



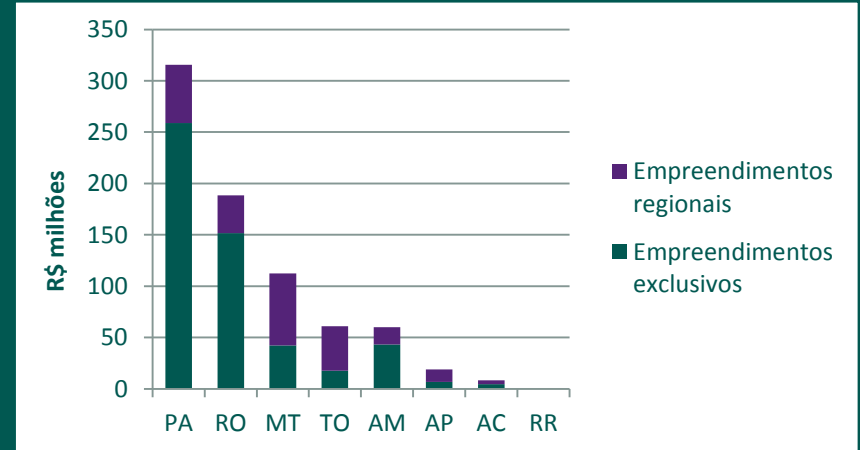
What compensation we are talking about?



- Many different types of compensation established in Brazilian legal framework:
 - Forest, mining, infrastructure licensing process, and others.
- But in most cases they are not implemented;
- The compensation + SNUC is the greatest opportunity.

SNUC = National Protected Areas System

Potential of SNUC Compensation in Amazon States for the next 4 years



* In the Federal Government US\$250 million

** In RJ State Government US\$100 million

The compensation + of SNUC (National Protected Areas System)



- In the licensing process the Companies are required to identify, prevent, mitigate and compensate impacts of their enterprises to receive a license from the government
- Even if the Companies compensate and mitigate the impacts, If a significant impact is defined, an **additional Compensation** is calculated as a percentage of the total amount invested in the enterprise.
- By law, priority is given to PAs of strict protection. In case of direct impact it can support sustainable use PAs

The mechanism timeline



2000: Federal Government publish the SNUC law

2007: Design phase – US\$550.000,00

2008: Pilot phase – compensation of Thyssenkrupp in a total of USD 1.6 million and a donation from KfW of USD 200 thousand

2009: Executing phase – Rio de Janeiro's Environmental Secretariat (SEA-RJ) and Funbio sign agreement for operation, maintenance and control of FMA/RJ

2013: Current Status - Over **USD 108 million** in resources from environmental compensation;
The **State Government publish a specific law** (Law nº 6572- oct/2013)

Atlantic Forest Fund of Rio de Janeiro

Original model: developers were responsible for executing compensation resources or in some cases make deposits in public accounts



FMA/RJ model: developers may choose the original model or work through the FMA/RJ.

The FMA/RJ was developed by Funbio in partnership with the State Environmental Secretariat (SEA-RJ), to direct resources to environmental conservation.



Advantages of FMA/ RJ



Public point of view:

Private point of view:

- The mechanism is designed to **allow short, medium and long term investments to Pas**, providing effectiveness
- Improved **quantity and quality** of Pas, economies of scale.
- Support to implementing PAs, e.g. expediting the process of legalizing land tenure.
- **Public governance and private execution** allows transparent, agile and preserve the public roll of decisions
- **cheapest than others tested models**. Funbio's executing costs up to now are lower that interests.
- **Flexible** mechanism.
- The **mechanism can be reproduced** in other states and countries.

- It's a **Voluntary option** of execution;
- **Easy solution for the compensation obligation** through an efficient mechanism
- **low risk execution** of compensation resources.
- **No additional execution costs**

Results up to 2012



- Portfolio of **USD 108 million**
- Over **USD 29 million** already executed
- Average **execution rate** of about **one million per month** in 2012
- **50 enterprises** have chosen the mechanism for compensating
- **Beneficiaries 39 projects in 29 PAs** in Rio de Janeiro managed from RJ State Institute (INEA/RJ), municipal environmental agencies and the Federal Agency (ICMBio)
- Endowment fund of over **USD 10 million** was created and after one year of investment it will be directed to cover recurring costs of state PAs in the long term.



Next Steps



- Currently executing 1 compensation fund
- designing 3 state compensation funds in Pará, Rondônia and Paraná.
- Negotiations to design 5 other funds in Bahia, Amapá, Espírito Santo, Pernambuco and Rio Grande do Norte.
- Designing funds for others types of compensation



Manoel Serrão

manoel.serrao@funbio.org.br

Fabio Leite

fabio.leite@funbio.org.br

Camila Monteiro

camila.monteiro@funbio.org.br

Rosa Lemos

rosa.lemos@funbio.org.br



www.funbio.org.br