

## Technical Cooperation Document

### I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	Enhancing the Bioeconomy through Innovative Financial Instruments within the ARPA Communities Program
▪ TC Number:	BR-T1636
▪ Team Leader/Members:	Queiroz Fenyves, Katia (CSD/CCS) Team Leader; Hincapie Salazar, Daniel (CSD/ACU) Alternate Team Leader; Hansmann Johanna Paola (CSD/ACU); Ricas Da Cruz, Daniel (IFD/CMF); Hintze, Luis Hernando (CSD/RND); Santos Motta, Rita Dos (VPS/ESG); Licht Tellez Vanessa (CSD/ACU); Jorgino Azevedo, Ana Carolina (VPC/FMP); Gomes Da Cruz Cossio, Alessandra (CSC/CBR); Lazo, Juan Carlos (VPC/FMP); Celeste Marzo, Cristina (LEG/SGO); Araujo Carrijo Modesto, Luciana (CSD/CCS); Gomez, Juan Carlos (CSD/CCS); De Sousa, Fernando Henrique (CSD/RND); De Assis Bueno, Fabia Maria (VPC/FMP); Garcia Alba, Jaime
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	24 Sep 2024.
▪ Beneficiary:	Federative Republic of Brazil through the Ministry of Environment and Climate Change – National Secretariat for Climate Change
▪ Executing Agency and contact name:	Wwf Brasil
▪ Donors providing funding:	Green Climate Fund(GRN)
▪ IDB Funding Requested:	US\$1,000,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	Feb 2025
▪ Types of consultants:	Firms and individual consultants
▪ Prepared by Unit:	CSD/CCS-Climate Change Solutions Division
▪ Unit of Disbursement Responsibility:	CSC/CBR-Country Office Brazil
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	Yes
▪ Alignment to the IDB Group's Institutional Strategy 2024-2030:	Environmental sustainability; Gender equality; Gender equality and inclusion of diverse population groups; Social inclusion and equality; Social protection and human capital development

### II. Objectives and Justification of the TC

- 2.1 The objective of this technical cooperation operation (TC) is to support the Brazilian government, through the Ministry of Environment and Climate Change, to structure and implement innovative financial instruments that promote the bioeconomy and support communities in strengthening their bio-businesses and value chains by building new ventures focused on non-timber forest products, sustainable management and agroforestry systems which, in turn, simultaneously conserve the

forest and offer economic alternatives for the populations living and working in sustainable-use protected areas that are part of the Amazon Region Protected Areas Program (ARPA).

- 2.2 ARPA is considered the largest tropical forest protection initiative in the world. Created in 2002 to support the consolidation of a total of 60 million hectares of protected areas in the Amazon, and with Funbio serving as its fund manager, ARPA currently covers 120 conservation units, both for full protection and sustainable use. Between 2008 and 2020, it is estimated that the units supported by ARPA avoided 264,000 hectares of deforestation, the equivalent to 104 million tons of CO<sub>2</sub> emissions avoided (Soares-Filho, 2023), demonstrating that programs like ARPA are effective and stand out in reducing deforestation. According to the same author, during the same period, in the sustainable use conservation units where the program operates, deforestation was 39% of what would have been expected without ARPA's support.
- 2.3 Based on the advances and lessons learned from ARPA, the ARPA Communities initiative aims to structure and strengthen the socio-biodiversity economy, support community development and the sustainable use of natural resources within the 60 sustainable use conservation areas included in the ARPA program, encompassing over 23.7 million hectares. This shall conserve the forest while offering sustainable economic alternatives for the populations that live and work in these areas. As a long-term result, it is expected to safeguard the rights of these populations and promote income generation through the sustainable use of biodiversity, reducing the presence of illegal activities, and degradation and deforestation within Extractive Reserves (RESEX) and Sustainable Development Reserves (RDS).
- 2.4 The RESEX and RDS supported by ARPA total 23,701,949 hectares, representing 38% of the program's total area and distributed across seven states: Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, and Rondônia. The set of sustainable use conservation areas includes 36 federal areas, and 24 state areas managed by the states of Amapá (1), Mato Grosso (1), Rondônia (3) and Amazonas (19). According to data from the Brazilian Institute of Geography and Statistics (IBGE), the total population of these conservation areas is 255,697 people, representing 44,632 families.
- 2.5 Traditional populations of the Amazon are critical to conserving biodiversity and maintaining the standing forest. As such, this initiative arises from the recognition that developing the socio-biodiversity economy is fundamental to maintaining conservation results in ARPA-supported protected areas. Additionally, it is expected that strengthening productive chains in the long term will promote sustainable income generation, reducing the need for philanthropic resources to promote conservation and maintain the standing forest.
- 2.6 The involvement of women in the co-management (or shared management) of conservation units has proved to be of great importance to the long-term success and permanence of initiatives such as the ARPA Program. However, the greater participation of women in conservation initiatives depends on a new look at the social relations of a given community. It is necessary to recognize that women and men have different needs, perceptions and realities, and that these factors interfere in the power relations established. One of the current challenges in participatory processes has been to give value and visibility to the role and value of women, as well as to put the existing inequalities between the genders on the agenda for discussion ([MMA, 2009](#)).

- 2.7 The ARPA Communities initiative is structured into five main components: (i) strengthening of Community Organizations; (ii) promotion of the Socio-bioeconomy; (iii) access to energy and connectivity; (iv) creation of new protected areas; and (v) crosscutting (Monitoring, Evaluation and Learning). This TC will focus on the design and implementation of financial instruments aligned with the objectives of Component 2 of ARPA Communities. It will leverage existing experiences in sustainable financing for protected areas in the Amazon and similar regions worldwide, using both successful and unsuccessful cases, such as the Amazon Fund and the ARPA Transition Fund, as references. WWF-Brazil has been working closely with WWF-US and Funbio on the development of this initiative.
- 2.8 This TC will be funded by the Amazon Bioeconomy Fund Program of the Green Climate Fund (GRN) ([OP-2222-3](#)) under Component I.3.c - Institutional and regulatory environment - by (vi) articulating regional and national strategies with conservation practices within local communities (indigenous, afro-descendant, fishing and peasant communities) and their territories, in order to promote the sustainability of their local economies, their cultural meanings and practices, and specific actions carried out by women.
- 2.9 This TC is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact ([CA-631](#)) and is aligned with the objective(s) of: (i) reduce poverty and inequality; (ii) address climate change; (iii) bolster sustainable regional growth. It is also aligned with the operational focus area(s) of: (i) biodiversity, natural capital and climate action; (ii) gender equality and inclusion of diverse population groups; and (iii) social protection and human capital development. This TC is in line with the IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy ([GN-2609-2](#)), by targeting activities that reduce GHG emissions, enhance carbon stocks, and/or increase resilience. It complies with the IDB Group Country Strategy with Brazil 2024-207 ([GN-3243](#)), contributing to the Pillar 1 “Enabling the Green Transition and Strengthening Climate Resilience” through the strategic objectives “1.1 Strengthen environmental conservation and recover degraded areas” and “1.2 Promote the sustainable use of natural resources”, as well as the Pillar 2 “Accelerating Growth through Strong Institutions and Enhanced Productivity” on the objective “2.2 Empowering sustainable investments and fostering Regional Integration” and Pillar 3 “Advancing a New Social Agenda to Promote Prosperity and Inclusion” through the strategic objective “3.3 Enhancing Policies for the Welfare and Protection of Women and Diverse Populations”. The operation is also aligned with IDB's Group [Amazonia Forever Regional Program](#) through the pillars of Combating Deforestation, Bioeconomy, Local people, as well as the transversal area of Conservation and Women, Indigenous Peoples, Afro-descendants & Local Communities.
- 2.10 Considering that the products of this TC are being designed to meet the real demand for knowledge for the structuring of the ARPA Communities Program and the main executors of the program are the TC executing agency, it is possible to assume the sustainability of the activities carried out through this TC.

### III. Description of Activities/Components and Budget

- 3.1 **Component 1. Technical review of existing reports about ARPA and similar initiatives to inform design of ARPA Communities (US\$20,500):** (i) Assessment studies: review activities, information, and reports from previous phases of ARPA and similar initiatives globally and identify key insights that may support the development

of ARPA Communities, especially insights related to community engagement, gender equality, bioeconomy value chains development and sustainability. This will ensure that ARPA Communities incorporates lessons learned and best practices into its development. This component is expected to deliver the state of the art on biodiversity conservation programs to guide the next stages of technical cooperation and avoid duplication of efforts.

- 3.2 **Component 2. Cultural Impact Assessment and Stakeholder Engagement Strategy (US\$160,000):** This component aims to evaluate the broader impact of ARPA Communities beyond expected outcomes through the following activities: (i) Perform a Cultural Impact Assessment: Identify potential cultural risks generated by the program's implementation and develop strategies to mitigate these risks, ensuring the interventions respect are integrated with local cultural dynamics; (ii) Develop a Detailed Stakeholder Engagement Strategy: identify key stakeholders, including their roles, interests, and influence, and design a strategy for their effective engagement during both program design and implementation, ensuring an appropriate and equitable inclusion of all relevant parties; (iii) Implement the Detailed Engagement Strategy: Implement the initial phase of the strategy, ensuring that local stakeholders are informed and engaged in the program; (iv) Synthesize the results obtained in this component and develop an associated knowledge product. This component is expected to deliver a strategy for implementation of ARPA Communities respecting the local population's way of life and minimizing the risk of low adherence to the program.
- 3.3 **Component 3. Structuring and Designing Innovative Financial Instruments for Nature-Based Business Ventures (US\$361,289.74):** This component focuses on designing and structuring financial instruments to support community-led ventures in non-timber forest products and public policies that promote sustainability of protected areas in the Amazon. The activities include: (i) Stakeholder Consultations: Engage the financial sector, including private investors and public financial institutions, to identify needs and opportunities for innovative financial instruments that may support this component's objectives; (ii) Feasibility Studies: Assess the viability of proposed financial instruments and their alignment with community needs; (iii) Financial Instrument Modelling: Develop and model financial instruments, such as performance based mechanisms and blended finance models, identifying potential sources from concessional finance, including their terms, conditions, and risk mitigation strategies (iv) Analysis of Potential Buyer Demand and Risk Identification: Evaluate the demand for proposed bioeconomy products and financial instruments, and identify interventions and associated risks to ensure their effectiveness and sustainability, including real-world implications; design and pilot bioeconomy value chain support solutions (v) Monitoring and Evaluation Framework: Establish a robust M&E framework with clear, measurable indicators to track the impact and performance of the financial instruments; (vi) Develop training materials for key stakeholders. The component is expected to deliver the roadmap for the development of a financial instrument aimed at the bioeconomy chain, adapted to the local reality and analyzed from the perspective of commercial viability.
- 3.4 **Component 4. Governance, Monitoring, and Communication for Bioeconomy component of ARPA Communities Program (US\$102,000).** This component involves hiring consultant services to support: (i) Dissemination and Dialogue: facilitate the dissemination of information and foster dialogue to share insights and best practices amongst all stakeholders, avoiding siloes of information and ensuring that

communities are not only aware but feel ownership of the program’s development; (ii) Baseline Data and Implementation Framework: define metrics to monitor and evaluate the Program’s results, collect baseline data to ensure the appropriate monitoring of outcomes and develop an implementation framework for the monitoring activities, thus ensuring the appropriate structures are in place to effectively monitor and evaluate the program’s impacts; (iv) Communication Strategy: organize and participate in high level discussions to promote ARPA Communities and engage relevant partners, ensuring the participation of women and local representative institutions.

**Indicative Budget (US\$)**

<b>Activity/Component</b>	<b>GRN</b>	<b>Total</b>
Component 1. ARPA assessment and technical benchmark of financial instruments for bioeconomy promotion	20,500	20,500
Component 2. Socio-Economic and Cultural Impact Assessment and Stakeholder Engagement Strategy	160,000	160,000
Component 3. Structuring and Implementing Innovative Financial Instruments for Nature-Based Business Ventures	361,289.74	361,289.74
Component 4. Governance, Monitoring, and Communication for ARPA Communities Program	102,000	102,000
Administration and management	356,210.26	356,210.26
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>

**IV. Executing agency and execution structure**

- 4.1 In accordance with the Procedures for Authorizing Disbursements in Technical Cooperation Operations (Non-Reimbursable and Contingent Recovery) and Investment Grant Operations (up to \$3 million) ([OP-2100](#)), WWF-Brazil, a Brazilian non-governmental, non-profit organization and member of the WWF Network, the world's largest independent nature conservation network, will be the Executing Agency of the TC. WWF-Brazil supports the Arpa Program since its origin, in 1998. They have previous experience working in partnership with the IDB, with the most recent being the execution of technical cooperation BR-T1307 – Conservation of Ecosystem Services in the Trinational Corridor of Iguazu National Park, between 2014 and 2017. The performance of the executing entity was satisfactory.
- 4.2 WWF Brazil will collaborate with Funbio, which will act as the lead for Component 3, including acquisitions and contracting of services and consultancies, and technical supervision of Component 3 activities. Funbio and WWF-Brazil will sign a specific legal instrument to establish the obligations and powers of the parties within the framework of the CT implementation scheme. Funbio is a private, non-profit entity specialized in the fiduciary, technical and operational management of socio-environmental and climate projects in Brazil. Execution of TC activities will be done in coordination with the focal points assigned by the MMA for this project, starting on February 2025, for 24 months.
- 4.3 The TC will be supervised by the project team. Technical and operational supervision will be responsibility of the IDB's Climate Change and Sustainability Division in the Brazilian Country Office (CCS/CBR). The Bank will ensure proper execution and the implementation of the project in line with Procedures for Authorizing Disbursements in Technical Cooperation Operations (Non-Reimbursable and Contingent Recovery) and

Investment Grant Operations (up to \$3 million) ([OP-2100](#)). Any knowledge products generated within the framework of this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, the intellectual property of said products may also be licensed under an ad-hoc arrangement to the beneficiary, the executing agency, or a third party, as deemed convenient by the Bank for the successful implementation of the Project and in accordance with the applicable Bank's policies.

- 4.4 **Execution Mechanism.** Consistent with the results of the institutional capacity assessment of WWF-Brazil carried out by the IDB, WWF-Brazil will execute the project using its internal administrative, technical and overall organizational and internal control capabilities. The TC will use WWF-Brazil's existing systems for integrated project planning, procurement, financial administration, internal controls, reporting, and monitoring, while ensuring compatibility with Bank norms, procedures and control systems.
- 4.5 All the activities to be carried out under this operation have been included in the Procurement Plan (Annex IV) and will be contracted in accordance with the Bank's policies and regulations as follows: (i) hiring of individual consultants as established in the on Complementary Workforce (AM-650) policy; and (ii) contracting of services in accordance with the Institutional Procurement Policy (GN-2303-33) and its operational guidelines.
- 4.6 The proposed communication actions will consider the Environmental and Social Policy Framework (MPAS), with special attention to the Environmental and Social Policies regarding Stakeholder Engagement and Information Disclosure for the implementation of the proposed TC actions.
- 4.7 **Conditions preceding the first disbursement.** The Executing Agency shall provide evidence that it has a financial information system and control structure in place. Once validated by the Bank, the Executing Agency will be responsible for opening an accounting sub-account for the project.
- 4.8 **Evaluation and Monitoring.** WWF-Brazil will submit semi-annual progress reports. These reports will include, among other things, a description of progress made, details of in-kind contributions made during the respective period, results achieved, status of implementation of planned activities, difficulties encountered, and suggestions for adjustments in implementation. Semi-annual reports will be submitted by WWF-Brazil to the Bank no later than July 31 for the first half of the year and January 31 for the second half of the year, for each year of implementation. The report for the second half of the year will include an update of the Procurement Plan.
- 4.9 **Audit.** As part of the Project Closure Report, the Executing Agency shall submit, within ninety (90) days after the date of the last disbursement, Audited Financial Statements for the project, which shall be prepared in accordance with the Terms of Reference (TOR) previously agreed between the Bank and the Executing Agency and prepared by an Independent External Audit Firm acceptable to the Bank. The TOR will include the ex-post review of the project contracting processes.

## V. Major issues

- 5.1 **Low engagement of beneficiaries.** Continuous dialogue and engagement with the main beneficiaries will be established, contributing to the definition of an active

participation mechanism, and ensuring that TC closely contributes to long-term governmental programs and priorities.

- 5.2 **Lack of ownership by the federal government.** Outreach and communication strategy including stakeholder engagement will be in place to demonstrate benefits and positive project impacts, aiming at institutional buy-in at both technical and political level.
- 5.3 **Need for phasing components/activities.** A structured and organized approach is required to the project, where the activities planned are to be completed in a specific order to achieve the TC's main objective. Therefore, close monitoring of the work plan to ensure timely execution of the plan will be guaranteed.

## **VI. Exceptions to Bank policy**

- 6.1 No exceptions to Bank policy are expected.

## **VII. Environmental and Social Aspects**

- 7.1 This Technical Cooperation is intended to finance pre-feasibility or feasibility studies of specific investment projects and the environmental and social studies associated with them; therefore, the terms of reference and products of this TC will be consistent with the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

### **Required Annexes**

- [Request from the client](#)
- [Results Matrix](#)
- [Terms of Reference](#)
- [Procurement Plan](#)