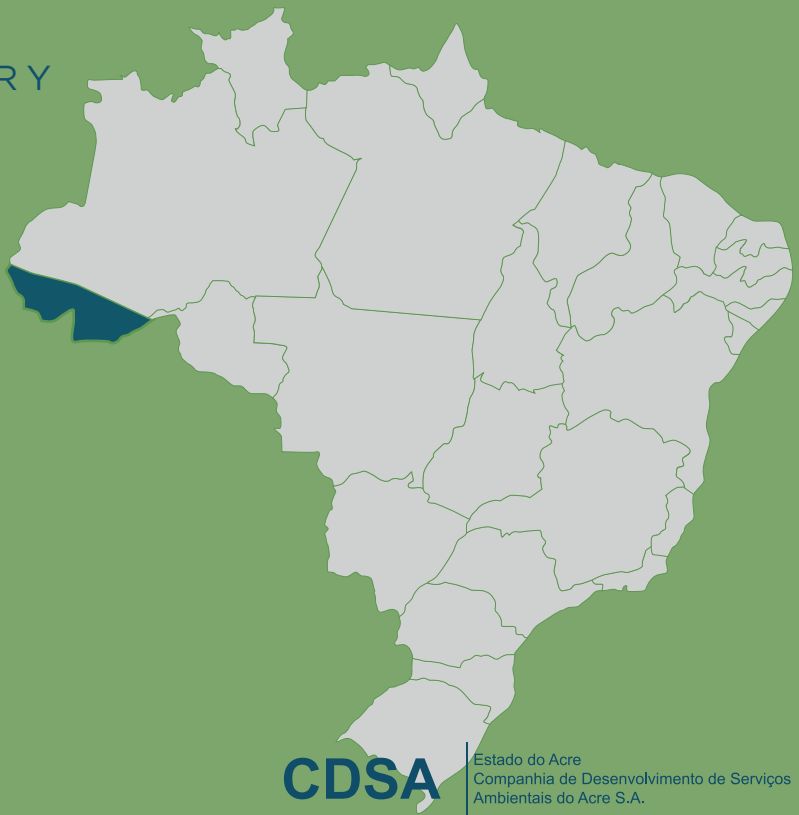
UNLOCKING FOREST FINANCE

Financing Sustainable Landscapes:

Acre, Brazil

EXECUTIVE SUMMARY



GCP GLOBAL CANOPY PROGRAMME

CDSA Estado do Acre Companhia de Desenvolvimento de Serviços Ambientais do Acre S.A.

Unlocking Forest Finance (UFF) brings together NGOs, environmental and social sector safeguarding institutes, financial sector experts and strategic advisors including Credit Suisse, European Investment Bank and Althelia Ecosphere. UFF is managed by the Global Canopy Programme, a UK nonprofit with a strong track record of implementing international projects to address tropical deforestation.

The project relied on a number of local partners: Environmental Services Development Company (CDSA) in Acre, Brazil, the Amazon Environmental Research Institute (IPAM), in Mato Grosso, Brazil, and the Centre for Development and Research in Upper Amazonia (CEDISA) in San Martin, Peru.

Other implementing partners and subcontractors are: The National Agricultural University of La Molina (UNALM) in San Martín, World Wide Fund for Nature (WWF-UK, and other WWF offices), Climate Bonds Initiative (CBI), Vivid Economics, Helmholtz Centre for Environmental Research (UFZ), the International Institute for Sustainability (IIS), the International Institute for Applied Systems Analysis (IIASA), the National Institute for Space Research – Centre for Earth Systems Science (INPE-CCST).

This project is part of the International Climate Initiative (IKI). The Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) supports this initiative on the basis of a decision adopted by the German Bundestag.

CDSA
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Supported by:
Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
based on a decision of the German Bundestag

Executive Summary

A portfolio of sustainable investments in supply chains, forest conservation and support for livelihoods in Acre, Brazil.

The Brazilian state of Acre offers numerous opportunities for sustainable investments in a range of activities. These include opportunities in productive supply chains, forest conservation and the promotion of sustainable livelihoods.

This summary presents results of the financial analyses of these investment opportunities:

- Seven supply chains: açaí, rubber, brazil nuts, timber from forest concessions, timber from community-managed forests, forest plantations on degraded land and aquaculture. The state government has invested in these activities since the 2000s, using state funds as well as funding from the National Development Bank (BNDES), Inter-American Development Bank (IDB) and KfW;

- Two forest conservation projects through the reorganisation of the State System for Protected Natural Areas (SEANP) and the recuperation of the Rio Acre Areas of Permanent Protection (APPs).

- Two further projects to support sustainable livelihoods for indigenous communities: the development of Indigenous Land Management Plans (ILMPs) and Community Development Plans (CDPs).

Two scenarios were designed for each element.

- Business-as-usual scenarios (e.g. what would happen to the production chain if nothing were to change)

- Sustainable scenarios (e.g. what would happen with the proposed investments)

In order to evaluate the financial, environmental and social viability of these investments, the UFF team analysed cash flows and social and environmental data. This allowed them to calculate the costs associated with the sustainable scenario. This analysis has been used to propose financial mechanisms that can be used to channel investments and disburse funds to producers.

The following table shows the proposed interventions according to each activity. For each, it lists the Net Present Value (NPV), Internal Rate of Return (IRR) and period of repayment (payback):

Productive supply chains

ACTIVITY	TRANSITION	NPV (BRL million)	NPV (USD million)[1]	IRR (%)	Payback Period (years)
Açaí	To increase the average annual production from 30,000 tonnes/year to 120,000 tonnes/year using an agroforestry system.	21.67	6.45	12.9	9
Aquaculture	To increase the production of Tambaqui, Pintado, Piracuru and Prapitinga fish using 5,000 hectares of degraded land, and to offer training for producers.	35.67	10.62	10.1	11
Brazil nuts	To increase the annual harvest of 6,000 tonnes to 8,000 tonnes in sustainably managed forest areas.	5.19	1.55	98	2
Forest concessions	A total of 240,000 hectares of state forest with sustainable management plans.	0.68	0.20	9	13
Forest plantations on degraded land	To reforest 20,000 hectares with eucalyptus to produce biomass for energy.	11.73	3.49	9.8	14
Rubber	To increase annual production from 5,000 tonnes/year to 10,000 tonnes/year in rubber plantations and to encourage more modern extractive practices.	8.60	2.56	8.6	17
Timber from community-managed forests	180,000 hectares of forests designated for community management projects.	0.42	0.13	8.2	13
TOTAL		**83.96**	**24.99**		

[1] Exchange rate USD 1 = BRL 3.3905 (current as of 19 December, 2016).

Conservation

ACTIVITY	TRANSITION	COSTS (BRL million)	COSTS (USD million)
Revitalisation of the Rio Acre area	To support restoration of 10,000 acres of forest in conservation areas in the Rio Acre basin. In addition, to empower 900 rural and riverside producers and partners in the water resource management programme in restoration of conservation areas.	99.91	29.73
State system for protected natural areas (SEANP)	To draw up management plans for 30 conservation units and to strengthen their monitoring capacity.	82.22	24.47
TOTAL		**182.13**	**54.20**

Sustainable livelihoods			
ACTIVITY	**TRANSITION**	**COSTS** (BRL million)	**COSTS** (USD million)
Community Development Plans (CDPs)	To prepare and implement 400 community development plans and offer places on 4,300 community training courses.	115.15	34.27
Indigenous Land Management Plans (ILMPs)	To prepare and implement 118 ILMPs and qualify 100 indigenous agro-forestry officers.	42.93	12.78
TOTAL		**158.08**	**47.05**

Table 1: Activities, interventions and economic factors

Table 1, above, demonstrates that all productive supply chains offer attractive rates of return for private investors. Some of these results depend on public incentive policies or blending policies, using funds from concessions or donations to make them attractive, as in the case of community forest management.

This report aims to portray Acre's diverse investment portfolio, where financial attractiveness allied with social and environmental safeguards can contribute to sustainable development in the state.