



FUNBIO

BRAZILIAN
BIODIVERSITY FUND



ANNUAL
REPORT 2009

SUMMARY

Letter From the President

3

COVER PHOTOS: DU AND PALÉ ZUPPANI

LETTER FROM THE PRESIDENT



Writing a letter presenting the activities accomplished by Funbio in 2009, a difficult year due to the 2008 crisis, would seem trivial after three years of service as the President of its Board of Directors. However, since this is my last year as President, this task has allowed me to trace back the recent past of the organization.

In the past three years, we have worked intensively so that Funbio would be able to identify biodiversity conservation needs, and, in an innovative way, allocate resources to meet these demands.

During this process, we realized that it was essential to increase the volume of resources allocated to biodiversity, even if these resources were not directly managed by Funbio. We saw that our history and expertise allowed us to provide other types of strategic resources, such as knowledge and networking.

This conceptual change was developed with the invaluable collaboration from the members of the Board of Directors and made it possible for the creative Funbio team to adopt a new way of working.

Our reflections led us to choose to work integrating agendas, such as climate change and biodiversity. Also, as we were confident about our choice, we did not hesitate to experiment.

In 2009, we started and followed up on many projects with this integrated approach: Probio II, Sustainable Juruti and Focus | Brazil Vision. We also developed and implemented financial mechanisms that allowed us to broaden our actions in the Atlantic Rainforest, with the invaluable partnerships with the German Ministry of the Environment, through the KFW bank; and with Rio de Janeiro State Environment Department.

We maintained the necessary investments to consolidate Funbio's new structure and lines of action despite the scarcity of income and the number of projects in negotiation phase.

I end my term as President of the Funbio Board of Directors certain that the organization concluded this renovation phase and is now ready to direct strategic resources to the field – bringing about transformation and biodiversity conservation.

Guilherme Leal

*President, Funbio Board of Directors
Term: 2007 - 2009*

“

In the past three years, we have worked intensively so that Funbio would be able to identify biodiversity conservation needs, and, in an innovative way, allocate resources to meet these demands.

”

PALÉ ZUPPANI

PALÉ ZUPPANI

PROFILE OF THE ORGANIZATION

NAME: Brazilian Biodiversity Fund – Funbio

FOUNDED: 1995

FIRST YEAR OF ACTIVITIES: 1996

MISSION: To provide strategic resources for biodiversity conservation.

VISION: To be a preferential partner of the main national and global environmental agents on the lookout for sustainable solutions for conservation.

HEADQUARTERS: Rio de Janeiro

GEOGRAPHICAL AREA: All Brazilian Territory

LEGAL DEFINITION: Non-profit organization. Holds the title of Public Interest Civil Society Organization - Oscip.

GOVERNANCE: Board of Directors comprised of 16 members, representing academic, environmental, business, and governmental spheres. This board is the main decision-making body. There is also an Advisory Board, which meets once a year to discuss issues related to the mission and to trends.

EMPLOYEES: 74 (in December 2009)

OPERATIONAL STRUCTURE: The Executive Secretariat is composed of two large superintendencies: Programs; and Planning and Management. The Programs Superintendence coordinates the final activities and comprises the business departments of Strategic Projects, Financial Mechanisms, and Program Management; in addition to a thematic department of Climate Change and Clean Energy. The Planning and Management Superintendence includes the support departments of Human Resources, Financial Sustainability, Administration, Finance, Procurement, Information Technology, and the Documentation Center. Funbio also has a Network Management, Legal Consulting, and a Communication Department.

RESOURCES RECEIVED IN 2009: R\$ 22.4 billion, approximately.

RESOURCES MANAGED TO DATE: US\$ 130 million, approximately.

NUMBER OF PROJECTS SUPPORTED TO DATE: 99

NUMBER OF PROTECTED AREAS SUPPORTED:

158 protected areas (federal, state, municipal, or private) have been supported by Funbio through one of the following programs: Amazon Region Protected Areas - ARPA, Atlantic Forest Conservation Fund – AFCOF (Including the Incentive Program to RPPNs of the Atlantic Forest, coordinated by the Alliance for Atlantic Forest Conservation), and the Rio de Janeiro Atlantic Forest Fund - FMA/RJ.

BOARD OF DIRECTORS IN 2009

Guilherme Peirão Leal
President

Oscar Graça Couto
Vice-president

Academic Community

José Augusto Cabral – CBA
Miguel Â. Marini – UnB
Oscar Graça Couto – PUC-RJ
Paulo Eugenio Oliveira – UFU
Paulo Nogueira-Neto – USP

Environment Sector

Clóvis Borges – SPVS
Jean-Pierre Leroy – Fase
Paulo Moutinho – Ipam

Business Community

Álvaro de Souza – AdS Gestão,
Consultoria e Investimentos Ltda.
Edgar Gleich – Consultance
Guilherme Peirão Leal – Natura
Cosméticos

Government

Guilherme Euclides
Brandão – MMA
Izabella Mônica
Teixeira – MMA
Maria Cecília Wey
de Brito – MMA
Rômulo José Fernandes
Barreto Mello – ICMBio

EXECUTIVE SECRETARIAT IN 2009

Pedro Leitão
General Secretary

Rosa Lemos de Sá
Program Superintendent

Augusto Mota
*Planning and Management
Superintendent*

Daniela Lerda Klohck
Strategic Programs Department

Fabio Leite
Program Management Department

Manoel Serrão
Financial Mechanisms Department

Angelo Augusto dos Santos
*Climate Change and Clean Energy
Department*

FUNBIO TEAM IN 2009

EXECUTIVE SECRETARIAT

Carmen Castellani de Mattos,
Carolina Milhorance, Pedro Wilson
Leitão Filho, Regina Cezimbra and
Verônica Romeo.

NETWORK MANAGEMENT

Camila Monteiro and
Lia Brum Rodrigues.

LEGAL CONSULTING

Flavia de Souza Neviani,
Maria Cristina Freire and
Paulo Miranda Gomes.
Trainee: Julia Pinheiro Lagoeiro.

COMMUNICATION

Lysandre Ribeiro, Márcia Soares and
Rômulo Collopy Souza Carrijo.
Trainee: Constança Sabença.

PROGRAMS SUPERINTENDENCE

Rosa Maria Lemos de Sá.

CLIMATE CHANGE AND CLEAN ENERGY

Ángelo Augusto dos Santos
and Renata Zambianchi.

STRATEGIC PROJECTS DEPARTMENT

Daniela Lerda Klohck, Elaine Cristina
Teixeira Pinto and Lidia Marcelino
Rebouças. *Trainee:* Eduardo Fonseca
Arraes.

FINANCIAL MECHANISMS DEPARTMENT

Fernando Coutinho Pimentel Tatagiba,
Guilherme Romano Figueiredo,
Leonardo Geluda, Manoel Serrão Borges
de Sampaio, Manuela Mosse Muanis,
Nícia de Almeida Coutinho and Tatiana
Botelho.

PROGRAM MANAGEMENT DEPARTMENT

Alexandre Ferrazoli, Daniela Leite,
Erika Francini de Souza Queiroz, Erika
Polverari Farias, Fábio Leite, Fernanda
Figueiredo Constant Marques, Gabriel
de Barros Mendes, Marina Kahn, Mary
Elizabeth L. Teixeira and Natalia Prado
Lopes Paz. *Estagiários:* Vitor Scultori da
Silva Neto and Keila Valente.

PLANNING AND MANAGEMENT SUPERINTENDENCE

Augusto Eurico Corrêa Mota
and Ligia Linhares.

HUMAN RESOURCES

Erika Rupp, Heloisa Helena Henriques,
Maria Regina Carneiro and Renata Xisto.

FINANCIAL SUSTAINABILITY

Cintia Candido Ribeiro Andrade
and Marina Machado.

ADMINISTRATION

Cláudio Augusto Silvino, Corina
Stallbohm, Flávia Mol Machado, Luciana
M. Bresciani, Márcio de Vasconcelos
Maciel, Mirian Conceição Lobo
de Souza e Raquel Ventura da Silva.
Trainees: Aryanne Bezerra and
Jefferson Agostinni.

INFORMATION TECHNOLOGY

Alessandro de Assis Denes, Diego Costa
e Silva Leitão, Fabio de Carvalho Ramos,
Igor de Veras Coutinho, Ivan Tourinho
Fromer, Marcelo José Alves, Marcelo José
de Siqueira, Ricardo Castello Macedo
and Vinicius de Souza Barbosa.

PROCUREMENT

Alessandro Jonady Oliveira, Ana Paula
Santos Gama de Oliveira, Antonio
Miguel Spada Júnior, Amalin Vieira
da Silva, Eduardo Paiva, Fernanda
Alves Jacintho, Jacqueline Reis Ferreira
Holanda, João Otávio Machado, José
Eugenio P. Matilde, José Mauro de
Oliveira Filho, Maria Bernadette Lameira,
Monica Fernandes C. da Rocha, Taíssa
Albagli and Tânia Bravo.

FINANCE

Alexandre Santos da Silva, Ana Maria
Rodrigues Ramos, Átila de Camargo
de Sousa Gomes, Daniele Soares dos
Santos, Danielle Rodrigues Duarte
Quintão, Fábio Eiras, Glauce Vitoria da
Silva, Hélcio Pereira de Oliveira, Marcio
Campos Conrado, Márcia Socorro M.
Lins, Marilene Viero, Rodrigo de Sá Mello
da Costa, Sérgio Dumay Rotondaro,
Vanderlei da Conceição de Souza and
Victor Araujo de Oliveira.

DOCUMENTATION CENTER (CEDOC)

Aline Siqueira Marcelino, Jacqueline
Ricarte and Nathalice Bezerra Cardoso.
Trainees: Danubia Moura Cunha and
Missury Almeida de Mello.



DU ZUPPANI

Guará (*Eudocimus ruber*).

CHAPTER 1

INSTITUTIONAL MANAGEMENT

2009 was marked by the effects of the economic global crisis that imposed many challenges to Funbio. In spite of this situation, the organization experienced success and learning, in the search for new alternatives to strengthen the organization.

Efforts were undertaken and resources were invested to improve management tools and also to broaden and enable the professional staff, which totaled 74 people by the end of 2009.

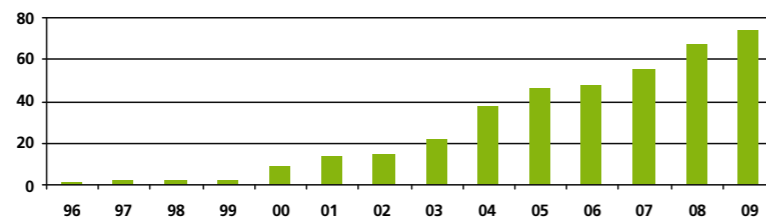
There was also an effort to strengthen and make new partnerships with public institutions, representatives from the third sector, and private institutions. In this report, the main advancements achieved and our most significant challenges will be presented.

New governance paradigms

One of the landmarks in the process of institutional strengthening was the governance change at Funbio, made official by the Board of Directors meeting in November 2009.

Pedro Leitão, General Secretary for the last 14 years – since Funbio was founded – was elected new President of the Board, substituting Guilherme Leal, co-president of Natura’s Administration Board, who held the position from 2007 to 2009. Ecologist Rosa Lemos de Sá, superintendent of programs, took on the executive secretary position. At the time, six new members were accepted to the Board.

Progress in the number of staff members from 1996 to 2009



New members

In the November meeting, Guilherme Leal officially left as President of the Board of Directors, and the online election of six new board members, one week before, was ratified. The following members now take the open spots in the business segment:

- Bruno Mariani, Founding Partner and CEO of Symbiosis Investimentos e Participações.
- Luiz Gabriel Azevedo, Environment Director at Norberto Odebrecht.

- Roberto Silva Waack, founder of the forest managing company Amata and president of the International Board of the Forest Stewardship Council (FSC).

The spots in the environmental segment were taken by the following representatives:

- Aurélio Vianna Jr, PhD in Social Anthropology and program officer Of the Ford Foundation in Brazil.

- Miguel Milano, PhD in Forest Science and one of the founders of the O Boticário Foundation for Nature Preservation

- Pedro Leitão, PhD in Production Engineering by Coppe/UFRJ, and board member of a number of environmental organizations, such as SOS Mata Atlântica Foundation, Institute of Ecological Research (IPÊ) and Greenpeace.

Funbio’s Board of Directors is the ultimate decision making authority of the organization. It has 16 members, representatives of the academic, environmental, business, and government sectors. The Board also has theme commissions, composed of board members, and ad hoc consultants, whom assist the organization’s programs.

Historically, the business segment commanded the Board of Directors, and this is the first time the position is held by an environmentalist.

Portfolio diversification

To face the challenges of developing new ways for biodiversity conservation and utilization, Funbio has sought to broaden its portfolio and to diversify its funding sources.

Acknowledging the need for expertise and credibility in providing services and tools for sustainable management, Funbio has invested in tools to strengthen internal management.

One such example is our timesheet, which allows the organization to better plan human resources needs, and to define more accurately the costs and placement of personnel, by calculating hour/man for each project.

Transparency as a value


Funbio seeks daily to improve communication tools, to insure transparency in its actions. In 2009, Funbio launched a new website – one that is more modern and with a layout that presents the organization’s various activities in a clearer way. It also uses new information channels: blog, Twitter, and YouTube.

Furthermore, Funbio tried to enhance its participation in events related to its areas of involvement.

In September, Funbio took part in the VI Protected Areas Brazilian Conference – CBUC, in Curitiba, with a booth, presentation of academic papers, panel participation, fringe program, and the release of the publication *How much does a federal protected area cost?*

Due to the core involvement of the organization with Climate and Energy, Funbio sent representatives to the 15th United Nations Conference on Climate Change (COP-15) in Copenhagen, Denmark, in order

to follow up on discussions over Reducing Emissions from Deforestation and Forest Degradation (REDD), and present the initiatives of the organization on this matter.



How much does a federal protected area cost?

How much does a federal protected area cost? A strategic view for the financing of National System of Protected Areas (SNUC) is the title of a study released by Funbio at the VI CbuC, the result of a partnership with the Chico Mendes Institute for Biodiversity Conservation (ICMBio). This publication presents the results of a study accomplished in 2008 that established a methodology to determine the needed resources for each structuring stage of federal protected areas. It also analyzes potential funding sources and presents goals for SNUC’s implementation.



STEPHANE PAUQUET

Delegates of the XI RedLAC Assembly visiting Tayrona National Park, in Colombia

NETWORK CONNECTIONS

Two important events contributed to Funbio's strengthening its participation in international networks in 2009. The first was Pedro Leitão's reelection as president of the Latin American and Caribbean Network of Environmental Funds (REDLAC). At the time, he was Funbio's general secretary, meaning that the executive secretariat of REDLAC was also part of Funbio. The second event was the beginning of the coordination of the restructuring process of the Conservation Finance Alliance (CFA).

Uniting Latin American and Caribbean Funds

Funbio's management refocused on the strategy of assessing the collective knowledge and accumulated experience from various environmental funds. This rendered positive results for the leadership of RedLAC, among which there are new members: The Jamaica Protected Areas Trust (JPAT), the Fondo Nacional del Ambiente (FONAM), from Peru, and the Fondo Biocomercio, from Colombia.

These three new members were accepted in the 11th RedLAC General Assembly, hosted in Santa Marta, Colombia in November. The event celebrated the network's 10th anniversary and included 135 guests – the largest number in the history of the network. It also neutralized the guests' carbon emissions for the first time.

In 2009, RedLAC funds supported 660 protected areas in 12 Latin American and Caribbean countries, the equivalent to more than 80 million hectares, almost 30% of the protected surface of the region.

Along the same lines of joint Redlac projects Funbio is implementing EcoFunds, a monitoring system for conservation investments in the Andes-Amazon region. Nine other funds collaborate with the implementation of EcoFunds. (see EcoFunds, page 9). Another important step was a survey on the contribution of the network funds to the protected areas in the region. The results of this survey were presented in the last Assembly and will be updated in 2010.

In 2009, the network also structured the capacity building program for innovative environmental financing mechanisms for environmental funds to be launched in 2010, including funds from other regions of the world.

REDLAC's updated website has been an important communication tool to disseminate information on environmental funds, specifically through the newsletter "REDLAC News."

CFA's Restructuring

In 2009, Funbio played an important role in encouraging the revitalization of the Conservation Finance Alliance (CFA), the global reference network for the discussion of financial sustainability initiatives in biodiversity conservation.



With the support of the Gordon and Betty Moore Foundation, Funbio began to host the secretariat of the main office and to restructure it, ensuring a better organization with reinvigorated commitment to its members.

Funbio's management of the secretariat emphasized renewed discussions with the most active members of the network to establish governance criteria, ensure engagement of key actors, achieve definition of area workgroups, and accomplish other strategic actions. To make this possible, Funbio took part in workgroups and specific committee meetings of the CFA.

One of the CFA activities was the release of the second edition of the CTIS (Conservation Trust Investment Survey), a partnership with RedLAC,

Wildlife Conservation Society and the French Fund for World Environment, about the performance of the world's environmental funds in capital markets.

Moreover, CFA managed to accomplish interviews for a study, in partnership with PricewaterhouseCoopers, of the role of civil society organizations and environmental funds in Reducing Emissions from Deforestation and Forest Degradation (REDD), to be released in the first semester of 2010.

Another working area of Funbio at the CFA was the formalization of the first fund focusing on an environmental funds toolkit, an interactive online library that will gather reference documents, with representative expert comments and assessment of the operations of environmental funds.

PROJECT ECOFUNDS

Mapping trends

Through a website, EcoFunds intends to publish information in Portuguese, English, and Spanish on conservation investment trends in the region, and to foster communication between donors, project leaders, and coordinators conservation actions.

The website will also have a system of statistic analysis able to generate maps and charts, according to the user's needs, enabling the access to georeference information for investment and activity prioritization, and visualization of the main gaps for conservation in the region.

In 2009, a prototype of the system was concluded, tested, and approved by focal points (representatives from member countries).

The investment prioritization methodology was accomplished to identify convergences between past investment and new priorities. Information on 640 projects, implemented by more than 920 organizations, has been registered.

PROJECT PROFILE

EcoFunds is an investment and demand monitoring system for biodiversity conservation projects in the Andes-Amazon region. Coordinated by Funbio on behalf of RedLAC, it has the participation of nine environment funds, network members and two non-governmental organizations, representing eight countries in the region. EcoFunds was granted an initial donation of US\$ 618 thousand from the Gordon and Betty Moore Foundation. It will be released in October 2010, at the 10th Conference of the Parties of the Convention on Biological Diversity (COP-10) in Nagoya (Japan), celebrating the International Biodiversity Year.

In 2010, partners will seek increased support for the project, to increment the information record, to broaden the databank after the public release of the website, and, also, to raise more resources for EcoFunds continuity.



FUNBIO/DANIELA LEITE

The Amazon Forest is strategically important for global climate balance. Black River (Amazonas state)



ICMBIO / LUCIANO MALANSKI

Community project at Resex Barreiro das Antas, em Rondônia.

PROJECT
AMAZON FOREST CARBON PARTNERSHIP – AFCP

Climate and biodiversity: a common agenda

AFCP aims to identify suited regions in the Amazon, in order to implement forest carbon projects. The idea is to use the carbon market to bring social and economic benefits to the forest communities, helping to fight climate change and to preserve biodiversity.

To assure proper conditions to the development of projects to avoid deforestation, AFCP wishes to create a Platinum Standard that will rigorously formulate methods, protocols, and criteria to validate, verify, and control generated carbon credits. A training program will be designed for professionals to learn how to implement the Platinum standard. An independent institution will be chosen in each country to validate the projects.

The Fondo para la Acción Ambiental y La Niñez, from Colombia; the Fundación Protección y Uso Sostenible del Medio Ambiente, from Bolívia; the

PROJECT PROFILE

Funbio and four other environmental funds from the Latin American and Caribbean Network of Environmental Funds joined Columbia's University Center for Environment, Economy and Society and created the Amazon Forest Carbon Partnership, a project that has the purpose of supporting REDD projects. In 2009, there were many meetings between the partners to establish roles and to build a new REDD standard and the creation of a new "guardian" organization for project quality and a record of generated credit.

Fondo Ambiental, from Ecuador; and the Fondo Nacional para Areas Naturales Protegidas por el Estado, from Peru are included in the AFCP, along with Funbio and Cees. The project implementation will begin in 2010.

CHAPTER 2

PUBLIC POLICIES AND ENVIRONMENTAL FUNDING

Public policy-making for biodiversity conservation is considered to be a challenging task that depends on the mobilization of all social segments.

The consolidation of these policies requires social organization, knowledge enhancement, institutional support, improvement of infrastructure conditions, and management capacity among many solutions that will also demand long-term funding.

That is why Funbio has innovatively and transparently worked many projects with the public sector in the last 14 years. Funbio aims to promote partnerships and allocate resources to contribute to the implementation and consolidation of biodiversity conservation policies.

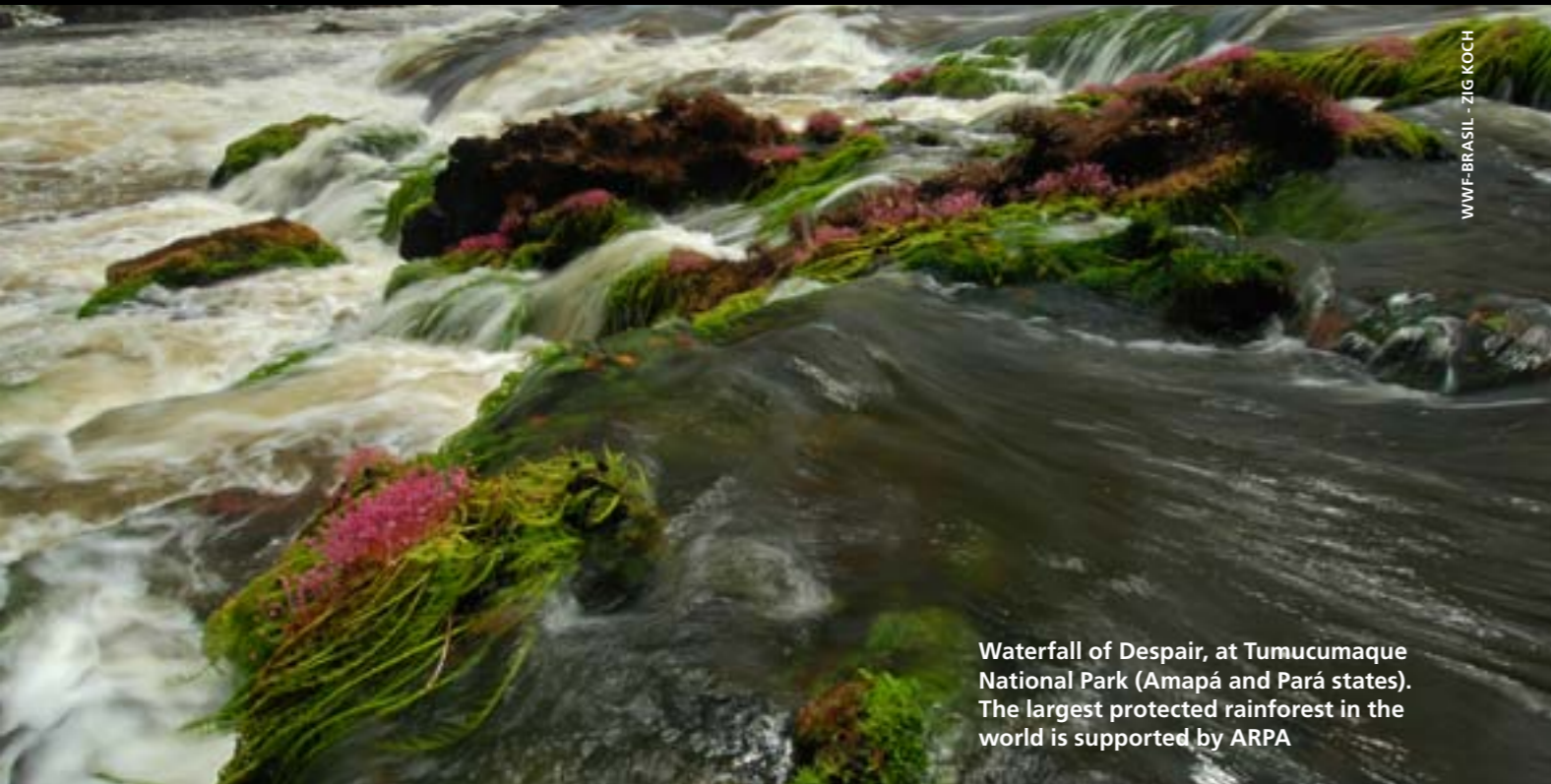
The results of this year's progress and lessons learned will be presented in the following pages.

By developing innovative financial instruments and ensuring appropriate allocation of available funds, Funbio implements and improves public policy on conservation and sustainable use of biodiversity.

Funbio is in a climate "mood"

Moved by the severe climate changes and their global impact, especially on biodiversity, in 2009, Funbio started to develop initiatives that will mitigate the consequences of CO2 emissions and add value to standing forests. To review this topic, a commission was put together with ad hoc specialists that encouraged the building of an action strategy on energy and climate change.

For Funbio, the building of a bridge between the Biological Diversity convention and the Climate convention is key, and REDD – Reducing Emissions from Deforestation and Forest Degradation is the intersection. That is why the organization has invested in partnerships and initiatives such as AFCP and AFCOF (see *REDD in the Atlantic Forest, page 21*).



WWF-BRASIL - ZIG KOCH

Waterfall of Despair, at Tumucumaque National Park (Amapá and Pará states). The largest protected rainforest in the world is supported by ARPA

PROJECT
AMAZON REGION PROTECTED AREAS PROGRAM - ARPA

From transition to the search of new advancements

In 2009, the Amazon Region Protected Areas Program went through many challenges because of the transition between the first phase, officially completed in 2009, and, the second, from 2010 to 2013. Despite the difficulties faced in this period, the year's balance is positive and the lessons learned are innumerable.

The Environmental Ministry communicated the second phase of the program during the VI Brazilian Conference of Protected Areas, hosted in the city of Curitiba in October. Goals and priorities were revisited and submitted for public consultation in the program's document, written by representatives of each of the partners in the first semester of 2009.

The challenges involving a large project such as ARPA are many. This is the largest rainforest protection initiative in the world, encompassing a network of 64 protected areas in the seven legal Brazilian Amazon states, and national and international partners. In six years of activities, there were countless positive outcomes in establishing alternatives for biodiversity conservation in the Amazon. New areas were created that correspond to a total of 24 million hectares and other areas were consolidated that protect 8.5 million hectares.

PROJECT PROFILE

ARPA's goal is to protect 60 million hectares – 12% of the Amazon region – until 2016. To achieve this, it supports the start and consolidation of Protected Areas in a decentralized and participative way, to conserve a significant ecological sample of biodiversity and maintain ecological processes and services in the region, contributing to its sustainable development.

Funbio has been part of the program since its inception and actively contributed to develop the second phase document and also to recruit a new donor for ARPA: the Brazilian Development Bank (BNDES, in Portuguese), with resources from the Amazon Fund.

The partnership between Funbio and the Environmental Ministry, the German Technical Cooperation Agency GTZ, and WWF-Brazil was responsible for the proposal presented to BNDES, manager of the Amazon Fund. As of 2010, R\$ 20 million in resources will be

invested to create 13.5 million hectares of protected areas (PAs), and to purchase goods and hire services for the consolidation of 32 million hectares of protected areas – PAs started by ARPA (25.5 million hectares), and existing areas still not assisted by the program (6.5 million hectares).

Moreover, a new donation of 10 million Euros from the German Ministry for economic cooperation and development (BMZ), via KFW bank, was approved by the Brazilian Senate to be invested in the areas supported by ARPA.

TABLE I

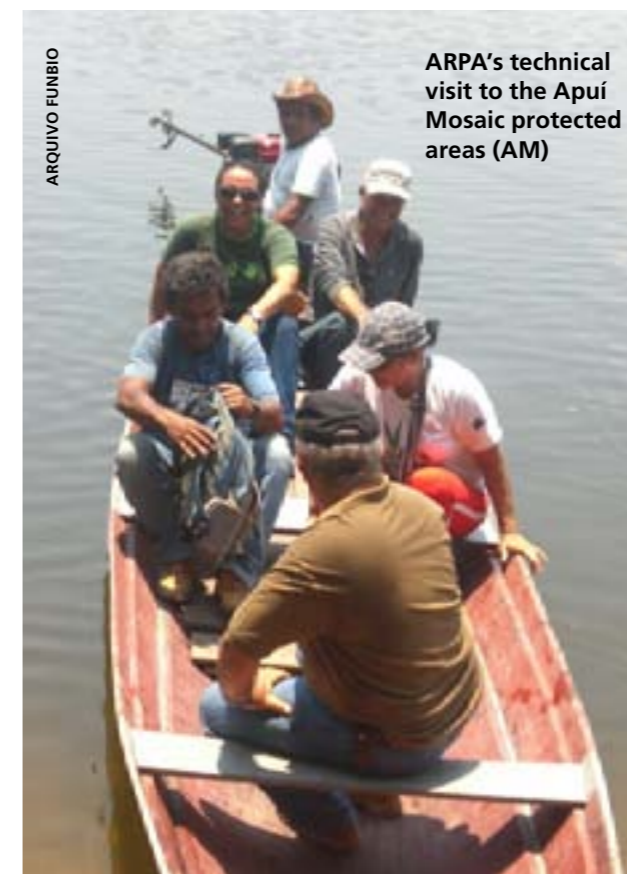
Donations in ARPA's 1st phase

DONOR	AMOUNT (IN THE CONTRACT CURRENCY)	CONTRACT YEAR	PERCENTAGE USED UNTIL 2009	CONTRACT COMPLETION YEAR
GEF/BM	US\$ 30 MILLION ¹	2003	95% ²	DEC/2008
WWF-BRASIL	US\$ 11, 5 MILLION ³	2003	100%	JUN/2009
KFW/BMZ	€ 17, 67 MILLION	2004	82%	DEC/2010
KFW/BMU	€ 2,8 MILLION	2008	71%	APR/2010

¹ US\$ 14.5 million for FAP and US\$ 15.5 million for direct investment in the PAs.

² Percentage calculated over US\$ 15.5 million, amount allocated to direct investment in PAs.

³ Of this amount US\$ 9.59 million were used via Funbio.



ARQUIVO FUNBIO

ARPA's technical visit to the Apuí Mosaic protected areas (AM)

History

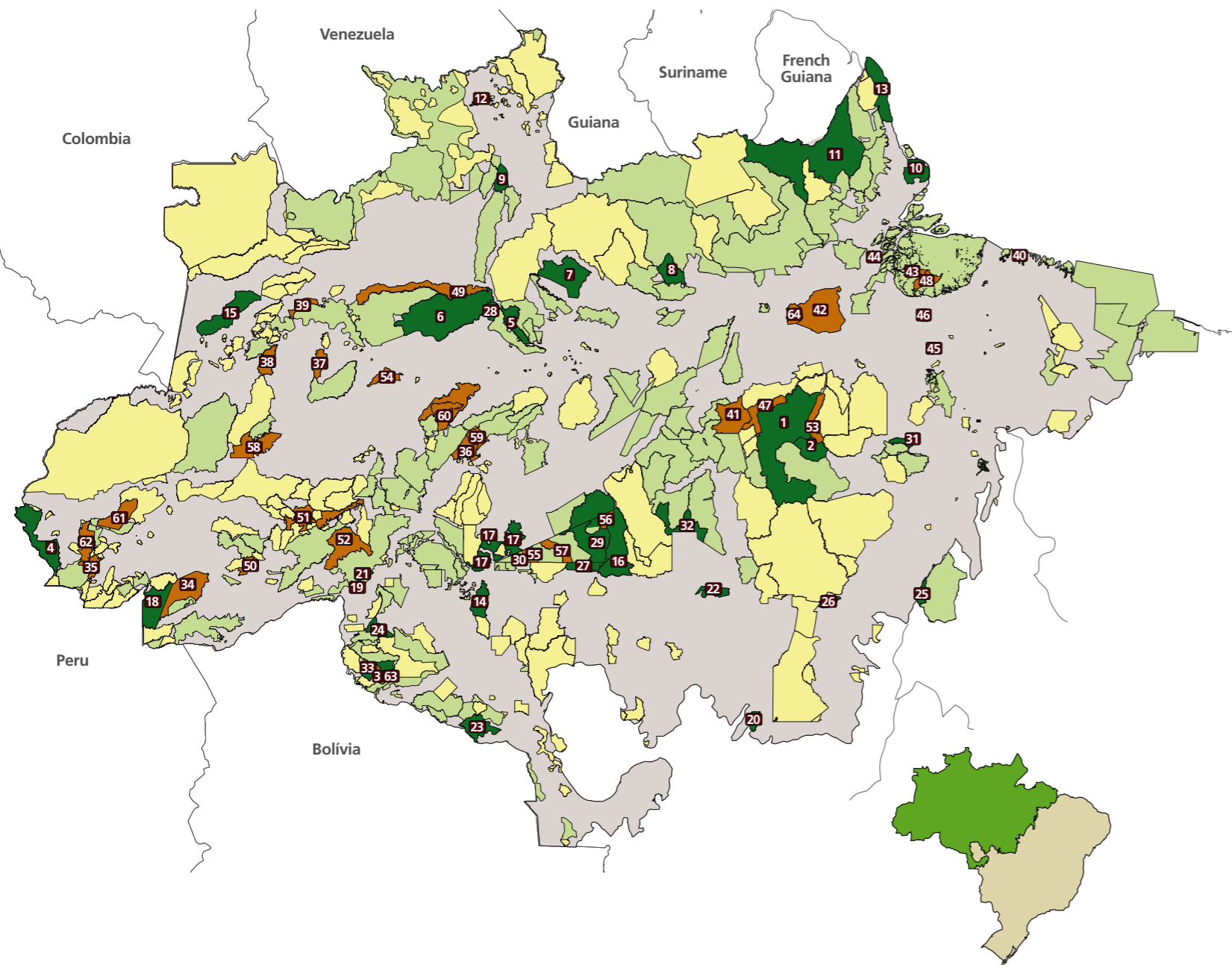
Historical information is key to understand ARPA's scenario. In the program's first phase, the invested funds came from four main donors (mentioned in the table above). KFW was responsible for the resources received from the German Ministry for economic cooperation and development (BMZ) and the German Environmental, Nature protection and nuclear safety ministry (BMU).

The Chico Mendes Institute for Biodiversity Conservation (ICMbio) and the environment departments of the states in the Legal Amazon are responsible for ARPA's technical execution, under the direct coordination of the Environmental Ministry.

Funbio is responsible for the financial management and for the acquisition and hiring of goods and services. Funbio is also in charge of community participation and financial sustainability of the PAs, including managing the Protected Areas fund (FAP, in Portuguese)

ARPA was created in 2003 as a Federal Government program, with resources from the Global Environment Facility – Gef, the World Bank, KFW, and WWF-Brazil.

LIST OF PROTECTED AREAS FUNDED BY ARPA PROGRAM IN 2009



PROTECTED AREAS SUPPORTED BY ARPA

- Strict use PAs
- Sustainable use PAs

BIOME

- Amazon

OTHER PROTECTED AREAS

- Protected areas
- Indigenous territory

List of protected areas funded by the ARPA program

STRICT USE PAS

- 1 - ESEC da Terra do Meio
- 2 - PARNA da Serra do Pardo
- 3 - PARNA Serra da Cutia
- 4 - PARNA da Serra do Divisor
- 5 - PARNA de Anavilhanas
- 6 - PARNA do Jaú
- 7 - REBIO do Uatumã
- 8 - REBIO do Rio Trombetas
- 9 - PARNA do Viruá
- 10 - REBIO do Lago Piratuba
- 11 - PARNA Montanhas do Tumucumaque
- 12 - ESEC de Maracá
- 13 - PARNA do Cabo Orange
- 14 - REBIO do Jaru
- 15 - ESEC Juami-Japurá
- 16 - PARNA do Juruena
- 17 - PARNA dos Campos Amazônicos
- 18 - PE do Chandles
- 19 - ESEC Antônio Mujica Nava
- 20 - ESEC do Rio Ronuro
- 21 - ESEC Serra dos Três Irmãos
- 22 - PE Cristalino I e II
- 23 - PE de Corumbiara
- 24 - PE de Guajará Mirim
- 25 - PE do Cantão
- 26 - PE do Xingu
- 27 - PE Igarapés do Juruena
- 28 - PAREST do Rio Negro - Setor Norte
- 29 - PAREST do Sucunduri
- 30 - PAREST do Guariba
- 31 - REBIO Tapirapé
- 32 - PARNA Rio Novo

SUSTAINABLE USE PAS

- 33 - RESEX Barreiro das Antas
- 34 - RESEX do Cazumbá-Iracema
- 35 - RESEX do Alto Tarauacá
- 36 - RESEX do Lago do Capanã Grande
- 37 - RESEX do Baixo Juruá
- 38 - RESEX do Rio Jutai
- 39 - RESEX Auati-Paraná
- 40 - RESEX Maracanã
- 41 - RESEX Riozinho do Anfrísio
- 42 - RESEX Verde para Sempre
- 43 - RESEX Mapuá
- 44 - RDS de Itatupã-Baquiá
- 45 - RESEX Ipaú-Anilzinho
- 46 - RESEX Arióca Puanã
- 47 - RESEX Rio Iriri
- 48 - RESEX Terra Grande-Pracuúba
- 49 - RESEX Rio Unini
- 50 - RESEX Arapixi
- 51 - RESEX Médio Purus
- 52 - RESEX Ituxi
- 53 - RESEX do Rio Xingu
- 54 - RESEX Catuá Ipixuna
- 55 - RESEX do Guariba
- 56 - RDS Bararati
- 57 - RDS Aripuanã
- 58 - RDS Uacari
- 59 - RDS do Rio Amapá
- 60 - RDS Piaguaçu-Purus
- 61 - RESEX do Rio Gregorio
- 62 - RESEX Riozinho da Liberdade
- 63 - RESEX do Rio do Cautário
- 64 - RESEX Renascer

Source: Program Coordination Department (UCP)/DAP/SBF/MMA, 2010



Environmental analysts from ICMBio take part in the ARPA training at Funbio.

ROMULO COLLOPY - FUNBIO

Resource management and use in 2009

The donation contracts for Phase one of the ARPA program had different start and completion dates. The situation demanded constant alertness so that the resources could be effectively expended, without leaving any of the PAs uncovered and still observing the program's established overall goals. Also, each donor selected, as eligible, different items and activities.

In the first quarter of 2009, the first resources from KFW/BMU (€ 1.370 million) were expended. The donation, a total of € 2.8 million, supported activities deemed as important in the process to consolidate protected areas, especially after a restriction phase due to the end of the WWF-Brazil contract in June 2009.

During the year, resources from KFW/BMU were utilized to hire consultants to help design management plans, to create boards of directors, to purchase goods and equipment, and for signaling and monitoring activities. Until December 2009, the program had expended 71% of the total donation.

The resources for the Strict Use category were applied in maintenance activities for the areas, such as monitoring, advisory board meetings, purchase of goods, and investment in infrastructure.

The publication of the R\$ 20 million donation by the Amazon/Bndes fund and the approval by the Brazilian Senate of the use of the 10 million Euros donated by KFW/BMZ in the end of 2009 give good prospect for its application in 2010.

Protected Areas Fund (FAP)

Notwithstanding a year of global financial crisis, FAP did not suffer severe asset losses, mainly because of its conservative profile. Its recovery could be seen as of February 2009, when it went from 5.3% negative profitability, in the post-crisis moment, to 10.42% positive in overseas investments. In the end of 2009, the fund balance was approximately R\$ 46.6 million overseas and R\$ 3.8 million in Brazil.

A general table with donations made to FAP, since 2004, with its bank accounts overseas and in Brazil is shown below.

TABLE II

Resource donation to FAP until 2009 (amounts in US\$)

YEAR	GEF/BM	WWF-BR	O Boticário	NATURA	TOTAL
2004	750,000	750,000	-	-	1,500,000
2005	3,490,000	3,490,000	-	-	6,980,000
2006	1,644,169	214,723	200,000	200,000	2,258,892
2007	2,064,720	1,070,480	200,000	200,000	3,535,200
2008	6,551,111	2,257,000	200,000	200,000	9,208,111
2009	-	-	200,000	200,000	400,000
TOTAL	14,500,000,00	7,782,203	800,000	800,000	23,882,203

Obs: The 10 million Euros donated by the German Government to FAP through KFW should be added, even though they have yet to be deposited.

Lessons learned

The experience Funbio has had over the years helped to overcome some of the difficulties seen in ARPA's first phase of resource use. These difficulties were the logistic complexity of the Amazon region; the turnover of the PA administrators; among others that impacted the delivery of goods and the conclusion of hired projects.

However, besides practical knowledge, Funbio sought to partner with PA administrators to solve problems that still exist in the program. Responsible for the largest amount of purchases and contracts in ARPA, administrators are now considered to be direct clients of the Procurement department and of the central program management at Funbio.

The evidence that the approach was successful is in the results of

the research "Quality Assets in the relationship between Funbio and the PAs supported by the ARPA program – 2009," in which administrators were interviewed for the second consecutive year.

According to the 54 administrators, among the main improvements achieved by Funbio, they emphasize "Transparency in supplying information over ARPA's financial investments." In 2008, the average score was 48.69 and, in 2009, 56.48. "The quality of the Cérebro system" created by Funbio to manage and implement the program also improved according to the response of the consulted administrators. The score went from 70.59 in 2008 to 77.2 in 2009.

It is important to mention that of the 13 issues studied, 12 improved from 2008 to 2009. The only

reduced score was on the topic "agile joint account processes with specific rules and quick flow", which fell slightly, from 76.47 to 73.53 in this period. For Funbio, the financial distress faced in 2009, because of the transition period between ARPA's Phase one and two, may have contributed to this evaluation.

Another important fact in 2009 was the training of ARPA procedures of 100 new PA administrators. The environmental analysts approved in the last ICMBio test were divided into five classes and were trained on how to use the Cérebro system and on how to use their joint accounts. They also had the chance to learning more about the ARPA program itself and about how the management and operational areas, coordinated by Funbio, work.

Financial sustainability, progress, and prospects

ARPA's phase two planning showed how much was learnt about financial sustainability. This area was created to identify and implement financial mechanisms and institutional capacity for the Strict use PAs in the long term. The expectation in the second phase is that this area will provide continuity to the action strategies involving instruments once studied, such as compensation, green lottery, and the sustainability plan.

An increase in actions with new instruments such as PA sponsoring, tourism, partners in the area of energy and mining, and state and city funds are also expected.

Community participation

Integrated action and an expanded dialogue contributed to strengthen community participation programs, the social component of the ARPA program.

Thus, we would like to highlight two initiatives around the Serra do Divisor National Park in Acre state: (1) the training of non-indigenous agroforestry agents at the Yorenka Ātame Center (Apiwtxa association, Ashaninka indians) and at the Pro-indian commission project for the families in the community of the upper part of the Juruá river, implemented by the NGO SOS Amazonia.

"For years, we believed that the PAs in the Amazon could not be effectively managed, because of their size, logistic complications, and countless threats in the area. ARPA proved that the effective creation and management of PAs is possible in that region. It showed that the PAs can have a huge impact on reducing deforestation, protecting biodiversity, and assuring the rights of local population. The project shows that public-private partnerships can propose solutions to the great administrative and bureaucratic bottlenecks, resulting in operational capacity that effectively supports field teams."

Paqueta Bath, independent consultant hired to evaluate ARPA's first phase.

In Rondônia, in the surroundings of Corumbiara State Park, it is possible to see positive results with sustainable fishery. At Pimenteirias, along the Guaporé river, NGO Rioterra is working to increase awareness of professional fisherman from Collective Z-23 about their sometimes environmentally incorrect practices.

In that way, the organization is also able to assess the work of the Collective to face the impact of fishing tourism in the region.

In Amazonas state, the community participation component of the ARPA program makes the work of the Vitória Amazônica Foundation (FVA, in Portuguese) possible around Jaú National Park. This work includes local population of the Rio Unini Protected Area represented by the Association of Rio Unini (Amoru). The project established a discussion process about the creation of a mixed cooperative that will allow commercialization of traditional products originated from these populations. The goal is to add value to products already commercialized (flour, nut, and rubber), to others that will be exploited in the future, and to tourism initiatives existing in the river that currently benefit only a small number of families.

The results of this dialogue and of the realization of the successful application of new techniques of reoccupation and land use are most relevant to the struggle for a larger integrated participation of social actors in the efforts of biodiversity conservation.

Despite the inherent difficulties to the execution of community projects, Funbio believes it is possible to overcome them and to strengthen social-environmental actions.

The experience with the 14 projects supported in ARPA's first phase confirms that the most solid results depend on long-term actions, and on the involvement of civil society institutions committed to actions complementary to the supported projects. These are good enough reasons to maintain ARPA support for current and new initiatives in its second phase.

Digital Inclusion

The version of the Cérebro system, adapted by Funbio to ARPA's community projects, has had a positive impact. The most structured NGOs celebrated the non-bureaucratic way of being accountable, because they received

a waiver from manually updating their budget spreadsheets. The small associations, with a poor working structure, benefitted from learning how to use information technology – internet access and all the associated tools – so they

could feel appreciated in their working ability. It was also possible to see the integrating potential of social networks, when associations were enabled to connect with greater technological balance with their peers.

TABLE III

Community participation application and status (in Brazilian Reais)

PROJECT	DONATION VALUE	FUNDS DISBURSED	FUNDS USED IN 2009	% USED OF TOTAL DISBURSED
Serra Cutia National Park/ Pérola do Guaporé district (RO - Kanindé)	189,292	189,292	189,871	100%
Serra Cutia National Park / Surpresa district (RO - RioTerra)	208,300	208,300	158,321	76%
Jaú National Park / Unini (AM-fvA)	397,743	298,307	184,636	62%
Serra do Divisor National Park/ Yorenka Átame Center (AC-Apiwtxa)	131,924	131,924	130,552	99%
Serra do Divisor National Park / Amaj Empowerment (AC-Amaj)	49,816	49,816	25,022	50%
Serra do Divisor National Park / I protect! (AC - SOS Amazônia)	166,282	166,282	89,745	54%
Serra do Divisor National Park / Indigenous Experiences (AC-CPI-AC)	169,460	132,190	62,720	71%
Corumbiara State Park / Live Fish (RO - Rioterra)	244,772	244,772	230,544	94%
Corumbiara State Park / Sustainable Tourism (RO - Ecomeg)	195,000	146,250	144,445	98%
Cantão State Park / Eco Sustainable Projects (TO - Ekos Institute)*	138,700	40,000	21,951	55%
Cantão State Park / Income and Fishing Management (TO - Coopter)	289,231	289,231	148,273	51%
Cantão State Park / Sustainable Alternatives (TO - Missão Verde Institute)	195,852	97,926	67,067	68%
Jaru Biological Reserve/ Igarapé Lourdes (RO - Padereehj Indigenous Organization)	170,332	42,583	43,825	100%
Jaru Biological Reserve/ Harvesting Awareness (RO- Amapa Association)	163,912	95,667	35,485	37%

*This project had its contract annulled in 2009 because of low use and accountability. There will be no more deposits for this project.



Rio Doce State Park (MG) was one of the PAs that benefited from AFCoF.

PROJECT ATLANTIC FOREST CONSERVATION FUND (AFCOF)

The role of forests in climate balance

In 2008, a strategic partnership between Funbio and the Environmental, Nature Protection, and Nuclear Safety Ministry of the Republic of Germany was achieved due to the concern of conservation of tropical forests, in order to protect biodiversity and maintain climate balance. This partnership was formalized through the KfW Entwicklungsbank (Germany Development Bank). AFCoF, or Atlantic Forest Conservation Fund, focuses on the Atlantic Forest biome, one of the most threatened in the world, with only 7.26% of its properties well conserved.

In 2009, the Funbio/BMU/KfW partnership made it possible to use about R\$ 6.7 million in actions that involved public sector partners and other NGOs. The resources allowed the use of R\$ 500 thousand in 2009 to create 43 new Private Natural Heritage Reserves (RPPNs, in Portuguese) and funded the design of management plans for 15 of these PAs. The partnership also made it possible to purchase equipments for: 12 federal PAs, 22 state PAs (Rio de Janeiro state), 14 state PAs (Minas Gerais State), and one city PA (Rio de Janeiro state).

PROJECT PROFILE

AFCoF was designed in 2008 and its first phase took place in 2009, when R\$ 6.7 million were expended across different initiatives. Its main goals are to institute an agile financial mechanism to protect the Atlantic Forest; to broaden and consolidate public and private systems in protected areas; to promote sustainable use and natural resource recovery initiatives; and to strengthen institutional management capacity, to monitor, control, and to locate and extinguish fires. The second stage will be three years long, starting in 2010 with a donation of € 6.5 million.

TABLE IV

Components and donations raised by AFCoF on its first phase

COMPONENTS	USED AMMOUNT (IN REAIS)
Protected areas - public	2,706,238
Protected areas - private	903,867
Prevention and Defense against forest fires	969,225
Sustainable business and biodiversity	788,297
Institutional strengthening of NGOs and project management	741,395
Funbio operational expenses	610,902
Total	6,719,924

AFCoF also supported the studies on the REDD mechanism (Reducing Emissions from Deforestation and Forest Degradation), emphasizing the development of a methodology for carbon storage, and a study on the case of the Araucaria Forest, a partnership with the NGO Society for Wildlife Research and Environmental Education – SPVS (see **REDD in the Atlantic Forest, page 21**).

Another important result was the assistance given to the Support Program to Representative and Effective Systems of Coast and Marine Protected Areas, a Funbio initiative that gathers specialists, government representatives, universities, and NGOs to build a program aimed at creating protected marine areas (see **Defense of Coast and Marine Biodiversity, page 21**).

It is important to mention the support given to seven projects connected to sustainable and biodiversity businesses, developed by renown NGOs that had worked previously with Funbio.

An amount of R\$ 800.817 was destined to projects in the states of São Paulo, Minas Gerais, Bahia, Paraná, and Alagoas, as can be seen in Table V.

The following actions are planned for AFCoF's second phase, starting in 2010: support for the identification and creation of PAs by the Environmental Ministry in the National Atlantic Forest Program; new guidelines for private PAs supporting the RPPNs; and, also, the start of funding projects for environmental services and the creation of a monitoring system for the Atlantic forest. The donor approved the amount of € 6.5 million for the second phase.

TABLE V

Projects supported by Sustainable Businesses and Biodiversity, AFCOF

PROJECT/LOCATION	LEADER	DONATIONS (IN REAIS)
Cooperoetra Quality Program (Cananeia – SP)	Remaining Quilombo Association of Mandira Protected Area (Rema)	103,275
Sustainable territorial development at Serra do Brigadeiro (Zona da Mata – MG)	CTA-ZM	99,996
Actions prior to the implementation of Minicorredor PESC-Boa Esperança (Ilhéus – BA)	Floresta Viva Institute	95,906
Strengthening of family agriculture through conservation and sustainable use of biodiversity (Paraná Central West region)	Foundation for the Rural Economic Development of the Central West Region of Paraná – Rureco	99,730
Strengthening of agro ecologic product chain as a socio biodiversity protection element (extreme south of Bahia state)	Terra Viva	96,905
Division of benefits from the Rainforest Biodiversity – Conservation and sustainable development in Muriçi (AL)	Northeast Association for the Protection of the Rainforest. – Amane	140,000
Biodiversity conservation and landscape restoration at the Rainforest (Pontal do Paranapanema – SP)	Institute of Ecological Research – IPÊ	75,000
Public release and institutional strengthening of the Pact for the Restoration of the Rainforest	Friends of the Atlantic Forest Biosphere Reserve Institute	90,005

Total disbursed 800,817

Financial Engineering

The period between AFCoF's design and its initiation was marked by the consequences of an international financial crisis, which deepened the feelings of uncertainty in world markets and severely affected exchange rates. This was an important fact because the project was initially designed with a rate of R\$ 2.60 to € 1.00, which meant R\$ 5.2 million.

In the beginning of December, during the crisis, the exchange rate was R\$ 2.97 to € 1.00, which meant an increment of 14% in the project investment in Reais, allowing to include new activities. Furthermore, the exchange rate Real vs. Euro varied a lot. At the end of December, it seemed clear to Funbio's financial department that this rate was high.

For this reason, Funbio asked KFW that all project resources be changed into Reais so that the exchange rate variation would be converted into resources for the project.

The positive answer from KFW came on December 26th and Funbio did the exchange operations on the 29th at a rate of R\$ 3.41 to € 1.00. This represented an increase of more than 31% over the initial donation for the project in the local currency, destined to conservation.

This little financial engineering perhaps became the first positive result of the project and should be considered in similar projects as a mechanism to diminish risks and not as an exception.

The decision of a donor to fully convert resources into Reais was a previously unseen event in Funbio's history. It was proven to be the right choice because it assured more resources to the project and, at the same time, eliminated the exchange risk associated with internationally funded projects.

REDD in the Atlantic Forest

"Climate change and the opportunities for conservation of the Brazilian Atlantic Forest" is the title of the electronic publication released by a partnership between Funbio and the Wild life Research and Environmental Education Society (SPVS), at the 15th Conference of the Parties at the UN Convention on Climate Change (COP-15), hosted in Copenhagen, in December 2009.

The publication shows a methodology to monitor carbon developed under the coordination of Funbio, and initially will only be applied to projects that are funded by the AfCof. Another approach in this publication is the project "Identifying potential areas for the development of REDD projects in the forest with araucaria", a partnership with SPVS.

The partnership with Funbio allowed SPVS to structure a Geographic Information System (GIS) to organize and manage information over remaining areas in the studied region. In these areas it was possible to identify 11 priority areas for biologic quality maintenance of Araucaria forests, in compliance with the criteria of biodiversity conservation and landscape ecology concepts. According to the study, the potential area for the application of this REDD tool in the region is approximately 255 thousand hectares.

The publication released in Copenhagen also incorporates an article by Thelma Krug, researcher at the National Space Research Institute (INPE). The article describes the history of REDD negotiations in Brazil and in the Convention. This publication is available online at

In defense of coast and marine biodiversity

Coastal and marine environments are considered to be the most threatened by human pressure and are among the most neglected in the country. This lead Funbio to create the Mar Fund project. The initiative mobilizes a group of specialists, government representatives, universities, and NGOs to discuss a program that will prioritize the creation and implementation of Coast and Marine Protected Areas (ACMPs).

The discussions over marine biodiversity conservation at Funbio were initially encouraged by The Ocean Foundation, an American NGO, which supported the whole process. The first step was to call a meeting with the representatives of different social sectors, in January 2009, when the scope of the protected areas program was defined.

Later the "Protected Marine Environment" Workshop was held in Paraty, on the coast of Rio de Janeiro state. The event gathered 30 representatives from different theme areas and Brazilian regions. International experts also collaborated, exchanging experiences from work done with ACMPs in other parts of the world.

The main results of the workshop were the validation and consolidation of the program's proposal, the specification of its components, and the formation of a workgroup to develop the written text. This WG has already advanced in the discussion about the criteria and the basis for the design of the ACMPs systems, in the definition of the institutional arrangement, in providing subsidies for the development of a business plan, in establishing goals, and in the identification of funding opportunities for the program.



Pedra Branca State Park was awarded a leisure site with resources from FMA/RJ

PROJECT
RIO DE JANEIRO ATLANTIC FOREST FUND (FMA/RJ)

Innovation in environment compensation

Brasil has one of the most advanced environmental legislations in the world, especially with regards to environmental licensing. An estimated 1 billion Reais in compensation resources could be used for the environment. However, this amount is not actually available for the management of protected areas (PAs).

In this scenario, a solution was found to create a private financial mechanism, to make the use of environmental compensation resources in Rio de Janeiro possible, a pioneer initiative in the country. Thus, in June 2009, the government officially began the Rio de Janeiro Atlantic Forest Fund. Its mission is to strengthen the state PAs system, focusing primarily on preserving and broadening forest and marine protected areas.

It is important to mention that the plenary session of the Federal Audit Court (Agreement 2.650/2009, process 021.971/2007-0) ratified that environmental compensation is of public interest, but not public revenue and, for that reason, it can be raised and managed by non-governmental institutions.

In FMA's case, it is a transfer of the financial management of compensation resources from an entrepreneur company to a second institution, accredited by the SEA-RJ, with the authorization of the Chamber of Environmental Compensation (CCA).

PROJECT PROFILE

Designed to potentialize environmental investments in the state of Rio de Janeiro, the Atlantic Forest Fund is innovative because it created a private mechanism for the management of environmental compensation, regulated in the National System of Protected Area - SNUC (Law 9.985/00). After the completion of its modeling stage, which began in 2007 through a technical cooperation agreement with the State Secretary of the Environment of Rio de Janeiro (SEA-RJ), Funbio was responsible in 2009 for the implementation of the fund's pilot stage. In approximately eight months, the fund received 3.6 million Reais. The success in this initiative secured the renewal of the partnership between SEA-RJ and Funbio for a period of three years, starting in 2010.

FMA is a financial and operational mechanism developed by Funbio, and based on its experience with the Amazon Region Protected Areas Program (ARPA). Studies show, that over the next three years, this fund could raise more than 100 million Reais.

One of the advantages of this model is the possibility of receiving funds from different sources. Although there is an expectation that environmental compensation projects will be the main resource provider of FMA, the idea is to diversify fund raising, primarily considering the direct participation of the private sector. National and international donations are also considered, in addition to a permanent financial fund that will ensure long-term funding for the recurring costs of the PAs.

Pilot Experience

FMA started to work experimentally in December 2008, utilizing part of the compensation resources of the Atlantic Steel Company (CSA), related to the environmental licenses fe011733 e nº fe11695, from FEEMA (state agency licensing). The fund received a donation of 3.1 million Reais for a work plan approved by the Chamber of Environmental Compensation of the State of Rio de Janeiro.

These resources funded six initiatives, involving actions to increase the operational capacity of

the Environmental Compensation Coordination Department (UCC); to support to the state program Private Natural Heritage Reserves (RPPNs); to organize the group of land settlement regulation; to circumscribe the Serra da Concórdia State Park; to revitalize the second main building of the Piraquara center of Pedra Branca State Park; and to build gates and security booths at Três Picos State Park.

Funbio has been accounted for these pilot projects of the Atlantic Forest Fund in its website (

). They were funded with resources from the commitment pledge with the CSA. By the end of December, 2.2 million were used. The other resources will be invested in 2010 according to the work plan.

The second source of funds for the pilot stage was made possible through Funbio's fundraising for the Atlantic Forest Conservation Fund (AFCoF). The resources benefited 22 protected areas in the state of Rio de Janeiro, with an additional investment of approximately R\$ 427 thousand in infrastructure, construction, purchase of equipment, hiring consultants to define park areas, among others.

TABLE VI

Projects and values invested with the resources of the commitment pledge with CSA (until December 31st, 2009)

PROJECT	VALOR EXECUTADO (EM REAIS)
Increase the operational capacity of the Environmental Compensation Coordination Department (UCC)	435,786
State program Private Natural Heritage Reserves - RPPNs	186,986
Organization of the Land Settlement Regulation Group - NUREF	422,874
Physical Delimitation of Serra da Concórdia State Park - PESC	12,999
Revitalizing the second main building of the Piraquara Center of Pedra Branca State Park	631,578
Implementation of access gates and guard booths at Três Picos State Park	569,045
TOTAL	2,259,269

Innovative Financial Mechanisms

Brazilian environmental management has searched for new financial mechanisms to provide sustainability to the Protected Areas System. The environmental compensation funds model, developed by Funbio,

is innovative. As an example, there is the FMA that improves management and contributes to PAs sustainability in the state of Rio de Janeiro. Other states have shown interest in implementing a similar initiative.



Dive in the Pró-Arribada project to qualify the breeding/spawning area of cubera snapper *Lutjanus cyanopterus*, in the deep south of Bahia

PROJECT FAUNA BRAZIL PORTFOLIO

Protection of marine fauna

Among the seven projects supported by the Fauna Brazil Portfolio – with a prospect of donations of around R\$2.7 million until 2011 – two of the four initiatives coordinated by the National Research Center for Conservation and Management of Aquatic Mammals (CMA) stood out in 2009. Another important initiative was the Pró-Arribada project, a partnership between Funbio and ICMBio, NGOs, and research institutions.

The project coordinated by CMA, which has the purpose of evaluating the distribution of marine mammals in the Brazilian coast, enhanced the reach and quality of data. One of the species studied was the la plata dolphin (*Pontoporia blainvillei*), targeted for the first time in a survey in the country. The data obtained will contribute to elaborate public policies on endangered species.

The Pró-Arribada aims to produce technical-scientific subsidies for the environmental licensing process of seismic prospecting activity through studies of reef fish breeding/spawning. In 2009, it reported evidences of spawning sites and the reproductive profile of a species of cubera snapper (*Lutjanus cyanopterus*) for the first time in Brazilian waters. Information on the location, time of occurrence, and physical and biological features were surveyed by the project. This evidence is very relevant for science and will positively affect regional biodiversity conservation, fishery organization, and environmental licensing policies.

Project Profile

Developed in 2006, through a Technical Cooperation Agreement signed by Funbio, Ibama and Chico Mendes Institute for Biodiversity Conservation (ICMBio), with the intervention of the Federal Public Ministry, the Fauna Brazil Portfolio aims to obtain funds from environmental administration fines and donations to be directly invested in the conservation of Brazilian fauna and fishery resources.

In 2009, the portfolio funded seven Brazilian fauna research and conservation projects. In 2010, the start of a project bank to support other initiatives is scheduled.

In 2009, Funbio promoted actions with solicitors from the Federal Public Ministry who work with the environment to communicate the Fauna Brazil Portfolio in order to increase deposits from legal sanctions and transactions. Since 2008, R\$ 70 thousand in deposits of this kind were allocated to the Portfolio.

TABLE VII

Supported projects in the Fauna Brazil Portfolio in 2009 (in Reais)

PROJECT	EXECUTOR	VALOR EXECUTADO	VALOR TOTAL
Use aerial surveys to analyze presence and distribution of marine mammals.	National Center for Aquatic Mammals (CMA/ICMBio).	381,250	386,500
Technical training of veterinarian doctors.	National Center for Aquatic Mammals (CMA/ICMBio).	3,011	245,265
National Meeting of Biota Observers - Seismic prospecting.	National Center for Aquatic Mammals (CMA/ICMBio).	2,765	158,235
The Brazilian Marine Mammal Beaching Network - REMAB and the Marine Mammal Monitoring System – SIMMAM.	National Center for Aquatic Mammals (CMA/ICMBio).	85,495	110,000
Train technical team in data analysis for satellite monitoring of sea turtles.	National Center for Conservation and Management of sea turtles (TAMAR/ICMBio).	23,190	23,980
Analysis of diagnostics for Beached Sea Turtles.	Tamar/ICMBio	584,857	875,979
Brazilian Coral Reef Fish Breeding/Spawning Areas: Aid for environmental licensing for teaching and research activities.	Pró-Arribada – Biodiversity Conservation Directory (DIBIO/ICMBio).	48,826	899,920

Project Bank

In 2009, the design of a project bank began to map the demands and identify potential initiatives to be funded by the Portfolio. The idea is that higher education institutions, non-profit associations, institutes, and research and development centers will be able to register projects with costs between R\$ 50 thousand and R\$ 250 thousand.

The Portfolio's technical commission will analyze and place the proposals according to the portfolio's areas of involvement. The pre-selected and recommended initiatives will be able to receive support when there are resources available and they will also be chosen by the donors themselves. The project bank is an important step not only for the use of available resources on the Portfolio, but also to draw new donations.

Access the fund bank of the Fauna Brazil Portfolio in

The technical commission of Fauna Brazil Portfolio is composed by representatives from the Federal Public Ministry, Ibama, ICMBio e Funbio's board of directors and advisory board. Its purpose is to define guidelines and implementation strategies for the portfolio and follow up on the activities of funded projects.

Areas of Involvement

- Protection of migratory species and species at risk of extinction.
- Sustainable use of native species.
- Management of invasive species.
- Technical training on protection and sustainable use of fauna.



CID COSTA NETO

Chuveirinho
(*Paepalanthus polyanthus*) plant of
brazilian savannah



FUNBIO - CAROLINA MILHORANCE

Natura executives
during field visit
in Mojú, Pará state.

PROJECT
**FUND FOR FINANCIAL SUSTAINABILITY
OF THE CERRADO (BRAZILIAN SAVANNAH)**

Long-term conservation strategies

Defining strategies and a program for financial sustainability of protected areas (PAs) of this threatened Brazilian biome is the focus of the Cerrado (Brazilian savannah) sustainability fund. The initiative seeks to create a long-term fund that will serve as an articulator for financial resources to fund the PAs.

In 2009, a preliminary cost - benefit (environmental and economic) analysis was accomplished to consolidate the existing and the new PAs, including the identification and prioritization of investment demands, and of existing and potential funding sources. This prioritization model takes into consideration the conservation goals and the financial and time limitations inherent to a conservation program.

A map of the main economic vectors (pressure points and potential partners) and land cost was also developed. This map was collated with priority areas for the creation of new protected areas, and steered the decision-making process.

PROJECT PROFILE

The partnership between Funbio and *The Nature Conservancy* (TNC) started in 2008, and invested all US\$ 80 thousand set for the first phase in studies that will subsidize the creation of a Strategy for the Financial Sustainability of Protected Areas of the Cerrado (Brazilian savannah) Biome. The deadline for the completion of this phase is July 2010.

Cerrado, a threatened biome

The Cerrado is one of the two Brazilian biomes on the global hotspot list of the areas with the richest biodiversity in the world and also the most threatened (the other is the Atlantic Forest).

The fund for Cerrado sustainability is part of the search for solutions to contain the degradation that threatens this important natural region of Brazil, which provides countless

environmental services. Among these services is the supply of fresh water, since the rivers in the Cerrado area are part of some of the main watersheds in the country.

CHAPTER 3
**PRIVATE SECTOR
AND BIODIVERSITY**

The loss of biodiversity is a rapidly aggravating phenomenon that brings about potential environmental, economic, and social damage. It is the opinion of Funbio that all social spheres must be involved to reduce the threats to different habitats and, consequently, to the survival and well being of humans. It is of the utmost importance to mobilize the private sector to achieve this goal.

Based on this assumption, Funbio has sought to broaden the dialogue and the partnerships with representatives from companies in the Brazilian market in order to consolidate a production model that would result in less impact to the

environment. In line with current demands, the best practices of corporate management should also contribute to foment social participation, which will establish new alliances and biodiversity conservation alternatives.

In this chapter, Funbio presents positive results achieved through involving the private sector in the discussion and a consolidation of a common agenda to create economic alternatives compatible with social development and conservation of and sustainable use of natural resources. Even though the private sector's growing support to social-environmental causes in Brazil is undeniable, there is still a long road to travel.



Training late representatives of associations of type 1, selected in the Sustainable Juruti Fund call for projects.

ARQUIVO FUNBIO

PROJECT SUSTAINABLE JURUTI FUND

New development model

The Sustainable Juruti Fund (FUNJUS) stemmed from Alcoa's willingness to encourage other economic vocations and new income generating opportunities in the municipality of Juruti, in Western Pará, where the company is building a bauxite mine.

The pillars for a local development model, focused on sustainability, were set by a partnership between Alcoa, Funbio, and the Center for Sustainability Studies at the School of Business Administration of the Getulio Vargas Foundation (GVCES).

Besides FUNJUS, the sustainable Juruti model comprises the Sustainable Juruti Board (CONJUS) and sustainability indicators developed through the priorities stated by the Juruti population. The members of CONJUS are representatives from the local government, companies established in the area, and from civil society organizations. The board aims to discuss and define the priorities for sustainable development in the municipality. The indicators will monitor social, economic, and environmental changes in the area.

Alcoa invested R\$ 2 million in FUNJUS. Approximately R\$ 500 thousand will be spent in the first two years – the pilot phase. During this period of time, Funbio is responsible for the technical and managerial coordination of the fund, under general supervision of the company. Part of Funbio's job is to strengthen the FUNJUS board so that it can manage itself independently and transparently. This will allow fundraising from different sources.

PROJECT PROFILE

In May 2009, the Sustainable Juruti Pilot Fund (FUNJUS) was created to finance local development projects that integrate environmental, economic, and social aspects. FUNJUS is the result of a partnership between Funbio and Alcoa. In the first call for projects, FUNJUS approved 21 projects. These projects will have an 18-months timeframe, starting in March 2010. This pilot phase aims to adapt the design and operation of the initiative to the social-economic and environmental context of the municipality of Juruti, in the Amazon.

Probio II in Juruti

The Juruti region was chosen as one of the potential territories of the National Biodiversity Mainstreaming and Institutional Consolidation Project (PROBIO II), of which Funbio is a partner. The idea is to work

with different agendas to broaden sustainability alternatives in the local and regional development process. The strong presence of the mining industry in the region, which increases the pressure

on the region's natural resources and the fact that Juruti is on the map of high priority biodiversity conservation areas of the Environmental Ministry, led to this choice.

Selection of the first projects

The third and last phase of the selection process of the 01/2009 call for projects was concluded in December 2009. Of the 67 letters of consultation received in the first selection phase, 41 were turned into projects presented to the Fund in the end of August by organizations from the Juruti region (Pará state). Of the presented projects, 21 were selected and will receive a total of R\$ 517 thousand.

In the first call for projects, FUNJUS called for sustainable development projects, up to 18 months long, that integrated social, economic, and environmental aspects. To encourage participation of the Juruti population, the call for projects had special funding resources of up to R\$ 10 thousand for projects presented by non-registered or recently

registered (less than one year) organizations to encourage participation of the Juruti population.

Organizations registered for more than a year could ask for up to R\$ 50 thousand per project. In addition to that, capacity building workshops were offered for project design and implementation. In December, the 19 organizations selected were informed about the rules for the use of the funds granted, and about the tools that would be used to follow up on their activities (Table VIII).

In November 2009, FUNJUS received an additional donation of US\$ 50 thousand from the Alcoa Foundation to support five projects not selected in the 01/2009 call for projects, but considered by the donor to be of great importance for the development of Juruti.

TABLE VIII

Projects selected in the Funjus 01/2009 call for projects

PROJECT	LEADER	TOTAL FUNDING (IN REAIS)
Program 5S – Juruti	ACEJ	39,050
Juruti Pescados	APRAPAEB	49,940
Miraculous Fishing – Tambaqui Farming in Net Tanks	APRAPAEVID	50,000
Green Smell	APROFASP	9,995
Tambaqui Farming in Net Tanks	APROSEIS	10,000
100% Curupira – Tambaqui Farming in Net Tankse	ASPEFANGE	10,000
100% Adelinos – Tambaqui Farming in Net Tanks	ASPROFAGU	10,000
Consolidation and Strengthening of Associations in the Old Juruti Lake Region	ASPROFAGU	10,000
Consolidation and Strengthening of Associations in the Plateau Region	ASPROFASP	10,000
Structuring of Family Gardens of the Community of the Sto Hilário Region	ASPRUFARSHI	9,998
Building and Feeding with Quality	Bom Samaritano Benef. Promotional Association	49,879
Puxirum dos Curumins – 1 st Meeting of Turtle Small Club	Brazilian Association for Turtle Conservation	50,000
From Street to Culture	Santa Rita Local Association	49,997
Project Tucumã	Juruti Craftsmen Association	49,063
Support to the Producers of Organic Vegetables	Araçá Preto Producers Association	9,908
Native Bee Farming in the São Brás Community	São Brás Producers Association	9,998
Support to Poultry Farmers in the S. J. do Curumucuri Community	São José Rural Producers Association	9,991
Egg-laying poultry farming	Small rural producers of São Pedro Association	9,973
Amarrando Sonhos	São Benedito Community	10,000
Structuring and standardizing of Casa de farinha	CTPJ	9,998
Fishing agreement lago Grande and Curuai	MOPEBAM	50,000
TOTAL		517,792

PROJECT

NATIONAL BIODIVERSITY MAINSTREAMING AND INSTITUTIONAL CONSOLIDATION PROJECT (PROBIO II)

Sustainable productive landscapes

In 2009, PROBIO II made it possible for Funbio to manage geo-referenced data via Geographic Information Systems (GIS), to map the presence of production sectors that impact or utilize biodiversity resources significantly, and to identify potential areas for the implementation of demonstration projects.

These areas were selected because they are considered to have extremely high biological importance and because they harbor relevant production sectors. These areas were approved by the Project Coordination Committee and involved direct negotiations with representatives from the private sector, civil society, and local governments. The areas are: Juruti (Para State), Western Bahia, Camamu Bay (Bahia state), pontal do paranapanema (São Paulo state), and other sugar-cane expansion areas.

The project also followed up on the sustainable Cattle-raising Working group, formed by representatives from NGOs and from different segments of the chain of production (producers, slaughter houses, financiers, and retail networks) to better understand the issues relevant to the sector and to identify potential partners. The follow up on the Roundtable of Responsible Soy (RTRS) within the Biodiversity and Agricultural Commodities Program (BACP) complemented the actions of PROBIO II related to soy, palm oil, and sugar-cane.

PROJECT PROFILE

PROBIO II aims to stimulate the transformation of the current production, occupation, and consumption models in Brazil, both in the public and private sectors, leading to the construction of sustainable productive landscapes. Funbio is responsible for the actions to involve the private sector so that this sector prioritizes, in its planning strategies and practices, the integration of conservation and sustainable use of biodiversity (mainstreaming). In 2009, Funbio carried out structuring actions needed to identify potential productive landscapes for the project to act on.

Funbio installed internal capabilities to analyze georeferenced data via Geographic Information Systems (GIS) to organize and geographically map information on PROBIO II areas.

Financiers, partners, and timeframe

To make PROBIO II actions possible, in 2008, the Global Environment Facility (GEF), through the World Bank, signed a grant agreement of US\$ 22 million with Caixa Economica Federal bank and Funbio, both responsible for receiving and managing the funds.

The scope of the agreement allocates another US\$ 75 million, matched with public and private resources raised by partners. Funbio will receive US\$ 7.5 million of

that total sum and must raise additional US\$ 18 million – an ambitious goal to achieve.

The project should be concluded by 2013. The Environmental; Health; Science and Technology; and Agriculture, Cattle Raising and Supply Ministries, in addition to the Chico Mendes Institute for Biodiversity Conservation (ICMbio), The Botanical Garden of Rio de Janeiro, Embrapa, Bireme, and Fiocruz are partners in the project.



Audience in Sao Paulo during the fifth edition of Sustainable Dialogues

PROJECT

SUSTAINABLE DIALOGUES

Focusing on Ecosystem Services

Ecosystem services: risks and opportunities for companies was the theme of the fifth edition of the Project Sustainable Dialogues. The meeting took place in São Paulo, in June 2009, and more than a hundred representatives from the business, governmental, academic, and environmental sector were present.

The main subject under discussion was the notion that ecosystem services should be included in the corporate management of companies that directly or indirectly depend on ecosystems.

During the event, many examples were given of companies that manage the natural resources they depend on, such as Coca-Cola, who has water as its main input. The company improved its management, investing in technologic innovation, actions to raise awareness, reuse practices, and, among other things, promotion of the rational use of water.

Project Profile

In 2009, the program promoted a discussion about the risks and opportunities of ecosystem services to companies – the theme of the fifth meeting of the Sustainable Dialogues series. In the previous meetings, Funbio promoted discussions about themes such as biodiversity as key element to add value to businesses; the relationship between sectors; mitigation of climate change; and offset of environmental impact.

Value, a strategic issue

One of the hindrances for society in general and business managers in particular to incorporate ecosystem services is the fact that these services are seen as public and free of charge, and, therefore, are not usually included in business models and costs.

During the event, Funbio presented the “Ecosystem Services Review” (ESR), a methodology developed by the World Resources Institute (WRI). This tool supports the development of management strategies for ecosystem services considering how business activities such as agriculture, beverage industry, water supply, forestry, electricity, oil and gas, mining, and tourism impact ecosystems. For more information go to project/ecosystem-services-review

The Project Sustainable Dialogues is an important part of Funbio’s effort to involve the private sector in the search for solutions to challenging issues related to biodiversity conservation.



Ranching is an activity that can impact the environment

FUNBIO/DANIELA LERDA



FUNBIO/CAROLINA MILHORANCE

Indigenous community in St. Gabriel da Cachoeira (Amazonas state) received a visit from Natura executives

PROJECT
FOCUS | BRAZIL VISION

Sustainable business practices

Agribusiness and energy are strategic sectors for social-economic development. In Brazil, these sectors are responsible for significant environmental impacts and social challenges. In this context, FOCUS aims to identify opportunities that add value and foment practices, which will ensure sustainability, specifically in the sectors studied by the project.

The project reviewed economic, social, and environmental diagnoses using secondary data to create recommendations to advance agribusiness and the energy sector. Results showed that the prevailing Agribusiness activities in Brazil are ranching, soy, sugar cane, and planted forests.

From a political and economic perspective, FOCUS highlights the privileged position of agribusiness for exporting when compared to industrial production. The perspectives of the current model, in the context of climate change, were also considered in the analysis proposed by the project.

The two main goals of the project are to disseminate conclusions and recommendations in the sectors studied and raise awareness in other segments of society. In order to achieve these goals, in the first semester of 2010, seminars will be organized with the segments involved and a website will be launched to make all produced knowledge available to the public.

The recommendations presented in the sectoral study carried out by FOCUS are expected to positively influence the applicable businesses, facilitating the adoption of corporate practices and the public policies that take into consideration the balance between economic gain, social development, and conservation of biodiversity and the environment.

PROJECT PROFILE

The project FOCUS| Brazil Vision (Financing and Opportunities for Conservation and Sustainability) presented a series of diagnoses on ranching, soy, sugar cane, and planted forests in order to propose strategic actions to balance economic gain and social-environmental issues. The objective of the study was to offer recommendations to overcome the difficulties discovered and to change the current production model of these agricultural commodities. The project also includes a Sustainability Dialogues event in 2010 to discuss the energy sector and proposals for the transition to a low-carbon economy. The initiative is the result of a partnership between Funbio and the Arapyaú Institute of Education and Sustainable Development. It was founded in the end of 2008 and its results will be made public in the first semester of 2010.

Follow up the results of FOCUS on or on

What makes FOCUS unique:

- Recommends strategies and action proposals, which will be presented to key actors in the Brazilian Economy.
- Reveals the interaction between different sectors and how it affects the Brazilian territory and society.
- Prioritizes investment actions that will improve production practices, lead to the creation of public policies, and develop new areas in science and technology that effectively contribute to business sustainability in the short and medium term.

PROJECT
NATURA AMAZON PROGRAM

Amplified knowledge and immersion in the reality of the Amazon

The consolidation of sustainable businesses in the Amazon is a challenge that requires knowledge of the intrinsic dynamics of the region and of its relevance to matters of national and international interest. With this in mind, Funbio designed the Natura Amazon Program as a set of actions to build capacity and raise awareness. There were five seminars chaired by experts in themes related to the region, in addition to field trips and a final workshop.

The content of the seminars was diversified and sought to analyze different aspects of the reality of the Amazon, ranging from the formation and evolution of ecosystems of the Amazon to the current economic, political, and social context. The seminar program was developed with the support of experts in the dilemmas and perspectives of the region and highlighted the relevance of the forest and of the cultural capital it contains.

During the meetings, the possibilities of strengthening a new sustainable development model for the Amazon, and of Natura being integrated into the process were discussed. One of the phases of the capacity building process includes a retrospect of the 10-year presence of the company in the Amazon.

PROJECT PROFILE

Funbio was invited by Natura, a Brazilian cosmetic company, to coordinate an immersion project on the Amazon for the managerial level of the company. During 2009, the project developed capacity building activities about the Amazon region such as lectures delivered by experts, field trips to raise awareness, and a final workshop to design a program to steer the actions of the company in the Amazon.

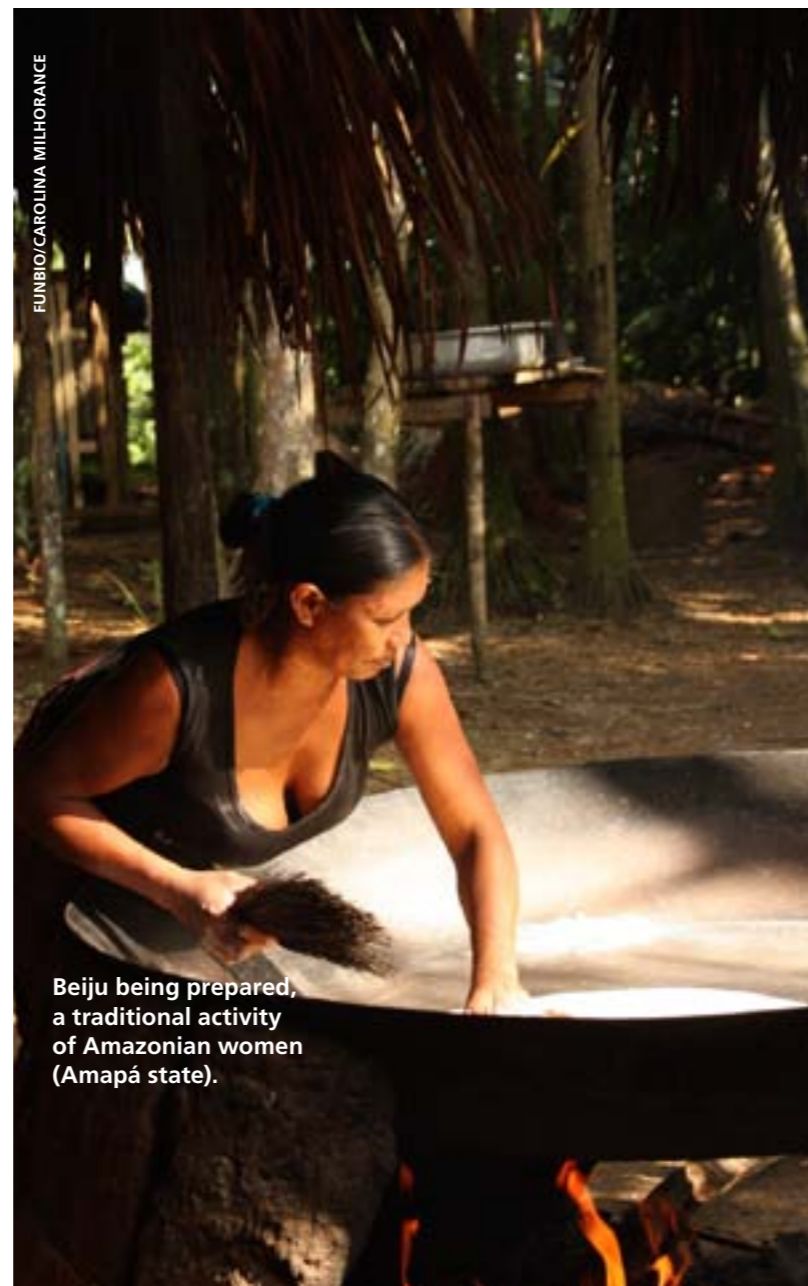
A reference in corporate management practices focused on sustainability, Natura company sought the support of Funbio to deepen their executives' knowledge about the Amazon, so that they would be ready in face of new opportunities. Natura wishes to pioneer the sustainable use of the natural and cultural heritage of the Amazon Region, developing activities that benefit the local population.

To fully understand the reality of the Amazon, field trips to different areas in the region, with different contexts, landscapes, and geopolitical features were organized so that the participants would be in direct contact with local actors and exchange experiences with them. This exchange and the seminars were video recorded. After the seminars and the field trips, a final workshop was organized.

The outcome of the workshop was a set of key elements and the design of the Amazon Program. Considering the knowledge built from different perspectives of the reality of the Amazon, Funbio believes it helped Natura to better assess its activities in the region and to reach an effective planning strategy for the company's future actions.

Lessons learnt and prospects

- Source of increasingly valuable resources, the forest has been singled out as the greatest wealth of the Amazon. Nevertheless, problems such as insufficient scientific and technological knowledge hinder the sustainable use of its natural resources.
- Three parameters should be considered in any development program in the region: size, population, and biodiversity of the area.
- The combination of ancient wisdom from the traditional and indigenous populations with highly advanced scientific and technical knowledge regarding ecology and natural ecosystems' management is a possible design for a development project in the Amazon.
- Entrepreneurship and human resources capacity building should be encouraged.
- The formation of networks stands out as a tool to promote sustainability through interaction, rooting, and strengthening of organizations.
- There needs to be local added value to products and the creation of chains of production for Amazon products should be encouraged.
- There is still time to reduce future risks of climate change. Zero deforestation is economically feasible and simpler than other mechanisms to cut down on emissions.



Beiju being prepared, a traditional activity of Amazonian women (Amapá state).

FUNBIO/CAROLINA MILHORANCE



Solutions are being sought to ensure the sustainability of the soy chain of production

STOCKXCHING/LUIZ BALTAR

PROJECT BIODIVERSITY AND AGRICULTURAL COMMODITIES PROGRAM – BACP

Market Transformation

BACP aims to transform the market of the target commodities through supporting key actions that enhance and complement the work of the existing sector roundtables for each commodity. This support would come in the form of four strategic financing programs seeking to promote a favorable environment for the mainstreaming of biodiversity; develop, test, and disseminate good production practices; promote the demand for products that positively impact biodiversity; and develop financial services to support the implementation of the actions performed by the other three components.

The goals of the program are: to have producers adopt systems of certification or accreditation that add up to 25% of the total volume of commodities traded in the world; to have the purchase of certified of accredited products reach 10% of the volume of commodities in the world; to have the program influence positively at least 5% of the commodity production landscapes.

First call for projects

In 2009, after contributing to the elaboration of the final version of the soy market transformation strategy, Funbio supported the launch of the first call for proposals for the sector in Brazil and took part in the selection process for the funding proposals. Four proposals were pre-selected and are under negotiation for final approval.

In addition, in order to provide information to BACP's soy market transformation strategy, Funbio followed up on the work of the Roundtable for Responsible Soy (RTRS) and on the finalization of the principles and criteria of RTRS. In 2009, the results of the Better Sugar Initiative were also pursued, in order to subsidize the implementation of the program actions that focus on sugar cane.

PROJECT PROFILE

BACP is a program of the IFC – International Finance Corporation that aims to reduce the biodiversity threats from destruction of habitats due to the expansion of agriculture. The program tries to utilize market forces to promote good practices in all the links of the chains of production of four agricultural commodities: soy, palm oil, sugar cane, and cocoa. The American consulting company Chemonics International Inc. is responsible for executing the program, which is funded by the GEF – Global Environmental Facility (US\$ 7 million), the government of Japan (US\$ 620 thousand), and by IFC itself (US\$ 380 thousand). Initially, BACP is present in five countries – Indonesia, Malaysia, Gana, Ivory Coast, and Brazil. Funbio is the program's headquarters for Latin America.

Funbio's BACP actions promote the generation and provision of knowledge about the chain of production of target commodities, complementing the initiatives of PROBIO II, in order to contribute to biodiversity mainstreaming in demonstrative territorial projects.

Biodiversity and Climate Change

A complex and challenging agenda

The crisis that created the opportunity to discuss and create environmental public policies reached a new level with the growing understanding that human activities are contributing to climate change. Studies show that this phenomenon puts at risk not only the future of biodiversity and all natural resources, but also human existence. Although there is no consensus as to the connection of climate change with the growing incidence of natural disasters around the world, the global economy will unquestionably have to turn to a model of production and consumption of low carbon emissions. Those who lead the way in presenting solutions to help face this dilemma will be more likely to survive in the long run.

Funbio is not indifferent to the challenges that climate change imposes on society and to how much it endangers biodiversity conservation. On the contrary, we know we can contribute significantly with the expertise we gained over fourteen years of work exclusively managing environmental resources. Even with this experience, we have to internalize new paradigms. To make this possible, we know that we need to rethink the organization in light the current scenario. Considering that climate change will become an even more pressing matter due to its environmental, economic, and social consequences, Funbio emphasizes a new line of work focused on partnerships that will contribute to bring the climate and biodiversity conservation agendas closer together.

In this report, we showed some initiatives that enable this path and that should be expanded in the future, especially in the development and application of Reducing Emissions from Deforestation and Forest Degradation (REDD) methodologies.

The institutional strategic planning for the next four years will also help to identify potential opportunities

in this segment. Of course we will not set aside the historical and extremely important support to issues directly connected to biodiversity such as protected areas, sustainable use of resources, forest recovery, and environmental financing.

After the 15th Conference of the UN Climate Convention (COP-15), the global society will focus its attention on Mexico, where the COP-16 will take place in 2010. We will be alert to the results of the meeting, as joint efforts and important projects to reduce greenhouse gas emissions depend on them. One of these initiatives aims to protect the forest against actions such as deforestation and other forms of degradation, through the REDD projects. We also look forward for the results of the still not so covered by the media, 10th Conference of the Parties of the Convention on Biological Diversity, that will take place in Nagoya, Japan in October 2010.

Issues such as the reduction of biodiversity loss, the creation of an international fund to discourage deforestation, or the just and equal division of benefits obtained from the use of biodiversity did not satisfactorily advance at the Bonn Conference in 2008 and, hence, will again be part of the 2010 discussions.

We are, therefore, convinced that the support of company investment in actions focused on the climate and biodiversity agendas is of the utmost importance.

Funbio is alert and willing to keep its strategic partnerships with the private sector, government, NGOs, research organizations, and other segments in order to formulate joint solutions focused on a future that is economically, socially, and environmentally more sustainable. There is no other way.

**Pedro Leitão and
Rosa Lemos de Sá**

Pedro Leitão was elected President of the Board of Directors of Funbio in November 2009, leaving his position as General Secretary, a position he had held since Funbio was founded. Rosa Lemos de Sá formally became General Secretary on January 1st, 2010.

FUNBIO - CAROLINA MILHORANCE

Climate balance is key to
biodiversity conservation
and human survival

CHAPTER 5

FINANCIAL MANAGEMENT AND AUDIT

Change in asset management

Over these 14 years of work, Funbio has sought innovative solutions to ensure sustainability in its projects. This was also achieved in 2009. Despite the lasting effects of the 2008 crisis, some initiatives were implemented to strengthen even more the organization's financial management in the medium and long term.

In 2009, a public tender was held to hire a new company to manage Funbio's assets. The asset management commission openly conducted the process. The commission is composed of advisors and invited experts. The company selected was Pragma Asset Management company. Another important fact was the conversion, into Reais, of the assets in Funbio Reserve Fund (FRF), previously managed abroad. This initiative eliminates any exchange rate variation component in the gains achieved from Funbio funded investments.

Most of the funds in the Protected Areas Fund (FAP), another asset fund managed by the organization, are still invested abroad.

Effects of the crisis

Funbio continued to feel the effects of the 2008 crisis with a decrease in deposits in 2009. Nevertheless, there was a 70% increase in consultancy and other services compared to the previous year.

The transition of the ARPA program from phase one to phase two significantly influenced the financial picture in 2009. That transition brought about a 50% decrease in new deposits for

Funding earned - 2008 and 2009 (In thousands of Reais)

TIPO DE RECEITA	2008	2009
Project Funds	31,734	17,648
Consultancies / services	2,282	3,934
Sponsorships	123	75
Protected Areas Fund (ARPA)	18,354	775
Total	52,493	22,432

Scenario analysis

Funbio adopted a financial management tool, based on scenario analysis, to analyze medium and long term trends, opportunities, and challenges for the development and management of conservation projects. This tool is enabling to planning and analysis of probabilities, which supports sustainability at Funbio.

promotion actions, relative to the previous year. Therefore, Funbio had to expend earnings from its reserve fund to cover expenses.

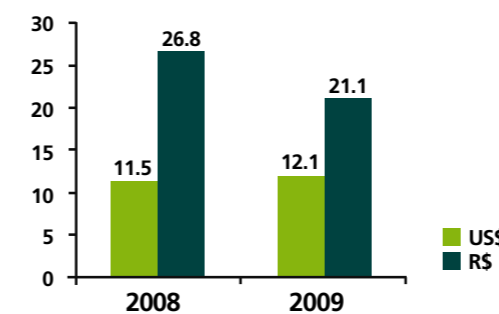
It is important to mention that a more detailed financial analysis should take into account not only the new funds received, but also the sums received in previous years, which are to be distributed over subsequent years. In December 2008, for example, Funbio received approximately R\$ 21 million for promotion actions that were executed solely in 2009.

Funbio Reserve Fund annual balance (FRF)

(in thousands, values are approximate)
Exchange rate us\$ 1 = R\$ 1.7404

FRF	US\$	R\$
BALANCE ON 31.12.08	11,471.00	26,799.00
Deposits	0.0	0.0
Commissions and taxes	52.82	91.93
Withdrawals	2,125.95	3,700.00
Interest earnings	1,869.74	3,254.09
Exchange rate variation	942.16	5,195.14
Interest earnings %		12%
BALANCE ON 31.12.09	12,104.13	21,066.03

Funbio Reserve fund – 2008 and 2009 (in R\$ millions)

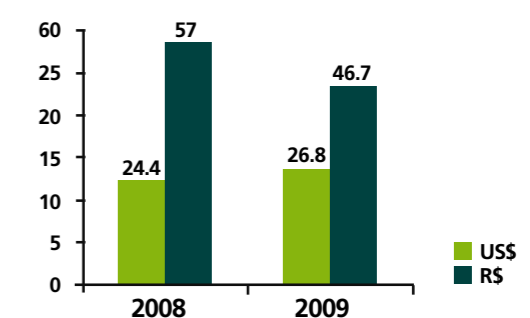


Annual balance of the Protected Areas Fund (ARPA – FAP) abroad

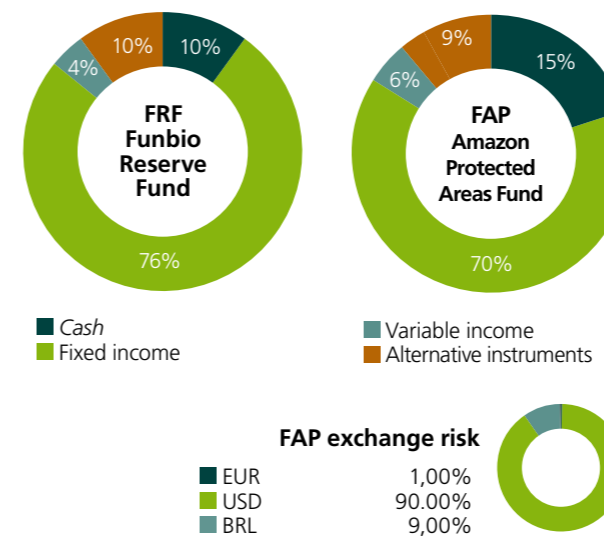
(in thousands, values are approximate)
Exchange rate us\$ 1 = R\$ 1.7404

FAP	US\$	R\$
BALANCE ON 31.12.08	24,387.00	56,972.91
Deposits	-	-
Commissions and taxes	14.00	23.00
Withdrawals	-	-
Interest earnings	2,437.00	4,241.35
Exchange rate variation	(0)	(14,532.03)
Interest earnings %	9.85%	6.93%
BALANCE ON 31.12.09	26,810.00	46,659.24

Amazon Protected areas fund abroad – FAP – 2008 and 2009 (in R\$ millions)



Composition of FRF and FAP portfolios in 2009



NOTE: there is no longer exchange risk for FRF, since the funds in the Funbio Reserve Fund invested abroad were converted into reais in 2009

Annual balance of ARPA – FAP Protected areas fund in Brazil

(in thousands, values are approximate)
Exchange rate us\$ 1 = R\$ 1.7404

FAP	US\$	R\$
BALANCE ON 31.12.08	1,190.21	R\$ 2,780.57
Deposits	400.00	775.58
Commissions and taxes	-	-
Withdrawals	-	-
Interest earnings	139.15	242.17
Exchange rate variation	453.08	0
Interest earnings %	6.78%	7.93%
BALANCE ON 31.12.09	2,182.44	3,798.32

Protected areas fund – FAP – 2008 and 2009 in Brazil (in R\$ millions)



Funbio allocates the assets in the funds it manages in long-term low-risk investments.

ACCOUNTING REPORT FROM INDEPENDENT AUDITORS

TO THE ADMINISTRATORS OF THE BRAZILIAN BIODIVERSITY FUND

We examined the Brazilian Biodiversity Fund – Funbio’s balance sheets on December 31, 2008 and 2009. We also examined the related income statements, records of holdings, and cash flow for the mentioned years, which were prepared by the administration. Our responsibility is to give our opinion on these financial documents.

We conducted our audit in compliance with all applicable Brazilian auditing norms and covered: a) planning, balances, transaction volumes and organization’s accounting and internal monitoring systems, b) the findings, supported by tests, of evidence and records and of amounts and accounting information and c) the analysis of practices and financial estimates of the organization, as well as a presentation of financial documents prepared jointly.

In our opinion, the aforementioned financial documents fairly and accurately represent the finances and assets as well as the results of operations, changes in holdings and cash flow of the Brazilian Biodiversity Fund – Funbio as of December 31, 2008 and 2009, in accordance with all Brazilian accounting practices.

Rio de Janeiro, April 14, 2010.

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ

Mauro Moreira
Accountant CRC - 1RJ 072.056/O - 2
Guilherme Portella
Accountant CRC - 1RJ 106.036/O - 5

Balance sheets

(In thousands of Reais)
December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT		
Cash and equivalents	9,350	24,449
Financial investments	72,978	86,573
Advances to suppliers	493	363
Other	313	191
CURRENT ASSETS TOTAL	83,134	111,576
NON-CURRENT ASSETS		
Intangible assets	111	81
Tangible assets	481	497
NON-CURRENT ASSETS TOTAL	592	578
ASSETS TOTAL	83,726	112,154
LIABILITIES AND EQUITY/ENDOWMENT FUNDS	2009	2008
CURRENT LIABILITIES		
Suppliers	493	240
Payroll and related charges	1,151	1,014
Taxes	197	172
Third-party funds related to projects	53,337	59,894
Other accounts payable	79	1
CURRENT LIABILITIES TOTAL	55,257	61,321
NON-CURRENT LIABILITIES		
Funds and reserves	9,523	12,123
NON-CURRENT LIABILITIES TOTAL	9,523	12,123
EQUITY/ENDOWMENT FUND ACCUMULATED SURPLUS		
Equity/Endowment funds total	18,946	38,710
EQUITY/ENDOWMENT FUNDS TOTAL	18,946	38,710
LIABILITIES AND EQUITY/ENDOWMENT FUNDS TOTAL	83,726	112,154

Statements of income

(In thousands of Reais)
December 31, 2009 and 2008

	2009	2008
REVENUES		
Donations	15,963	35,041
Funds obtained abroad	2,600	3,733
Financial income	5,837	30,658
Other operating revenues	2,017	985
	26,417	70,417
Projects costs	(23,859)	(14,654)
	2,558	55,763
EXPENSES		
General and administrative expenses	(12,443)	(10,255)
Financial expenses	(9,874)	(23,264)
Other operating expenses	(5)	(8)
	(22,322)	(33,527)
DEFICIT /SURPLUS FOR THE YEAR	(19,764)	22,236

Financial Investments

(In thousands of Reais)
December 31, 2009 and 2008.

	2009	2008
FINANCIAL INVESTMENTS IN BRAZIL		
Unibanco Fundo Fauna	-	20
Itaú Fundo Fauna	69	-
Itaú / Unibanco FAP	3,798	2,781
Itaú Funbio - Pragma FRF	13,953	-
Itaú Funbio – FRF	7,087	-
Other	1,409	-
	26,316	2,801
FINANCIAL INVESTMENTS ABROAD		
Itaú Funbio	3	26,800
Itaú FAP	46,659	56,972
	46,662	83,772
	72,978	86,573

Third-party funds related to projects

Third-party funds not yet applied in projects.
(In thousands of Reais)
December 31, 2009 and 2008.

	2009	2008
ARPA FAP (i)	50,462	59,758
CSA – Thyssenkrup – Atlantic Forest (ii)	1,003	-
Alcoa – Sustainable Juriti Fund (iii)	1,578	-
Other projects (iv)	294	136
	53,337	59,894

Doações

(In thousands of Reais)

	2009	2008
International Bank for Reconstruction and Development – IBRD (I)	(1,787)	11,904
WWF - World Wildlife Fund – (ARPA Project)	-	1,341
KfW - Kreditanstalt fur Wiederaufbau – (ARPA Project)	8,170	8,920
Moore Foundation	420	1,013
BMU KfW Arpa	3,870	4,637
Focus Brazil Vision (Arapyaú Institute)	318	6,646
BMU KfW Atlantic Forest – AFCOF II	1,750	-
International Bank for Reconstruction and Development – IBRD PROBIO	681	-
CSA pilot project FMA	2,259	-
Other (II)	282	580
	15,963	35,041

- (i) in April 30th, 2009 Funbio returned the remaining funds to the World Bank due to the conclusion of the 1st phase of the ARPA project
(ii) in 2009 the figures refer to donations from CfA, Kayapó, and tnC - the nature Conservancy. In 2008 the figures refer to donations from iCMbio - Chico Mendes Institute for Biodiversity conservation, Alcoa Alumínio S.A., and TNC

Projects costs

Costs incurred in the grants.
(In thousands of Reais)

	2009	2008
Ford Foundation	409	77
Component 2.3 – ARPA Fauna	53	1,393
Brazil Portfolio (Sismica)	240	229
Redlac Project (i)	80	43
BCID Project	240	85
Focus Brazil Vision (Arapyaú Institute)	318	6,646
Component 4.1 bMu KfW Atlantic Forest – AFCOF i	5,483	240
Atlantic Forest Fund – CSA	2,215	-
ARPA (II)	14,707	12,587
Others	432	-
	23,859	14,654

- (i) Donations made by Gordon and Betty Moore Foundation for the 9th Annual RedLAC Assembly and annuity received from Funbio as a member of the network.
(ii) ARPA Project costs for protected areas

Administrative and other costs

(In thousands of Reais)

	2009	2008
Human Resources	7,439	5,786
Third Party	1,693	1,900
Lease and maintenance	939	756
Travel and accommodation	884	1,166
Other	1,488	647
	12,443	10,255

Cash movement of the Probio II project

Total funds received in 2009 and 2008.
(In thousands of Reais).

	2009	2008	ACCUMULATED
Probio II	681	-	681
Yield	-	-	-
Foreign Exchange Variation	(21)	-	21
TOTAL FUNDS RECEIVED	660	-	660

Statement of application of funds during 2008 and 2009, Statement of project eligible costs.
(In thousands of Reais)

	2009	2008	ACCUMULATED
CATEGORIES PROBIO II			
Component asset 1, 2, 3 e 4	-	-	-
Component asset 5 advisory services sustainable use subprojects	55	-	55
RECURRING COSTS	446	-	446
Special services	-	-	-
Income generating subprojects	-	-	-
INFRASTRUCTURE projects - outlay	-	-	-
	549	-	549

Cash movement of the ARPA project

Total funds received in 2009 and 2008
(In thousands of Reais)

	2009	2008	ACCUMULATED
GEF - Global Environment Facility	(1,787)	11,904	33,152
WWF - World Wildlife Fund	544	1,340	20,347
KfW - Kreditanstalt für Wiederaufbau	8,170	8,920	41,449
BMU KfW ARPA	3,870	4,637	8,507
Yield	48	168	777
Foreign exchange variation	(944)	336	(3,213)
TOTAL FUNDS RECEIVED	9,901	27,305	101,019

Statement of application of funds in 2008 and 2009

Statement of Project's eligible costs. (In thousands of Reais)

	2009	2008	ACCUMULATED
CATEGORY - GEF			
Component assets	-	211	572
Advisory services	202	1,142	3,077
Sustainable use subprojects	171	1,402	1,582
RECURRING COSTS	2,299	8,133	21,116
Special services	-	601	4,427
Income generating subproject	49	64	155
CATEGORY - WWF- WORLD WILDLIFE FUND			
Salaries and benefits	213	367	4,166
Advisory services	395	727	3,984
Travel and accommodation	580	146	2,802
Workshops and training	7	1	700
Equipment	73	58	3,988
Publications and videos	3	86	314
Direct administrative costs	612	287	3,456
Infrastructure	-	-	207
Vehicles	3	535	794
	1,886	2,209	20,411
CATEGORY - KFW			
Goods	554	1,004	6,420
Advisory services	1,066	984	4,011
RECURRING COSTS	5,138	4,104	18,707
Special services	1,439	1,564	7,374
Infrastructure	946	18	2,754
	9,143	7,675	39,266
CATEGORY - KFW-BMU			
Goods	2,663	-	2,663
Advisory services	526	-	526
RECURRING COSTS	1,815	-	1,815
Special services	177	-	177
Infrastructure	82	-	82
	5,263	-	5,263
STATEMENT OF TOTAL COSTS	19,013	21,437	95,869

Cash movement of the BMU KfW Atlantic Forest Conservation Fund - AFCOF I

Total funds received in 2009 and 2008.
(In thousands of Reais)

	2009	2008	ACCUMULATED
BMU KfW - AFCOF I	-	6,646	6,646
Yield	-	-	-
Foreign exchange variation	-	184	184
TOTAL FUNDS RECEIVED	-	6,830	6,830

Statement of application of funds in 2008 and 2009

Statement of Project's eligible costs. (In thousands of Reais)

	2009	2008	ACCUMULATED
CATEGORIES - BMU KFW ATLANTIC FOREST			
Component assets 1, 2, 3 and 4	2,976	-	2,976
Component assets 5	-	-	-
Advisory services	713	-	713
Sustainable use subprojects	-	-	-
RECURRING COSTS	103	1	104
Special services	388	-	388
Income generating subprojects	-	-	-
Infrastructure projects - outlay	370	-	370
	1,340	240	1,580
	5,890	241	6,131

FAP balance movement (Brazil)

Protected Areas Fund (ARPA) in Brazil, in 2009.
(In thousands of Reais)

	2009	2008
Balance on January 1 st	2,781	1,749
Revenues	776	830
Yield	241	202
BALANCE ON DECEMBER 31st	3,798	2,781

FAP balance movement (foreign)

Protected Areas Fund (ARPA) held abroad, in 2009.
(In thousands of Reais)

	2009	2008
Balance on January 1 st	56,972	29,775
Revenues	-	17,523
Yield	4,576	(2,340)
Foreign exchange variation	(14,869)	12,131
Financial management costs	(20)	(117)
BALANCE ON DECEMBER 31st	46,659	56,972

CREDITS

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We thank the involvement of Funbio's staff in the production and revision of this report.

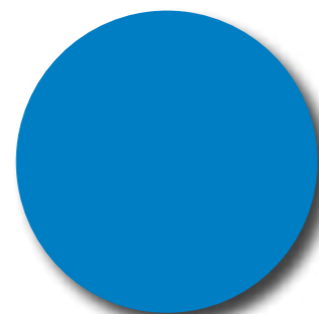
The art of transmitting sensations

We humans are always conveying something beyond, as though we were "transmitter antennae".

The three of us, Du Zuppani (the father), Palé Zuppani (the eldest son) and Zé Zuppani (the youngest son) literally make up a family of "transmitters". We believe that we transmit energy, feelings and ideas. And so the art of photography means a lot to us. It is a comfortable way for us to communicate using our sight, which is such a powerful and pervasive element in society. We invite you to visit our site:

to view our work, talk with us and receive photographs by email.

Many pictures on this report were given by the Zuppani Family.



Donors in 2009

Alcoa
Alcoa Foundation
World Bank Foundation (IBRD)
Food and Agriculture Organization
of the United Nations (FAO)
Chemonics
Conservation International
Global Environment Facility (GEF)
Gordon and Betty Moore Foundation
Hidroelétrica de Mphanda
Nkuwa S.A. / Camargo Corrêa
Arapyaú Institute of Education
and Sustainable Development
KfW - Kreditaustalt für Wiederaufbau
Natura Cosmetics
O Boticário
Omnia Minérios s/A
Petrobras
Rio de Janeiro State
Environment Department (SEA/RJ)
The Nature Conservancy (TNC)
WWF-Brazil
Madeira e energia s.A.

Funbio also received resources from legal sanctions through the Fauna Brazil Portfolio.

Partners in 2009

German Technical Cooperation (GtZ)
Alcoa
Amigos das Águas do Juruá (Amaj)
Apiwtxa
Associação dos Pequenos Produtores
Rurais da Linha 13 – Amapá
Camargo Corrêa
Center for Sustainability Studies of
the Getúlio Vargas Foundation (Gv-
Ces/sp)
Center for Aquatic Mammals (CMA)
National Center for the Management
and Conservation of Sea Turtles
(TAMAR)
Chemonics
Conservation Finance Alliance (CFA)
Conservation International (CI)
Coopter – Cooperative of Labor,
Services, Technical Assistance, and
Rural Extension (CPI-AC)
Ecomeg
Forest Trends
Ford Foundation
Vitória Amazônica Foundation
Gordon and Betty Moore Foundation

Greenpeace
Research and Extension Group on
Agroforestry Systems (PESACRE)
Arapyaú Institute of Education and
Sustainable Development
Brazilian Institute of Municipal
Administration (IBAM)
Brazilian Institute of Environment
and Renewable Natural Resources
(IBAMA)
Chico Mendes Institute for
Biodiversity Conservation (ICMbio)
Amazon Environmental Research
Institute (IPAM)
Ekos Institute
Rio de Janeiro State Environmental
Institute (INEA /RJ)
Institute for Responsible Agribusiness
(ARES)
International Finance Corporation
Kanindé – Ethno-Environmental
Defense Association
Madeira Energia S.A. (MESA)
Environmental Ministry (MMA)
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Pró-Arribada Project
Publix
Brazilian Network of Environmental
Funds (RBFA)
Latin American and Caribbean
Network of Environmental Funds
(RedLAC)
Rioterra
Acre State Secretary of Production
(SEPRO)
Rio de Janeiro State Environment
Department (SEA-RJ)
SOS Amazônia
SOS Mata Atlântica
Tamar Project
The Nature Conservancy (TNC)
Acre Federal University (UFAC)
Wildlife Conservation Society (WCS)
WWF-Brazil

After 14 years of work, Funbio innovated once again in 2009 to fulfill its mission of providing strategic resources for biodiversity conservation.



DU ZUPPANI



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