economic group, the size classification will take into consideration the consolidated gross operating revenue.

L2 – The economic results that result from support projects to weakened social groups should be distributed to their members, irrespective of who the Applicant is.

These charts consolidate COFA's main normative deliberations regarding the distribution of resources, criteria for prioritization of projects, determining factors, modalities for the application of resources and their limitations. In this context, it is worth highlighting that COFA established, in 2009, criteria for prioritization and decentralization of the Fund's resources and support for projects with economic purposes.

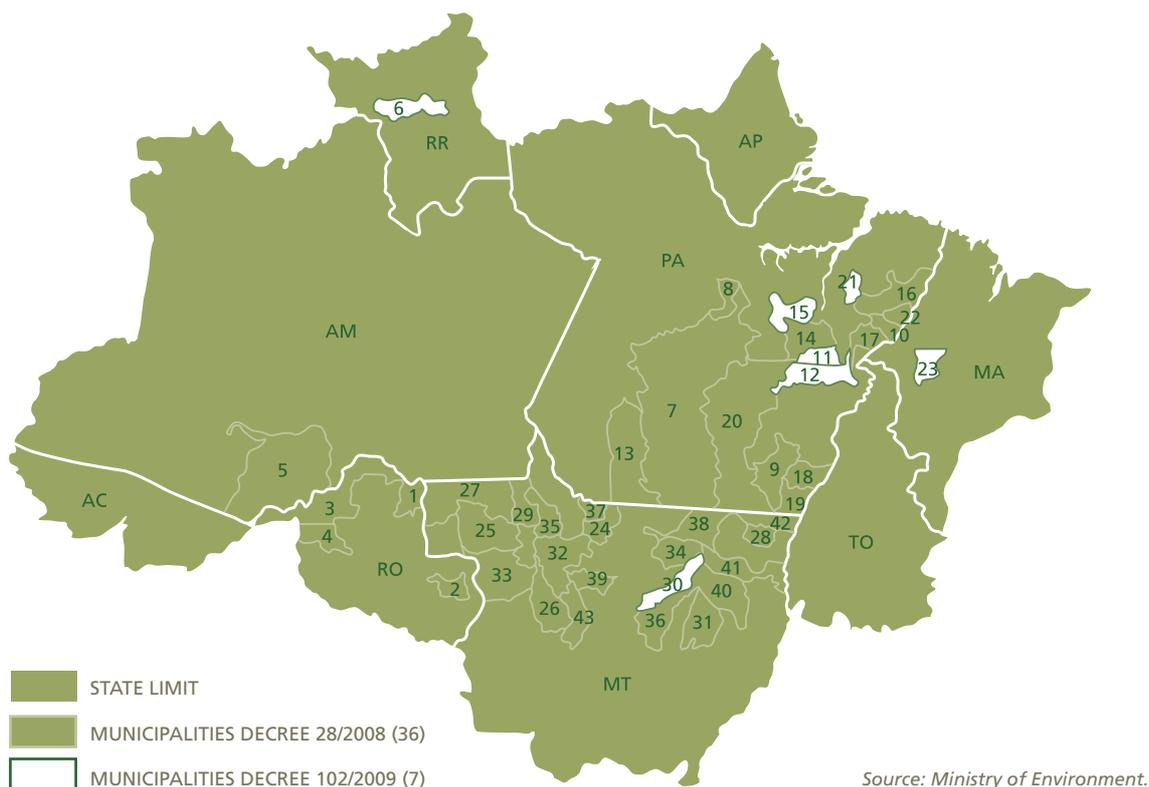
The geographical criterion, for example, stipulates priority for support to projects implemented in priority municipalities to prevent, monitor and combat deforestation (43 municipalities in the Arco Verde Operation); projects implemented in municipalities within the scope of the Growth Acceleration Plan (PAC) of the federal government, and projects carried out in municipalities/regions with the highest recorded conservation of forest coverage.

TABLE 7 LIST OF THE PRIORITY MUNICIPALITIES FOR PREVENTION AND CONTROL OF DEFORESTATION (DECREEES MMA 28/2008 AND 102/2009)

STATE	PRIORITY MUNICIPALITIES
PARÁ	Altamira, Brasil Novo, Cumaru do Norte, Dom Eliseu, Itupiranga, Marabá, Novo Progresso, Novo Repartimento, Pacajá, Paragominas, Rondon do Pará, Santa Maria das Barreiras, Santana do Araguaia, São Félix do Xingu, Ulianópolis
MATO GROSSO	Alta Floresta, Aripuanã, Brasnorte, Colniza, Confresa, Cotriguaçu, Feliz Natal, Gaúcha do Norte, Juara, Juína, Marcelândia, Nova Bandeirantes, Nova Maringá, Nova Ubiratã, Paranaíta, Peixoto de Azevedo, Porto dos Gaúchos, Querência, São Félix, do Araguaia, Vila Rica
RONDÔNIA	Nova Mamoré, Porto Velho, Machadinho D'oeste, Pimenta Bueno
AMAZONAS	Lábrea
MARANHÃO	Amarante do Maranhão
RORAIMA	Mucajaí

Source: BNDES

FIGURE 4 LEGAL AMAZON
PRIORITY MUNICIPALITIES FOR PROJECTS TO PREVENT AND COMBAT DEFORESTATION



Source: Ministry of Environment.

Municipalities included in Decrees

28/2008 MMA and 102/2009

NAME, STATE

1. Machadinho D' oeste, RO
2. Pimenta Bueno, RO
3. Porto Velho, RO
4. Nova Mamoré, RO
5. Lábrea, AM
6. Mucajaí, RR
7. Altamira, PA
8. Brasil Novo, PA
9. Cumarú do Norte, PA
10. Dom Eliseu, PA
11. Itupiranga, PA
12. Marabá, PA
13. Novo Progresso, PA

14. Novo Repartimento, PA
15. Pacajá, PA
16. Paragominas, PA
17. Rondon do Pará, PA
18. Santa Maria das Barreiras, PA
19. Santana do Araguaia, PA
20. São Félix do Xingu, PA
21. Tailândia, PA
22. Ulianópolis, PA
23. Amarante do Maranhão, MA
24. Alta Floresta, MT
25. Aripuanã, MT
26. Brasnorte, MT
27. Colniza, MT
28. Confresa, MT

29. Cotriguaçu, MT
30. Feliz Natal, MT
31. Gaúcha do Norte, MT
32. Juara, MT
33. Juína, MT
34. Marcelândia, MT
35. Nova Bandeirantes, MT
36. Nova Ubiratã, MT
37. Paranaíta, MT
38. Peixoto de Azevedo, MT
39. Porto dos Gaúchos, MT
40. Querência, MT
41. São Félix do Araguaia, MT
42. Vila Rica, MT
43. Nova Maringá, MT

The Arco Verde Operation is the part of the Action Plan for Prevention and Control of Deforestation in the Legal Amazon which is earmarked to support municipalities in transition from the current predatory production model to a new sustainability standard. The focus is on establishing agreements between the federal government, the states and the 43 priority municipalities, especially to promote sustainable production activities.







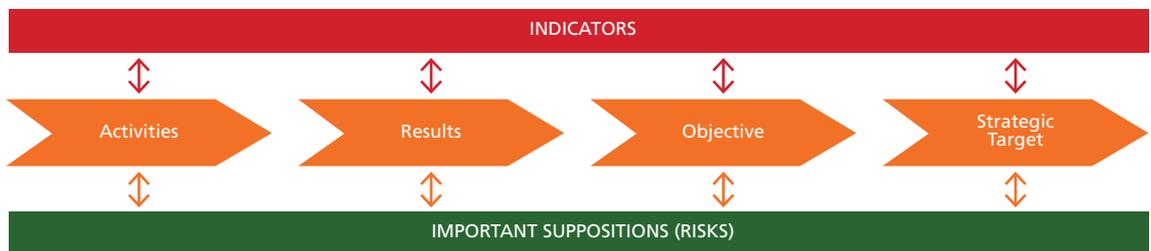
Putting together a Logical Framework for the Amazon Fund aims at adding one more instrument to its management, as well as contributing to monitoring and consolidating results from an aggregate analysis of the projects supported and their impact indicators.

The Logical Framework is a methodology used to ensure that funded efforts contribute to the overall objective of a program. It can be defined as a framework which comprises, in an operational and organized fashion, the strategic decisions regarding the application of resources in a program, explaining the objectives and the means to reach them.

The implementation of a Logical Framework for the Amazon Fund will facilitate the process of ongoing evaluation of the Amazon Fund, either internally by those responsible for its management, or externally, by the general public.

It is important to remember the logical hierarchy in the series of impacts within a Logical Framework, in keeping with the figure below:

FIGURE 5 LOGICAL FRAMEWORK



Defining the Strategic Target of the Amazon Fund led to a brief and proposition focused on this biome, at no prejudice to the Amazon Fund for being authorized to operate in support of monitoring in other biomes (Brazilian or other tropical countries).⁵

Thus, the following strategic target was adopted for the Amazon Fund: “Reducing Deforestation with Sustainable Development in the Amazon Region.”

In establishing the Amazon Fund’s Objective, which integrates the logical sequence of cause and effect from the project activities to the extent of its Strategic Target, the seven specific areas defined in Decree N°. 6,527/08 were adopted as a starting point.⁶

Given the scope of the operational divisions of the Amazon Fund, its Logical Framework was structured into four sub-programs, as shown in the following figure, which have been named Components 1, 2, 3 and 4, and which, in turn, result in four Logical Outlines that share the same Strategic Target. When preparing the Logical Framework, the issue of science, technology and innovation stood out, as it is strategic and multi-dimensional to all intervention logic in the Amazon Fund.

TABLE 8 INTERVENTION LOGIC

STRATEGIC TARGET	TO REDUCE DEFORESTATION WITH SUSTAINABLE DEVELOPMENT IN THE AMAZON REGION.			
OBJECTIVE	COMPONENT 1 Activities that maintain the forest standing are economically attractive in the Amazon Biome.	COMPONENT 2 Government efforts assure adjustments of man-land related activities to be more in line with environmental legislation.	COMPONENT 3 The Amazon Biome has land-use planning.	COMPONENT 4 Science, technology and innovation activities contribute to the recovery, conservation and sustainable use of the Amazon Biome.

Source: BNDES.

⁵ Support to monitoring in other biomes is also included in the Logical Framework of the Amazon Fund, particularly within the scope of Component 2 of its Objective, which deals with governmental measures aimed at ensuring adjustments of human, land-related activities to be more in line with environmental legislation.

⁶ See the seven thematic areas on p.23 of this report.

These four Components are in keeping with the intervention logic established in Decree N°. 6,527/08, the core concepts in the PPCDAM and the PAS, and also cover the four operational modalities established in the BNDES' Operational Policies within the scope of the Amazon Fund.

For each of the four components in the objective, an Objective-Result intervention logic and was put together, and indicators were selected to check the impacts of the Fund's efforts, employing its sources of evidence. Also identified were the key external risks that are beyond the governance of the Amazon Fund, and which must be monitored. Finally, a Monitoring Plan for the Logical Framework of the Amazon Fund was developed. Within the scope of projects, monitoring the impacts of their activities will simultaneously take place with the follow-up of implementation and will also include an ex post, within a two-year period after investments receiving financial support from the Amazon Fund have ceased.

Finally, we emphasize the dynamic nature of the Logical Framework tool, especially with regard to its result indicators, which will be improved by incorporating indicators related to the supported projects, and as they become available, new sustainability indicators to monitor impacts at a systemic or regional level. The Logical Framework of the Amazon Fund will be disclosed to the interested public, including publication on the Amazon Fund site.







The external audit is one of the tools that integrate the management structure of the Amazon Fund. Its purpose is to constantly refine the practices and internal processes for the effective success of strategic objectives proposed by the Fund. The findings of the audit process contribute to identifying threats and opportunities and eventual needs to “change course,” in addition to being instruments for rendering accounts regarding the proper use of the Amazon Fund’s resources. Annually, the Fund goes through three auditing processes, the first of which is related to the BNDES itself, since the Fund, which is of an accounting nature with no legal personality, has its accounts allocated in the accounting records of this institution. Thus, the BNDES, in accordance with Decree N°. 6,527/08, additionally contracted the services of:

- 1) A financial audit: to assess the records pertaining to the balance of the Amazon Fund, i.e. the amounts deposited in the Gaia Fund and those separated for management expenses in relation to their allocation in the BNDES’ Financial Statements in 2009; and
- 2) A compliance Audit: to analyze the approved projects, including products, services and efforts supported as well as objectives, vis-à-vis their compliance with the determinations in Decree N°. 6,527/08, with COFA’s Guidelines and Criteria, with the Sustainable Amazon Plan (PAS) and with the Plan for the Prevention and the Control of Deforestation in the Legal Amazon (PPCDAM).

The financial and compliance audits, related to the year 2009, both conducted by Deloitte Touche Tohmatsu, for presentation to the members of the Guidance Committee and representatives from the government of Norway, confirmed the suitability and appropriateness of the BNDES’ procedures in relation to the norms of the Amazon Fund. In Annex 3 of this report, there is a facsimile of the auditors’ opinion.



THE AMAZON FUND IN THE BNDES – DUTIES AND OPERATIONAL STRUCTURE



The BNDES assumed, by means of the Management Department of the Amazon Fund in the Environmental Division (AMA/DEFAM), the challenge of managing the Amazon Fund. DEFAM's main duties are:

- to work jointly with the Financial and International Divisions to raise donations earmarked to carry out non-reimbursable applications in efforts to prevent, monitor and combat deforestation as provided for in the legislation of the Amazon Fund, as well as to prepare and issue certificates recognizing the contribution of donators to the Amazon Fund;
- to promote, structure, analyze, contract and monitor the Amazon Fund's non-reimbursable operations;
- to prepare reports on rendered accounts and management;
- to carry out the activities of the Executive Secretariat of the Guidance Committee of the Amazon Fund (COFA);
- to support the BNDES' other Fundamental Units in activities related to the management of the Amazon Fund; and
- to carry out operations that present synergy with their area of expertise or with the geographic region in which their activities are developed.

DEFAM's obligations also include:

- to publish, by the second quarter of each year, the Annual Report of the Amazon Fund and the Fund's financial statement during this period (the Fund will also rely on the financial and compliance audits);



- to prepare the Logical Framework, taking into account the operational areas within the Fund recommended by Decree N°. 6,527/08 and the guidelines of the Sustainable Amazon Plan and the Plan for the Prevention and Control of Deforestation in the Legal Amazon; and
- to convene the Annual Meeting with donators to report on the progress made by the Fund, the results obtained and fulfillment of contractual obligations.

In all, DEFAM has 17 technicians, distributed throughout four management areas: Management of Institutional Relations of the Amazon Fund, Management of Science, Technology and Innovation, Management of Institutional Development, and Management of Sustainable Production Activities and Protected Areas.

In 2009, the Amazon Fund's main challenges were to set up a structure, to create processes and procedures, and to define criteria and forms to operate the Fund. This work included negotiations with the IRS on taxes charged in the process of donating resources, the contracting of external auditors, the setting up of a Logical Framework to monitor the impact of activities related to the



Fund, and the development of communication tools, as well as the creation of its own logo and a specific site for disclosure and rendering accounts.

This year, the Amazon Fund team⁷ also had an extensive travel agenda to evaluate proposals for activities and partnerships, to hold COFA meetings, to conduct technical assessment visits for projects submitted to the Fund and to participate in seminars, forums and workshops. Meetings were held with public and private institutions, and with strategic partners, such as the German Technical Cooperation Agency (GTZ), the Ministry of Environment and the Brazilian Forest Service, to clarify questions on project preparation.

It was also possible to verify results in 2009. There were five projects approved within the scope of the Amazon Fund, which, together, amounted to an investment of R\$ 70.3 million and encompassed the performance of efforts stretching into six of the nine states covered by the Amazon Fund (Amazonas, Pará, Mato Grosso, Rondônia, Acre and Tocantins), as detailed in the following topic of the present report.

⁷ See the names of the members in Annex 2.

TABLE 9 SUMMARY OF THE PROJECT

BENEFICIARY	AMOUNT OF SUPPORT	SUMMARY OF EFFORTS
AMAZON SUSTAINABLE FOUNDATION (FAS)	R\$ 19.2 million (US\$ 11 million)	Bolsa Floresta Program. The goal is to reduce emissions of greenhouse gases caused by deforestation, in addition to improving the standard of living of the population. The Program will pay communities in the Amazon Conservation Units for maintenance services in the forest.
AMAZON INSTITUTE OF PEOPLE AND THE ENVIRONMENT (IMAZON)	R\$ 9.7 million (US\$ 5.6 million)	Aimed at mobilizing communities in 11 municipalities in the state of Pará to raise environmental and rural data, as well as to accelerate the process of owners adhering to the Rural Environmental Registration.
INSTITUTE OF ENVIRONMENTAL CONSERVATION – THE NATURE CONSERVANCY DO BRASIL TNC BRASIL	R\$ 16 million (US\$ 9.2 million)	Mobilizing communities in 12 cities, seven of which are in the state of Mato Grosso and five in the state of Pará, to enroll in the Rural Environmental Registration and to comply with the system to monitor deforestation in these two states via satellite images.
OURO VERDE INSTITUTE	R\$ 5.4 million (US\$ 3.1 million)	Aimed at recovering 1,200 hectares of degraded areas and fostering the revitalization of family farming in seven municipalities comprised by the Território Portal da Amazônia, in the far north Mato Grosso state.
BRAZILIAN BIODIVERSITY FUND (FUNBIO)	R\$ 20 million (US\$ 11.5 million)	The second phase of the Arpa Program, aimed at combating deforestation. The effort will begin once the Conservation Units are created and consolidated.

Source: BNDES.

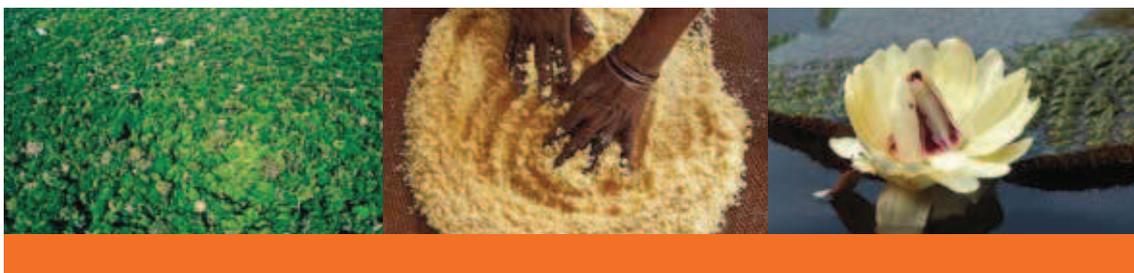
FIGURE 6 TERRITORIAL COVERAGE OF APPROVED PROJECTS



Source: BNDES.







The presentation of projects to the Amazon Fund begins by sending the document called the Previous Consultation, in which the characteristics and information of the proposing entity and of the basic elements within the project are outlined. Projects in science, technology and innovation as well as projects submitted by public administration have specific models of "Previous Consultation."⁸ The Previous Consultation is structured in modules. In module I, the Previous Consultation requires information on the proposing institution, such as its history and the description of its main activities.

Modules II and III aim to obtain information on the basic elements of the project, such as: the area envisaged, the contribution to the reduction of deforestation and forest degradation, the involvement of traditional communities and indigenous people, as well as the main issues and problems involved. Module IV deals with legal aspects and additional registration information.

The main instructions to fill in the Previous Consultation are described in the Information Guidelines for Previous Consultation of the Amazon Fund.⁹

Previous Consultations are received and assessed by the Priority Department of the BNDES' Planning Division, which verifies the preliminary documentation and the suitability of the project within the guidelines and criteria applicable to the Amazon Fund (PPCDAM, PAS, COFA's Guidelines and Criteria

⁸ Available on the Amazon Fund site: www.fundoamazonia.gov.br.

⁹ Also available on the Amazon Fund site: www.fundoamazonia.gov.br.

and the BNDES' Operational Policies for the Amazon Fund). At this point, a preliminary assessment is also made of the capacity of the requesting entity to perform the project. This includes entity's management capacity, previously completed projects and its registration classification, among other aspects. At this stage, the BNDES' Credit and the Environmental Divisions are also consulted.

It is up to the BNDES' Committee for Eligibility and Credit, a team comprising approximately twenty members of the institution's Senior Management, to decide on the eligibility of the application.

Once the request for financial support is classified as eligible, the proposing entity must submit the project in detail. With this begins the analysis phase carried out by the staff of the Amazon Fund, work that includes technical visits, meetings and other dialogue to define the costs involved, the eligible items, presentation of corresponding investments and the conditions for contracting and releasing resources, among others. Below is a summarized outline with the evaluation levels for the requests for support presented to the Amazon Fund.



6. IN PERSPECTIVE	The BNDES uses this level to register the protocolled receipt of a Previous Consultation until the documentation required for its evaluation is available.
5. CONSULTATION LETTER	The project is classified as Level 5 when the documents listed in Module IV of the Basic Information Guidelines for Previous Consultation of the Amazon Fund are complete.
4. ELIGIBLE	The project reaches this level when the BNDES' Committee of Eligibility and Credit classifies the request for financial support as eligible under the BNDES' operational policies, as well as the guidelines and criteria of the Amazon Fund. At this level, the beneficiary must provide to the BNDES with additional information on the project.
3. UNDER ANALYSIS	At this stage, the Amazon Fund's team begins the detailed analysis of the eligible project. This assessment also requires further information, besides the preparation of the project's Logical Framework and the definition of corresponding indicators.
2. APPROVED	Once the analysis is complete, the operational department makes the technical recommendation concerning financial support for the project which will be decided by the BNDES' Board of Directors. If approved, the project goes to the contracting phase of the operation.
1. CONTRACTED	After signing the contract, the performance phase of the project begins. Under the terms of the signed contract, disbursements of resources are made in installments, in keeping with the physical-financial schedule agreed upon and the progress of the project, which will be substantiated by technical monitoring carried out by the staff of the BNDES/Amazon Fund.

Beneficiaries

The projects for the Amazon Fund may be presented by a wide array of entities: organs from direct and indirect administration at the federal, state and municipal levels; foundations that support research; non-governmental organizations and civil society organizations of public interest; private companies, cooperatives, public and university research centers; scientific-technological institutes, environmental entities, land-use and support agencies (federal, state and municipal); foundations that support research connected to public agencies in the Amazon Region, and environmental control entities and those that combat environmental crimes.



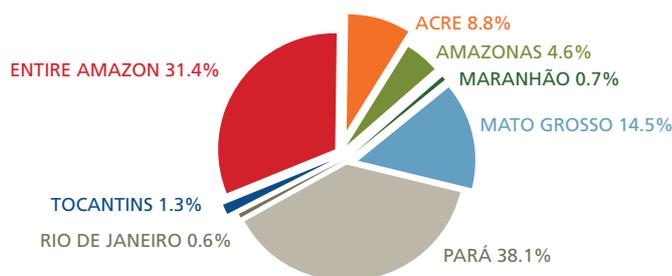




Officially, the first consultations to the Fund began to arrive at the BNDES in July 2009. From this date up to December 2009, the Amazon Fund received 95 requests for financial support.

In December 2009, the Amazon Fund’s portfolio totaled 58 projects with characteristics related to the distribution of the amount requested, to the operational level in the BNDES, to the territorial coverage, as well as to the operational modality and specific areas (as foreseen in Decree N°. 6,527/08) which are presented below.

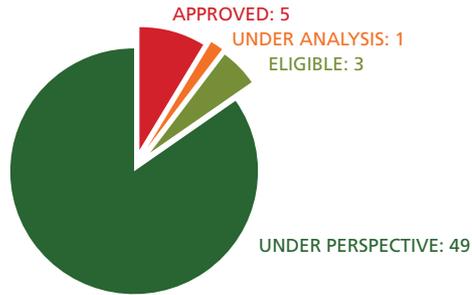
CHART 4 DISTRIBUTION OF THE REQUESTED VALUE BY STATE



Note: Total value of the projects submitted to the Amazon Fund on 12.31.2009: R\$ 930 million; total value of the support requests: R\$ 679 million (73%).

Source: BNDES.

CHART 5 NUMBER OF PROJECTS BY OPERATIONAL LEVEL



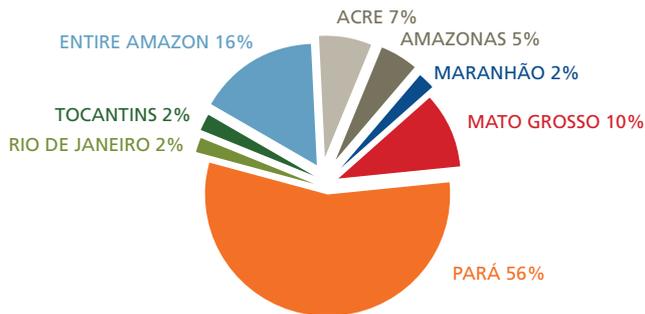
OPERATIONAL LEVEL:*

- 6 - Under Perspective
- 5 - Consultation Letter
- 4 - Eligible
- 3 - Under analysis
- 2 - Approved
- 1 - Contracted

* See details on page 72.

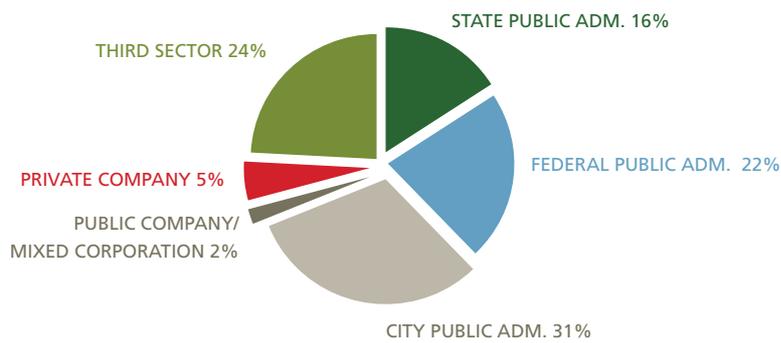
Source: BNDES.

CHART 6 TERRITORIAL SCOPE OF THE PROJECTS (QUANTITY)



Source: BNDES.

CHART 7 NUMBER OF PROJECTS PER LEGAL NATURE OF THE CANDIDATE



Source: BNDES.

CHART 8 NUMBER OF OPERATIONS PER OPERATIONAL MODALITY – THE BNDES

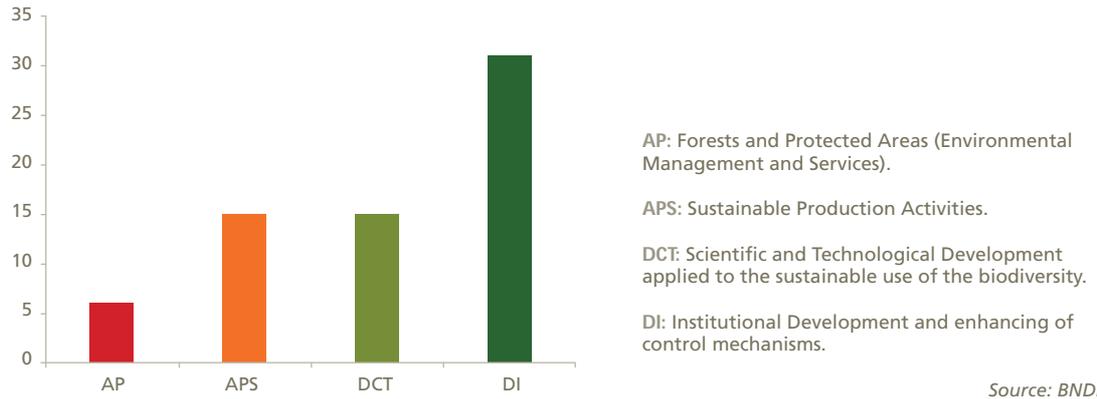
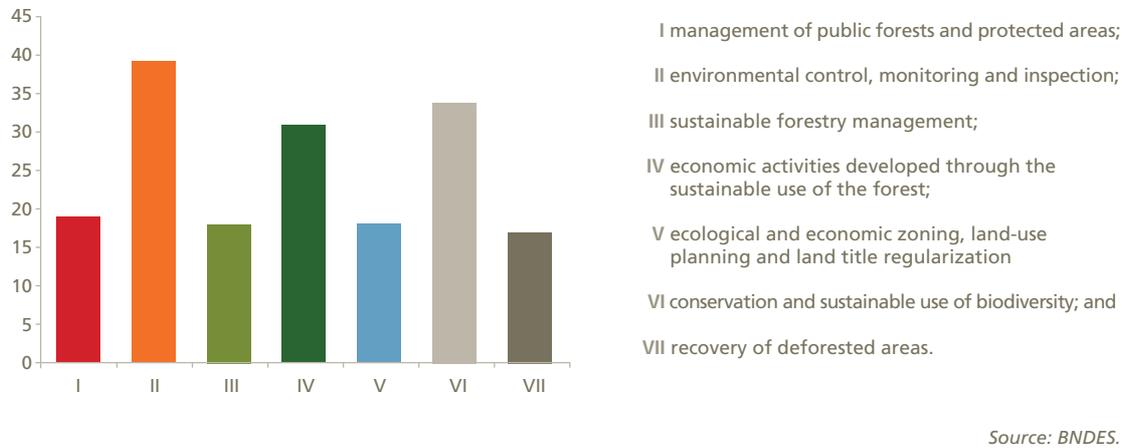


CHART 9 NUMBER OF OPERATIONS PER AREA – DECREE N°. 6,527/08



Note: One single project may comprise more than one area and more than one operational modality.

The data and charts presented above outline the situation in December 2009 and disclose some characteristics on the Amazon Fund in this initial period of its operation. Some highlights include:

- In relation to geographical and territorial origin of the consultations submitted to the Fund, most consultations were concentrated in the state of Pará.
- With respect to the legal nature of the proposing entity, it was public administration that mostly submitted consultations and, in this case, municipal administrations made more proposals. Concerning other candidates for financial support, there is a relative balance in the number of proposals submitted by NGOs and by the other public administrations at state and federal levels.
- This significant concentration of proposing entities from the public sector also explains the distribution of consultations per area of operation, with institutional development taking a prominent position.
- In relation to the analysis of consultations, in the first six months of effective operation, there was a concentration of consultations to the Amazon Fund in the early phases (In Perspective and Consultation Letter) within the operational flow.

This is due to the high number of consultations made during this period, which affected the presentation and analysis process of supportable projects in the direct operation modality. It is also important to mention that the consultations focus on seven specific and complex areas, each involving several efforts with distinct regulatory and conceptual framework, requiring specific treatment and approaches on a case-by-case basis.

Since all consultations received undergo pre-analysis and verification of compliance with minimum and compulsory issues, and the appropriateness within their scope, these facts impacted on the time that consultations remained at the first levels – In Perspective and Consultation Letter – with additional time that proposing entities could manage to arrange information required for this phase. It is worth remembering that the BNDES staff seeks to identify gaps and possible improvements, which can enable requests to be accepted.

Still, of the total consultations (95) presented during 2009, approximately 34% was not accepted, including those abandoned by the proposing entities. Even when the project is not accepted in the preliminary phase, the staff of the Amazon Fund is available for clarification and guidance needed for a possible re-presentation of the consultation in more appropriate conditions.

This process, which requires time and resources from both sides, has produced positive results, contributing to operational knowledge and helping to meet the goals of the Amazon Fund.

Details on 2009 approved projects

On December 31, 2009, the total amount of projects in the Amazon Fund's portfolio amounted to R\$ 930 million, approximately 73% of which, that is, R\$ 679 million, corresponded to the amount of support requested from the Fund.

In 2009, a total of five projects were approved, which will represent disbursements of R\$ 70.3 million (US\$ 40.4 million) over the period these projects are to be carried out, which ranges from three to five years.



Efforts will take place in 30 municipalities of six of the states covered by the Amazon Fund, namely, Amazonas, Pará, Mato Grosso, Rondônia, Acre and Tocantins.

The efforts are in keeping with public policies that govern the guidelines for preventing and combating deforestation and which aim at the region's sustainable development.

One or more of the seven specific areas of the Fund are envisaged: maintenance and creation of protected areas, incentives and making available means and instruments for environmental regulation of rural properties, payment for environmental services, stimulus and support to develop sustainable production activities, conservation and creation of protected divisions totaling 46 million hectares in conservation units.

In addition to directly meeting the objectives of the Fund, these projects also bring indirect benefits to areas where they will be developed (detailed in the next topic of this report). Below, we highlight the main issues and concepts that comprise the first projects provided with support within the Amazon Fund:

- Improvements in the standard of living of populations and traditional communities by fostering sustainable production activities, through workers associations, and generating employment and income.
- Stimulus to maintain forest assets through payment for environmental services, providing greater control and supervision of protected areas with the participation and empowerment of local communities.
- Implementation of agro-forestry systems that combine the sustainable use of managed forests with production activities as well as generating income for family farmers and indigenous communities, adding value to local culture while strengthening social organizations and institutions.
- Recovery of Permanent Preservation Areas and Legal Reserves that are degraded.

- Making companies and producers more aware and fostering initiatives to increase voluntary compliance with environmental regulation processes on rural properties. The aim is to involve, specifically, owners and suppliers that comprise production sectors with high potential for impacting deforestation in the region, including areas such as soybean, lumber and livestock. With this, expectations are for an increase in the possibilities to monitor by setting up and implementing a database which will be available to the public. Other expectations include contributions to the expansion, in the Amazon Biome, of access to credit, which can only be granted if the property complies with environmental regulation, among other characteristics:

- ▶ Support for Rural Environmental Registration (CAR), electronic identification instrument and geo-referencing rural properties and their respective environmental situation. The final outcome from the CAR is a map showing the producer's use and the occupation of the property, of the remaining forest and of environmental damage. The data generated by CAR geo-referencing are stored in licensing and environmental monitoring systems of states and provide a tool to prevent, monitor, control and inspect deforestation, insofar as it is possible to distinguish legal and illegal deforestation. This, in turn, implies lower cost in field operations and higher effectiveness in administrative and criminal accountability. The information generated by CAR also helps implement and assess policies and enables the tracking and monitoring of the dynamics of deforestation.

- ▶ Support for consolidating and creating Conservation Units (UCs) within the scope of the Protected Areas of the Amazon Project (Arpa), the largest program for forest protection and biological preservation in the world. A Conservation Unit is a territory whose protection is guaranteed by law. In addition, a UC has special administration and aims at conserving existing natural resources and biodiversity in their territories. The National System of Conservation Units (SNUC) was established in Brazil in 2000 by Law N°. 9,985, which establishes criteria and standards for the creation, implementation and management of the UCs in the country. The SNUC divides such units into two groups: The Full Protection UCs, whose purpose is to preserve nature, and, in this case, only the indirect use of its natural resources is allowed; and the sustainable use UCs, which aim at combining nature conservation with sustainable use of natural resources.

The five projects approved in 2009 are detailed below:

FOREST ASSISTANCE PROJECT

BENEFICIARY:	Sustainable Amazon Foundation (FAS) is a public-private, non-profit entity, established in December 2007. Its mission is to foster sustainable development, environmental conservation and improvement in the standard of living of the communities living and using Conservation Units (UCs) in the Amazon. FAS' efforts focus on reducing deforestation, eradicating poverty, supporting social organization, improving social indicators and generating income based on sustainable activities in Conservation Units.
AMOUNT OF THE PROJECT:	R\$ 29.93 million (US\$ 17.2 million)
AMOUNT OF SUPPORT:	R\$ 19.2 million (US\$ 11 million)
CONTRIBUTIONS:	FAS undertakes to contribute additional funds to the project equivalent to at least 50% of the amount earmarked by the Amazon Fund to implement complementary programs at UCs in the state of Amazonas.
DEADLINE FOR THE USE OF THE FUNDS:	51 months
SPECIFIC AREAS:	<ul style="list-style-type: none"> I management of public forests and protected areas; II environmental control, monitoring and surveillance; III sustainable forest management; IV economic activities developed from the sustainable use of the forest; and VI conservation and sustainable use of biodiversity.
TERRITORIAL COVERAGE:	Amazon
EFFORTS:	<p>Expansion of the Forest Assistance Program.</p> <p>The purpose of this project, established in 2007, is to reduce greenhouse gas emissions caused by deforestation, in addition to improving the standard of living of the population living in the forest. Its operation is based on payment to the communities for environmental services in forest maintenance. The Forest Assistance Program comprises four components.</p> <p>The Amazon Fund specifically supports the Forest Assistance Income and the Forest Assistance Association, thus prioritizing the application of resources in the generation of sustainable production activities and in support of workers associations in benefited populations.</p> <p>The Program contributes to the maintenance of approximately 10 million hectares of forests, approximately 6.4% of the territory of the state of Amazonas. The contribution of the Amazon Fund's resources will allow the number of beneficiary families to be increased from 6,000 to 10,000, reaching approximately 60,000 people. The financial resources earmarked for the project will be fully transferred to final beneficiaries, which are traditional low-income communities.</p> <p>With the Amazon Fund's contribution, the Program will focus on preventing and containing deforestation in 20 Sustainable Use UCs. Currently, the Program covers 14 UCs.</p>

IMAZON PROJECT

BENEFICIARY:	The Amazon Institute of People and the Environment (Imazon), with headquarters in the city of Belém (PA), is a non-profit association, and qualifies as a civil society organization of public interest (OSCIP). It was created with the objective of fostering sustainable development in the Brazilian Amazon through studies, support to formulate public policies, broad dissemination of information and professional development.
AMOUNT OF THE PROJECT:	R\$ 9.7 million (US\$ 5.6 million)
AMOUNT OF SUPPORT:	R\$ 9.7 million (US\$ 5.6 million)
DEADLINE FOR THE USE OF THE FUNDS:	36 months
SPECIFIC AREAS:	II environmental control, monitoring and surveillance; and IV economic activities developed from the sustainable use of the forest.
TERRITORIAL COVERAGE:	11 municipalities in the state of Pará: Abel Figueiredo, Bom Jesus do Tocantins, Breu Branco, Dom Eliseu, Goianésia do Pará, Itupiranga, Jacundá, Paragominas, Rondon do Pará, Tailândia and Ulianópolis.
EFFORTS:	<p>Mobilization of local society (farmers, unions, associations) as well as state and federal governments, with the aim of collecting environmental and land data on rural property; acceleration of owners joining the Rural Environmental Registry; monitoring, through satellite images, deforestation in the 11 municipalities included in the project, and help planning and recovering degraded areas in the basin of the Uraim River, in the city of Paragominas (PA).</p> <p>The Rural Environmental Registry in Pará was established as an instrument of State Policy on Forests and the Environment and establishes that all rural properties in the state be registered. Those that are not face the penalty of being considered environmentally irregular.</p> <p>Support for the Amazon Fund will enable the structuring of the entire property database, facilitating the use of information by the owners in the region, as well as by public authorities. Current legislation requires that, when they join the Registry, owners undertake to restore illegally degraded or deforested areas, which does not always occur. There is a lack of adequate monitoring to monitor compliance with recovery efforts.</p> <p>Society in general and the environmental agencies will be able to assess the results of the project through the Imazon site and by the follow-up performed by the Amazon Fund staff.</p>

TNC BRAZIL PROJECT

BENEFICIARY:	The Nature Conservancy of Brazil (TNC Brasil) is a non-profit association, based in the city of Brasília and with branches in Rio de Janeiro, Curitiba, Belém and Cuiabá. Present in Brazil since 1988, TNC was created to protect plants, animals and natural ecosystems that represent diversity. The several programs undertaken by the organization have a team of scientists, technicians and managers to ensure the ecological, social and economic results of the projects, in an integrated fashion.
AMOUNT OF THE PROJECT:	R\$ 19.2 million (US\$ 11 million)
AMOUNT OF SUPPORT:	R\$ 16 million (US\$ 9.2 million)
CONTRIBUTION:	TNC undertakes to contribute additional resources to the project in the amount of R\$ 3.2 million.
DEADLINE FOR THE USE OF THE FUNDS:	36 months
AREAS:	II environmental control, monitoring and surveillance; and IV economic activities developed from the sustainable use of the forest.
TERRITORIAL COVERAGE:	12 municipalities located in two states that have the highest rates of deforestation in the Amazon: the state of Mato Grosso (Nova Ubiratã, Tapurah, Nova Mutum, Sapezal, Campos de Julio, Cotriguaçu and Juruena) and the state of Pará (São Felix do Xingu, Ourilândia do Norte, Tucumã, Cumarú do Norte and Bannach).
EFFORTS:	<p>The funds will be earmarked to mobilize community (associations, unions and rural producers, in addition to state and federal governments) in 12 municipalities, seven of which are in the state of Mato Grosso and five in the state of Pará, aimed at encouraging them to join the Rural Environmental Register and at monitoring deforestation in the region by means of satellite images.</p> <p>The initiative of the TNC project will encourage the environmental regularization of the sector that produces timber, livestock and soybean in the 12 municipalities belonging to the program. These activities are considered an encouragement of deforestation.</p> <p>Farmers will participate in data collection of properties, through field research and use of satellite images. Forming this map will help delimit Legal Reserves and Permanent Preservation Areas in municipalities in the states of Mato Grosso and Pará.</p> <p>With measures taken on farms, owners will join the Rural Environmental Registry, starting the process of adjusting properties to comply with environmental regulation, as well as to better monitor deforestation.</p>

SEMENTES DO PORTAL PROJECT

BENEFICIARY:	The Ouro Verde Institute (IOV) is a non-governmental organization (NGO) established in 1999 in São Paulo. It has operated in the region known as the "Amazon Portal", in the state of Mato Grosso, since 2004. Its objective is to foster sustainable development, enabling the populations of the region to become responsible agents through social, economic and environmental transformation of their communities. For this, the project envisages the strengthening of organizations and community entities with the participation of popular institutions, mobilizing family farmers and adding value to regional culture.
AMOUNT OF THE PROJECT:	R\$ 5.4 million (US\$ 3.1 million)
AMOUNT OF SUPPORT:	R\$ 5.4 million (US\$ 3.1 million)
DEADLINE FOR THE USE OF THE FUNDS:	36 months
AREAS:	IV economic activities developed from the sustainable use of the forest; VI conservation and sustainable use of biodiversity; and VII recovery of deforested areas.
TERRITORIAL COVERAGE:	Seven municipalities that comprise the "Amazon Portal" territory, in the far north of the state of Mato Grosso: Apiacás, Alta Floresta, Carlinda, Nova Guarita, Nova Canaã do Norte, Terra Nova do Norte and Peixoto de Azevedo/Matupá.
EFFORTS:	<p>Recovery of 1.2 million hectares of degraded areas (restoring permanent preservation areas and legal reserves) and rescuing family farms through the introduction of agro-forestry systems.</p> <p>These systems consist of land use that joins species of trees, crops and cattle-raising in the same area. For the implementation of agro-forestry systems, the project will use the so-called "muvuca" technique, which works with direct planting and handling of various species of forest and agricultural seeds.</p> <p>The seeds used in agro-forestry systems will be acquired from the indigenous community, Terena, an integral part of the Sementes do Portal project. Taking into account the growth and adding value to the seeds, due to an increased use of agro-forestry systems and the scarcity of several species owing to deforestation, the Terena indigenous community will benefit from the project, as it will be able to collect seeds appropriately, developing an activity that combines the sustainable use of the forest and income generation.</p> <p>The project also envisages the following efforts: strengthening local associations in the process of environmental management; structuring a set of environmental services for technical support, targeting the environmental licensing of small properties in the Amazon Portal; training and technical support; in addition to the development of internal and external communication vehicles to disseminate project information, so as to guarantee the cohesion of efforts and the socialization of information.</p>

PROTECTED AREAS OF THE AMAZON PROJECT (ARPA) – 2ND PHASE

BENEFICIARY:	The Brazilian Biodiversity Fund (Funbio) is a non-profit, civil society organization of public interest (OSCIP), created to apply resources for the conservation of biodiversity in Brazil. It operates through partnerships with institutions that carry out field activities and articulation with donators. It is specialized in managing and selecting projects, fundraising and management of environmental funds.
AMOUNT OF THE PROJECT:	R\$ 164.2 million (US\$ 94.3 million)
AMOUNT OF SUPPORT:	R\$ 20 million (US\$ 11.5 million)
DEADLINE FOR THE USE OF THE FUNDS:	48 months
AREAS:	<ul style="list-style-type: none"> I management of public forests and protected areas; V ecological and economic zoning, land-use planning and land title regularization; and VI conservation and sustainable use of biodiversity.
TERRITORIAL COVERAGE:	throughout the Amazon.
EFFORTS:	<p>The funds will be earmarked for the second phase of the Arpa Program, which seeks to combat deforestation by creating and consolidating Conservation Units (UC). In its first phase, the project created 62 UCs.</p> <p>Arpa was established in 2002 and consolidated over the last year years as the largest program for protected tropical areas and one of the major programs in the conservation of biodiversity. In 2008, a Technical Cooperation Agreement established cooperation between Funbio and the Ministry of the Environment to continue with Arpa. In addition, the Arpa program’s partners include WWF-Brazil, the World Bank, KfW (German Development Bank) and the Global Environment Facility (GEF).</p> <p>In the second phase of Arpa, the goals are: to support the creation of 13.5 million hectares of conservation units in the Amazon; to support the consolidation of 32 million hectares of conservation units, of which 6.5 million hectares of conservation units already exist, but are not covered by the program yet.</p> <p>The entrance of the Amazon Fund in the program may serve as an instrument to stimulate new donations, which are still needed for the full implementation of the project. The creation and effective consolidation of the UCs in the Amazon prevent the advance of deforestation and forest degradation.</p> <p>Strategic Objectives: preservation of biological diversity and maintenance of important ecological services, to reduce carbon emissions caused by deforestation.</p>







As stated in the donation agreement, signed with Norway, the Norwegian government's disbursements will be made every six months or less, upon request, in writing, by the BNDES. This request must be based on the Amazon Fund's financial needs and the amount of reduced carbon emissions attested by the CTFA.

Considering the approval of the first projects of the Fund, on September 29, 2009, the request for clearance of the first installment of the donation was sent to Norway's Ministry of Foreign Affairs.

Ninety-seven percent of the amount received was invested in the Gaia Fund, a fixed-income fund managed by the Bank of Brazil, according to rules established in the donation agreement. The remaining value (3% of the total received), as set forth in Decree N°. 6,527/08, is earmarked to cover operational costs and administrative expenses for the management of the Amazon Fund. In 2009, all expenses incurred in managing the Amazon Fund were accounted as BNDES expenses.



The following table summarizes the situation of the resources that entered Brazil for use in projects supported by the Amazon Fund. The amounts were recorded in accordance with Brazilian accounting standards (in R\$).

TABLE 10 RESOURCES EARMARKED FOR PROJECTS SUPPORTED BY THE AMAZON FUND

DATE	EVENT	TOTAL AMOUNT		GAIA FUND		3% (ADMINISTRATION COSTS)*	
		US\$	R\$	US\$	R\$	US\$	R\$
OCTOBER 9, 2009	INSTALLMENT RECEIVED	20,960,578.65	36,448,350.22	20,331,761.29	35,354,899.71	628,817.36	1,093,450.51
OCTOBER, 2009	GAINS	88,160.42	153,418.77	85,116.59	148,121.83	3,043.83	5,296.94
NOVEMBER, 2009	GAINS	137,370.48	237,197.61	133,257.44	230,095.62	4,113.04	7,101.99
DECEMBER, 2009	GAINS	150,510.56	263,441.91	146,030.59	255,600.52	4,479.97	7,841.39
OCT. TO DEC., 2009	BANK FEES	-	-	-	-	-4,905.84	-8,531.65
TOTAL		21,336,620.11	37,102,408.51	20,696,165.91	35,988,717.69	635,548.36	1,105,159.18

* The 3% separated for administration costs are invested together with resources available from the BNDES.

Source: BNDES.

TABLE 11 BALANCE SHEET (ON 12.30.2009)

(IN R\$)

ASSETS		LIABILITIES	
CURRENT ASSETS	37,105,284.58	CURRENT LIABILITIES	36,000,125.40
CASH	37,097,443.19	FUNDS FROM PROJECTS	36,000,125.40
BNDES	1,108,725.51	Funds from international entity	36,000,125.40
GAIA Fund	35,988,717.68	SOCIAL EQUITY	1,105,159.18
RECEIVABLES	7,841.39	ACCUMULATED SURPLUS OR DEFICIT	1,105,159.18
Cash Investments	7,841.39	TOTAL LIABILITIES	37,105,284.58
TOTAL ASSETS	37,105,284.58		







It is part of the Amazon Fund's responsibility to maintain constant dialogue with its many stakeholders, so as to offer transparency to its activities, collect subsidies and establish partnerships aiming at improving its efforts.

With this, it is important to mention some achievements in 2009, such as the signing of the technical cooperation agreement with the Ministry of the Environment and the Brazilian Forestry Service, the working meetings with the German Technical Cooperation Agency, the GTZ, and also:

Sectorial Workshop – Indigenous Organizations

In May 2009, the Amazon Fund, in partnership with the Indigenous Organizations of the Brazilian Amazon (COIAB), held a seminar to discuss environmental issues related to the indigenous communities. In the event, some 25 leaders of Regional Indigenous Organizations took part, in addition to representatives from NGOs and institutions of the Brazilian federal government.

Round of presentations

In August and September 2009, the BNDES, with support from the Brazilian Forestry Service and the Ministry of the Environment, promoted several presentations to promote the launch of the Amazon Fund. These events were held in the states of the Legal Amazon, in the following cities: Belém (PA), Manaus (AM) Boa Vista (RR), Macapá (AP) Porto Velho (RO), Cuiabá (MT), Palmas (TO) Imperatriz (MA) and Rio Branco (AC).

During the meetings, it was possible to outline and detail the procedures for formal requests for support, answer questions and encourage the development of projects whose main objective was to reduce deforestation in the Amazon Biome.

The schedule of rounds (one day for each city) also included workshops and meetings with sectors and interested proposing entities to answer more specific questions with teams of the BNDES, the Brazilian Forestry Service and the Ministry of the Environment.

Quite heterogeneous, the audience attending the presentations included representatives of federal bodies from the three spheres, members of local associations and cooperatives, organizations of indigenous peoples and traditional communities, NGOs, entrepreneurs, among others.

Participation in COP15

The 15th Conference of the Parties (COP15) was held from December 7 to 18, 2009, by the Board Convention of the United Nations on Climate Change, in Copenhagen, Denmark.

As the social pressure for a more balanced environment is increasing throughout the entire world, mainly due to severe risks associated to global warming, the event took on great importance and visibility in the media; more than 35,000 representatives from around 200 countries were in Copenhagen, and the media coverage, in general, news related, was daily and quite broad.



In 2009, Brazil marked its presence in COP15 with a stand that, in addition to receiving participants of the Brazilian delegation, who operate as negotiators, also had institutional space for several Brazilian institutions and companies. The BNDES was the main sponsor of this space, with a focus on promoting of the Amazon Fund.

In the auditorium “Brazil’s Space”, the BNDES held five presentations on the Amazon Fund to explain its functioning and contribute to fundraising and projects. The presentations also described supported projects, as shown in the table below.

DAY	TIME	SUBJECT
DEC. 9 WED	04:00 pm	Amazon Fund and Sustainable Amazon Fund
DEC.11 FRI	04:00 pm	Amazon Fund and Imazon
DEC.14 MON	04:00 pm	Amazon Fund and Rios Voadores – Flying Rivers, with Gerard Moss
DEC.15 TUE	11:00 am	Efficient Carbon Rate, together with BMF
DEC.16 WED	01:30 pm	Amazon Fund and TNC

In addition to participations at COP15, the Amazon Fund also had a booth at the Forest Day 3 Seminar, held by the International Center of Forestry Research (Cifor), at the Radisson Hotel, in Copenhagen, on December 13, 2009.

Other presentations of the Amazon Fund abroad

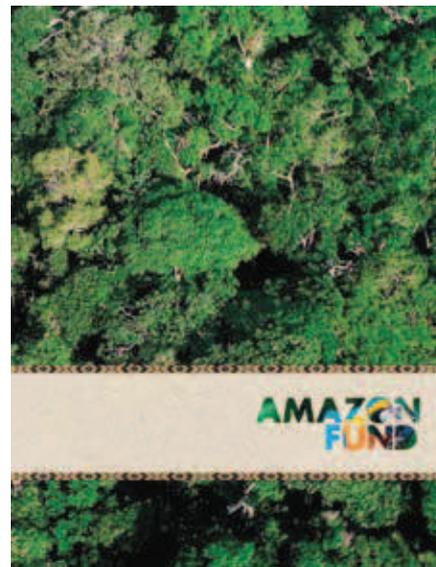
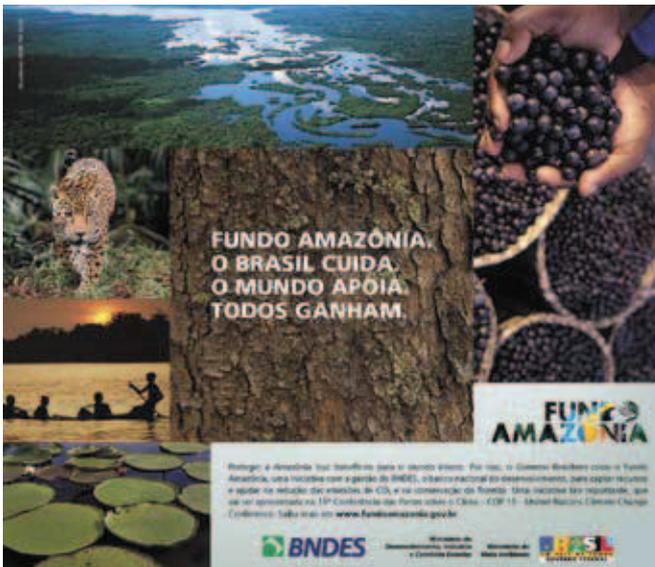
Efforts to disseminate the Amazon Fund also included the events listed below, which were planned and organized in partnership with the Fundraising and International Institutional Relations Department, of the International Division at the BNDES (AINT/DECRI).

PLACE	DATE	DESCRIPTION
JOHANNESBURG, SOUTH AFRICA	Aug. 1 to 4, 2009	Presentation of the Amazon Fund to several South African entities, among them: Industrial Development Corporation (IDC), Department of Trade and Industry (DTI) and Development Bank of Southern Africa (DBSA).
MAPUTO, MOZAMBIQUE	Aug. 27, 2009	Presentation of the Amazon Fund in the event: South / South Cooperation – Brazilian support to implement a strategy for REDD in Mozambique organized by the Mozambique government.
BERLIN, GERMANY	Sept. 7 to 12, 2009	Participation in Intergovernmental Negotiations on Brazil-Germany Cooperation.
CAPE TOWN, SOUTH AFRICA	Oct. 20 to 24, 2009	Conference of the Environmental Program of the United Nations – Financial Initiative (UNEP FI – United Nations Environment Program Finance Initiative), representing the BNDES to present the Amazon Fund.
PARIS, FRANCE	Oct. 27 to 30, 2009	Brazil-France Forum and of the Brazil Room in Paris, whose main theme was: “Brazil in the Next Decade”, representing the BNDES in a lecture on the Amazon Fund.

Advertising campaign

Aiming to promote the Amazon Fund and, thus, contributing to the effort to attracting new donations, the BNDES, through its Advertising Department (GP/DEPOC/GPUBLI), developed an advertising campaign consisting of brochures, print ads and publicity film to be used in Brazil and abroad.

With the slogan “Amazon Fund. Brazil protects it. The world supports it. Everybody wins”, the campaign highlights the importance of the Amazon for the ecological balance of the planet.

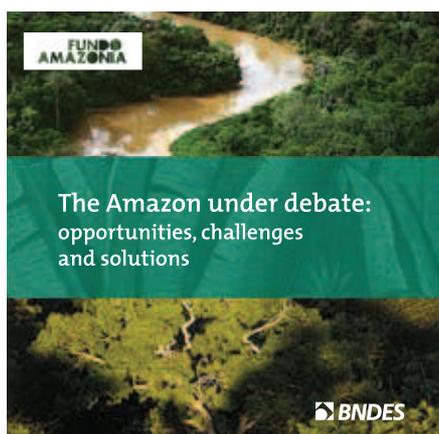


Internet page – www.amazonfund.gov.br

The BNDES maintains a site on the Internet for the Amazon Fund with updated information on the operational performance of the Fund, including beneficiaries, disbursements, project descriptions, and information on the certificates issued to donors. There is also the Fund’s activities bulletin and reports on the distribution of the portfolio of projects sent to the Amazon Fund, per location, operational modality and legal nature of the proposing party.

Since the release of the first version, in 2008, the Amazon Fund's website has undergone successive improvement processes, carried out together with the Systems Development Department of the Information Technology Division at the BNDES (ATI/DESI1). The constant evolution of this communication tool aims at identifying and installing new roles, including the use of images, maps, charts and other visual resources that increase the quantity and the reach of information offered to the public. Among these resources, there are reports on the distribution of the portfolio of projects sent to the Amazon Fund, per location, operational modality and the legal nature of the proposing entity, bulletins with the news and public assistance via the Contact Us icon.

Amazon under debate – cultivating ideas to understand Amazon



Between April and June 2009, as part of the structuring efforts for the Amazon Fund, three meetings were held between the Bank's team and 32 environmental experts to discuss issues connected to the development, conservation and preservation of the Amazon Region.

These meetings started the debate on the operation of the Fund and produced a series of information and focuses on the issue that contribute to the pursuit for guidelines to fulfill the outlined aims. The main findings register the need

for a new look at the Amazon, an insight capable of leading to a new mindset, new technologies, and a new development model.

The transcription of the debates has been put together, in English and Portuguese, in *The Amazon under debate: opportunities, challenges and solutions*. A PDF file of the content is available in www.amazonfund.gov.br.





The BNDES' mission is to foster sustainable development. In its operational history, the Bank presents a legacy of expressive results in economic and social development in the country, introducing innovating practices related to management and socio-environmental responsibility.

In fulfilling its mission, the BNDES' main purpose is to create the tools and conditions for financial support that step up to development challenges. Due to its innovative characteristics, the Amazon Fund tackles several challenges in its operation, management and reach.

Meeting the basic requirements to foster sustainable development, including economic feasibility and socio-environmental responsibility, is a complex task in Brazil and in the world. In Brazil's case, combating deforestation in the Amazon means working towards changing the historic process of land occupation in the Amazon, accelerated as of the 1970s and associated to a view of immediate economic growth which causes the conversion of forests into land for agricultural production.

The rupture of this process and the construction of sustainable alternatives for economic growth and social well-being require the participation and the commitment of producers, regulators and law makers, from the private initiative, governments, social organizations, consumers, citizens, that is, all segments of society.

The Amazon Fund's mission is to contribute to building this new model, through the possibility of supporting and consolidating sustainable projects. Efforts to be financed by the Amazon Fund

must be in compliance with the Fund's purposes and goals, with the main public policies in the sector, up-to-date with legislation, including the best practices in its sector, and the proposing entity must demonstrate the continuity of its results. These conditions underpin the guidelines and the application criteria for resources as established by COFA and, in other words, are also an integral part of the Bank's promotion and financing policies.

However, it is a known fact that disordered occupation of the Amazon generated a situation of irregularity and severe socioeconomic conflict, which makes it difficult, if not impossible, to carry out efforts aimed precisely at improving this situation.

Priority areas for the application of resources are precisely those where efforts against deforestation are more urgent and necessary. Supporting these areas represents an important challenge for the Fund's management, since, as it should be, the Amazon Fund envisions a contract that requires, at least, compliance with legislation in effect and with the normative acts that govern its operation.

Based on the COFA guidelines, it is the BNDES' responsibility to detail the criteria established and discover the most appropriate operational model to make it a concrete possibility for intervention in the Fund's target issues.

Developing the proper mechanisms to improve access to resources, considering the characteristics of demand, the legal requirements for compliance and the demands inherent to the Fund, is one of the main challenges for its management, especially in this initial phase. Considering the multiple dimensions of the problem to be addressed as well as its territorial coverage, the application of the Fund's resources is a complex task.

During the initial phase, the Amazon Fund's operations were aimed at developing the operation and working structure, which included establishing basic requirements such as governance, communication, transparency, follow-up and assessment of results.

In this period, access to the Fund was open for continuous presentation of projects. This mechanism revealed the demand and applicability profile of the guidelines and criteria defined for 2009.

One of the initial findings is that spontaneous demand is important to reveal the alternatives included in the several work fronts, as well as the opportunities to carry out projects in all foreseen areas.

In all cases, it is necessary to show the feasibility of physically and financially carrying out the proposals and the management capacity of the proposing entity, which must have the necessary terms to carry out the efforts it proposes. In addition, it is necessary to develop mechanisms to monitor and prove the efforts undertaken and the resources applied. Forming a set of projects with such requirements entails examining all proposals presented to verify their compliance, merit and feasibility.

Concerning declined proposals, most are not in compliance with the Fund's guidelines and criteria. Some present admirable ideas, but they would not correspond to the purpose of the institutions that proposed them. Others required resources well beyond the limits established, and splitting the projects into different stages was not possible. Nevertheless, all proposals follow the same procedures, receive the same treatment and are part of interactive work, aimed at adjusting them to the support conditions.

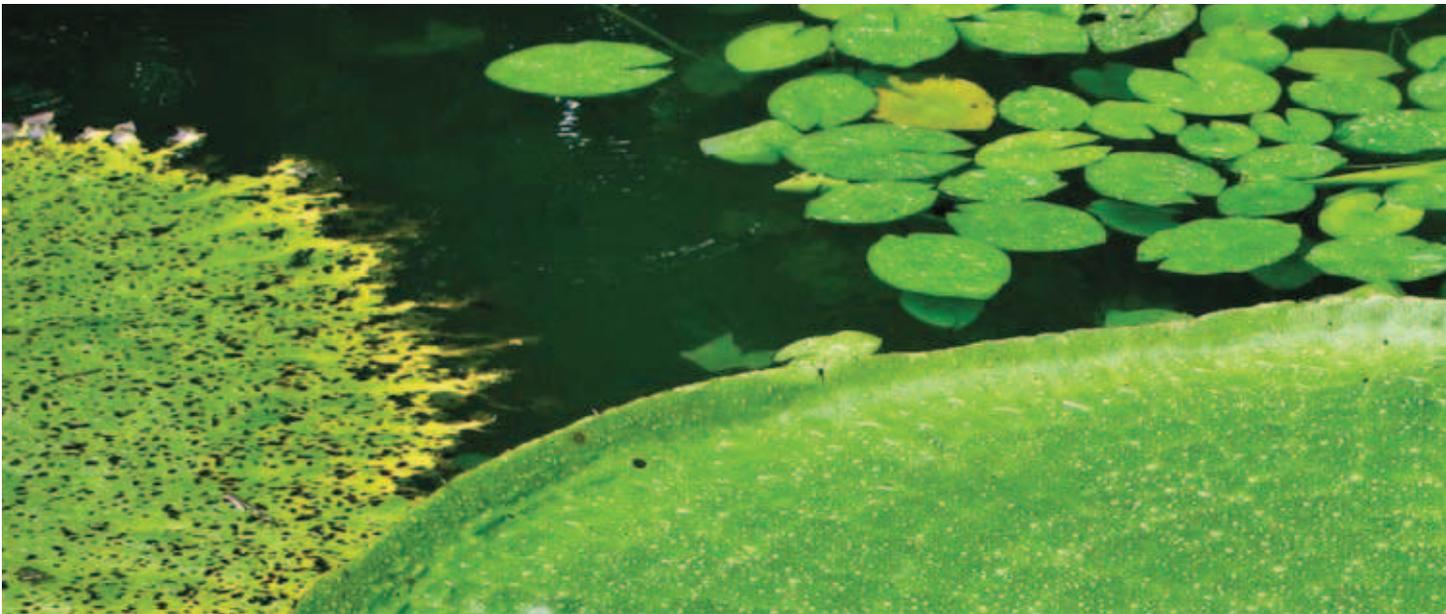
Although the BNDES' traditional efforts are a solid and recognized operational foundation, when it comes to the management of the Amazon Fund, innovation is required. Elaborating financial instruments and putting together alternative operational possibilities, based on the legal framework and regulated procedures, which are easy to verify and report on, requires time, knowledge and planning. Innovative capacity also depends on the knowledge that results from planning, follow-up, assessment and review activities of the paths and procedures used to reach established goals.

In 2009, the team invested in elaborating the Logical Framework for the Amazon Fund. This work, whose first methodological version was concluded in December, has been submitted to consultations aimed at helping improve it.

Adopting the Logical Framework joins the BNDES' traditional technical-financial follow-up. As the release of financial resources is conditioned to the conclusion of previous stages, a permanent dialog mechanism is created with the institutions carrying out the projects, which enables identification, correction and/or mitigation of eventual problems and difficulties.

The first working year of the Fund was also a stage of much needed leaning, in which the team used not only the knowledge accumulated at the BNDES, but also previous experiences in similar programs and initiatives, developed by the private initiative, by the government or civil society, including the Pilot Program for Protection of Brazilian Tropical Forests (PPG7), under general coordination at the Ministry of the Environment.

The conception of the Amazon Fund and the structuring of its operations are within the scope of global negotiations on climate change and are aimed at fostering sustainable development models and social well-being.



Fundraising possibilities require credibility and consistent operation, which, in its turn, requires constant planning, monitoring and assessment of the guidelines, criteria and strategies used. The methodology that governs the Logical Framework for the Amazon Fund's efforts and which will provide support for its impact monitoring system, which is more than a mere control instrument, is an important planning, follow-up, demonstration and communication tool of the results achieved. Its elaboration is vital and will contribute to formulating a "change theory", so that strategies used can be acknowledged and that the operation approach can reflect the purpose established. Monitoring impacts and the results of efforts and of projects supported is a key element in the case of funds that receive donations and are required to render accounts of their activities.

The urgency of measures to combat deforestation and provide sustainable development in the region, coupled with the global concern sparked by the Amazon, due to the immeasurable heritage of its biodiversity and to the performance of environmental services that it represents, grant, justifiably, great visibility to the Fund and generate great expectations regarding its work.



The translation of this expectation in terms of the number of projects supported or the quantity of resources disbursed is comprehensible, although, it does not represent the only means to assess the Fund's operation. Including the highest number of beneficiaries possible and increasing more and more the operation areas are, however, goals that must be firmly pursued by the Fund and that involve not only the operational matters mentioned above, but also the joint work with participants of committees that comprise the governance of the Fund.

Chosen to manage the Fund, the BNDES fulfills this mission following the standards, procedures and policies that made it an institution recognized for its seriousness and credibility in using public resources. Due to reasons already presented, it is important to highlight that the application of the Fund's resources also differs from rendering services or transferring resources carried out by simplified on-lending mechanisms.

As work is already in progress, it is a challenging task to implement operation models that reach the highest possible number of small-sized projects and that directly benefit the people who live in the forest and make their living from it, especially traditional communities and native people.

It is important to mention, therefore, that the potential to attract expressive volumes of resources from international cooperation to the Amazon Fund represents a great development opportunity for a sustainable economy, which includes the preservation and the use of tropical forests, while generating social well-being, work and income for the inhabitants in the region.

Aimed at providing more access to those agents who may need resources from the Fund, the BNDES has been in contact with institutions that present partnership and technical cooperation opportunities to strengthen the institutional qualification of potential entities proposing projects to the Amazon Fund.

There are also other important challenges in the Fund's course: to create mechanisms that foster sustainable production activities, effectively inserted in the market; and to establish parameters

for the Fund's international operations to provide support to monitoring and controlling systems for deforestation.

The Fund's governance model represents the possibility to integrate all efforts from dialog with the multiple stakeholders, an achievement to be preserved and enhanced.

Bringing together the interests of several social players involved in the task of searching for means to fulfill the Fund's purpose is a democratic and innovative exercise in the field of public policy, while, at the same time, representing a serious challenge for those involved. These, in their turn, must seek constant improvement of the relations and mechanisms that regulate them.

Consolidating the foundations of representative and participative governance requires interdependence, sharing responsibilities and the commitment to the defined purposes, without losing sight of the operational reasoning, the missions and the values of the different organizations and representations. Certainly, this is one of the expectations regarding the Amazon Fund, and carrying it out successfully may establish a pattern for other experiences.







ANNEX 1

MEMBERS AND DEPUTIES OF COFA IN 2009

FEDERAL GOVERNMENT

MINISTRY OF THE ENVIRONMENT

Carlos Minc

Tasso Rezende de Azevedo

MINISTRY OF DEVELOPMENT, INDUSTRY AND FOREIGN TRADE

Armando de Mello Meziat

Marcos Otávio Bezerra Prates

MINISTRY OF FOREIGN AFFAIRS

André Odenbreit Carvalho

Pedro Aurelio Fiorencio Cabral de Andrade

MINISTRY OF AGRICULTURE, LIVESTOCK AND SUPPLY

Marcio Antonio Portocarrero

Helinton Jose Rocha

MINISTRY OF AGRARIAN DEVELOPMENT

Márcia da Silva Quadrado

Marco Aurélio Pavarino

MINISTRY OF SCIENCE AND TECHNOLOGY

Luiz Antonio Rodrigues Elias

Maria Luiza Braz Alves

CHIEF OF STAFF OF THE PRESIDENCY OF THE REPUBLIC

Tereza Helena Gabrielli Barreto Campello

Johanness Eck

SECRETARIAT FOR STRATEGIC AFFAIRS

OF THE PRESIDENCY OF THE REPUBLIC

Alberto Carlos Lourenço Pereira

Daniel Augusto Vila-Nova Gomes

THE BRAZILIAN DEVELOPMENT BANK – BNDES

Eduardo Rath Fingerl

AMAZON STATES

ACRE

Eufraan Ferreira do Amaral

Carlos Ovídio Duarte da Rocha

AMAPÁ

Alberto Pereira Góes

Antônio Carlos da Silva Faria

AMAZONAS

Nadia Cristina D'Avila Ferreira

Aldenira Rodrigues Queiroz

MARANHÃO

Washington Luis Campos Rio Branco

Antônio Moysés da Silva Netto

MATO GROSSO

Luiz Henrique Chaves Daldegan

Alexander Torres Maia

PARÁ

Aníbal Picanço

Sonia Sfair Kinker

RONDÔNIA

Cletho Muniz de Brito

Marias Dolores dos Santos da Costa

RORAIMA

Haroldo Eurico Amoras dos Santos

TOCANTINS

Stalin Beze Bulcar

Raul Rodrigues de Freitas Júnior

CIVIL SOCIETY

BRAZILIAN FORUM OF NGOS AND SOCIAL MOVEMENTS FOR THE ENVIRONMENT AND DEVELOPMENT (FBOMS)

Adriana Ramos

Jean-Pierre Leroy

COORDINATION OF INDIGENOUS ORGANIZATIONS OF THE BRAZILIAN AMAZON (COIAB)

Francisco Avelino Batista

Kleber Luiz Santos dos Santos

NATIONAL CONFEDERATION OF INDUSTRY (CNI)

Justiniano de Queiroz Netto

Mário Augusto de Campos Cardoso

NATIONAL FORUM OF FOREST-BASED ACTIVITIES (FNABF)

José Pereira Dias

Fernando Castanheira Neto

**NATIONAL CONFEDERATION OF AGRICULTURAL
WORKERS (CONTAG)**

Fani Mamede

Rosicléia dos Santos

BRAZILIAN SOCIETY FOR THE ADVANCEMENT OF SCIENCE (SBPC)

Marco Antônio Raupp

Helena Bonciani Nader

During the year 2009, the following members
also played a role:

FEDERAL GOVERNMENT

MINISTRY OF FOREIGN AFFAIRS

Danielle Poppius Brichta,
DEPUTY

MINISTRY OF AGRARIAN DEVELOPMENT

Daniel Maia,
MEMBER

SECRETARIAT FOR STRATEGIC AFFAIRS OF THE

PRESIDENCY OF THE REPUBLIC

Daniel Barcelos Vargas,
MEMBER UNTIL SEPTEMBER 17, 2009

THE BRAZILIAN DEVELOPMENT BANK – BNDES

João Carlos Ferraz,
OWNER UNTIL AUGUST 4, 2009

Eduardo Carvalho Bandeira de Mello,
DEPUTY UNTIL AUGUST 4, 2009

AMAZON STATES

AMAZONAS

Neliton Marques da Silva,
DEPUTY UNTIL SEPTEMBER 29, 2009

MARANHÃO

Othelino Nova Albes Neto,
MEMBER UNTIL MAY 28, 2009

Rafael Guerreiro Bonfim,
DEPUTY UNTIL MAY 28, 2009

PARÁ

Valmir Ortega,
MEMBER UNTIL AUGUST 5, 2009

Marcelo Bastos Françaço,
DEPUTY UNTIL MAY 28, 2009

RONDÔNIA

Ibaldecí dos Santos,
DEPUTY UNTIL JUNE 19, 2009

TOCANTINS

Anízio Costa Pedreira,
MEMBER UNTIL SEPTEMBER 29, 2009

Belizário Franco Neto,
DEPUTY UNTIL SEPTEMBER 29, 2009

CIVIL SOCIETY

**NATIONAL CONFEDERATION OF AGRICULTURAL
WORKERS (CONTAG)**

Paulo de Tarso Caralo,
DEPUTY UNTIL AUGUST 4, 2009

ANNEX 2

BNDES/AMAZON FUND TEAM

THE BNDES' ENVIRONMENTAL DIVISION

SUPERINTENDENT:

Sergio Eduardo Weguelin Vieira

MANAGEMENT DEPARTMENT OF THE AMAZON FUND (DEFAM)/ENVIRONMENTAL DIVISION

HEAD OF DEPARTMENT:

Cláudia Soares Costa

THE TEAM THAT, THROUGHOUT 2009, INTEGRATED DEFAM:

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INTERNS:

André Luis Ferreira Lemos and Flávia Ozório José.

ANNEX 3

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INDEPENDENT AUDITORS' OPINION

To the Amazon Fund Managers
(Managed by the Brazilian Development Bank – BNDES)
Rio de Janeiro – RJ

1. We examined the balance sheet of the Amazon Fund, finalized on December 31, 2009, and the respective surplus statements, the changes to net equity and cash flows corresponding to the period between October 9, 2009, and December 31, 2009. These were elaborated by the Management, as it is their responsibility. Our responsibility is to express an opinion on these financial statements.
2. Our examination was done in accordance with Brazilian audit standards and included: (a) work planning, regarding the relevance of the balance, the volume of transactions and the accounting systems, as well as the Fund's internal controls; (b) confirmation, based on tests, of the evidence and records that support values and accounting information disclosed; and (c) assessment of practices and the estimated and most representative accounting adopted by the Fund's Management, as well as presentation of financial statements taken together.
3. In our opinion, as the financial statements mentioned in paragraph 1, in all relevant aspects, properly represent the equity and financial status of the Amazon Fund on December 31, 2009, the result of its activities, the changes to its net equity and cash flows corresponding to the period between October 9, 2009, and December 31, 2009, in accordance with the accounting practices used in Brazil that are applicable to non-profit organizations.

Rio de Janeiro, June 4, 2010.



DELOITTE TOUCHE TOHMATSU

INDEPENDENT AUDITORS
CRC 2SP 011.609/0-8 "F" RJ



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