

Technical Cooperation Document

I. Basic Information for TC

▪ Country/Region:	BRAZIL
▪ TC Name:	State Government of Pará: Structuring the Payment for Environmental Services Program under the Amazônia Agora Plan (ParáPSA1)
▪ TC Number:	BR-T1516
▪ Team Leader/Members:	Brakarz, Barbara (CSD/CCS) Team Leader; Cavazzoni Lima, Rafael (IFD/CMF) Alternate Team Leader; Hincapie Salazar, Daniel (ORP/REM) Alternate Team Leader; Ana Champloni (CSD/CCS); Ashton, Cristina (SCL/GDI); Blandin Andino, Lourdes Gabriela (CSD/CCS); Caicedo Sierra, Miguel Felipe (ORP/GCM); Damiani Marti, Octavio Jorge (CSD/RND); De Assis Bueno, Fabia Maria (VPC/FMP); De Freitas Severino, Ligia (CSC/GBR); Gomez, Juan Carlos (CSD/CCS); Hintze, Luis Hernando (CSD/RND); Jorge Salgado, Carlos Gustavo (IFD/CMF); Juan Francisco Martinez Cotrino (CSD/CCS); Maria Cristina Mac Dowell (IFD/FMM); Orlando Lima (IFD/CMF); Patricia Gutierrez Mesones (CSD/CCS); Robert, Carolyn (CAN/CAN); Roberta Felix (CSC/GBR); Salazar, David Agustin (VPC/FMP); Sara Carias (CSD/CCS); Verissimo Da Silva, Carolina (LEG/SGO); Visconti, Gloria (CSD/CCS); Watson, Gregory (CSD/CCS)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	13 Apr 2022.
▪ Beneficiary:	Governo do Pará - Secretaria de Estado de Meio Ambiente e Sustentabilidade (SEMAS/PA)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Amazon Bioeconomy and Forest Management Fund(AMZ); OC SDP Window 3 - Sustainable Development in the Amazon(W3A)
▪ IDB Funding Requested:	Amazon Bioeconomy and Forest Management Fund (AMZ): US\$150,000.00 OC SDP Window 3 - Sustainable Development in the Amazon (W3A): US\$350,000.00 Total: US\$500,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (Execution period):	24 months
▪ Required start date:	August 1st, 2022
▪ Types of consultants:	Firms and Individual Consultants
▪ Prepared by Unit:	CSD/CCS-Climate Change
▪ Unit of Disbursement Responsibility:	CSC/GBR-Country Office Brazil
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2020-2023:	Productivity and innovation; Environmental sustainability; Gender equality; Diversity

II. Objectives and Justification of the TC

- 2.1 The objective of the TC is to structure a new model of innovative financing to deliver emissions reductions and avoided deforestation objectives of the Amazônia Agora State Plan by developing a Payment for Environmental Services¹ (PES) program to be delivered through a payment for results (P4R) transaction mechanism under the Sustainable Territories Platform. The project will accelerate the development of the methodological framework for implementation of the PES program under the Amazônia Agora Plan. The PES mechanism will include ecosystem, climatic, and regulatory services, to be delivered through a P4R transactional mechanism, in addition to other targets established in state public policy.
- 2.2 The Amazon is the largest Brazilian biome, occupying 49% of the national territory, with an area of 4,196,943 km². Nine states make up the Brazilian Legal Amazon: Acre, Amapá, Amazonas, Mato Grosso, Pará, Rondônia, Roraima, Tocantins, and Maranhão. Pará leads the ranking of deforestation rates. From 2001 to 2020 it lost 14.8 million hectares of tree cover, equivalent to a 14% decrease since 2000. In 2020, deforestation in Pará was responsible for 45.15% of the total of the region.
- 2.3 While the Amazon has an immense stock of natural resources, it has been deforested to make way for agricultural systems and pastures, which have been one of the main causes of Brazil's greenhouse gas (GHG) emissions. In 2020, 78.4% of the country's emissions caused by changes in land use resulted from deforestation in the Amazon biome. According to PRODES² data, since 2019 deforestation in the Amazon reached the level of 10,000 km². This biome transformation is particularly alarming, as projections are getting close to a point of no return if deforestation rates reach 20-25%, where the forest could be replaced by a savanna, impacting biodiversity, hydrological cycles, carbon, and human well-being.
- 2.4 The state of Pará appears within this context as one of the most affected by forest loss. Between 1988 and 2019, 34% of deforestation in the entire Legal Amazon occurred in Pará, which represents an accumulated deforested area of 152,475km². The high flow of deforestation also places the state as one of the largest GHG emitters among Brazilian states, with 19.3% of total emissions. Pará's position as the largest GHG emitter is a consequence of the historical development model it has adopted, which is based on the indiscriminate exploitation of natural resources. The state stands out for its mineral, energy (water) and agricultural potential, activities that result in strong human pressure on areas of native forest.
- 2.5 Pará Amazônia Agora State Plan (PEAA) is the key public policy instrument to deliver sustainable economic development and deforestation and is directly linked to the State Policy on Climate Change (PEMC). Launched in August 2020, the PEAA aims to promote a reduction of at least 37% in GHG emissions from forestry conversion and land use by 2030, and 43% by 2035, aligned with the country's Nationally Determined Contribution's (NDC) commitments. PEAA is comprised of four axes: (i) environmental regularization, licensing, and monitoring; (ii) territorial, land, and environmental planning; (iii) low emissions socioeconomic development; and (iv) long-term financing.

¹ Payment for Environmental Services (PES) is an economic instrument that, following the "protector-receiver" principle, rewards and encourages those who provide environmental services, improving the profitability of activities for the protection and sustainable use of natural resources.

² The PRODES project conducts satellite monitoring of clear-cut deforestation in the Legal Amazon and has produced, since 1988, annual deforestation rates in the region, which are used by the Brazilian government to establish public policies.

- 2.6 To assist Pará in its efforts to address long-term sustained mobilization and deploy resources to finance these activities, the IDB has been working with the state in the financial structure of the PEAA. This initiative aims at providing additional support to the state, so it enhances its capacity to deliver on the 80 targets contained in the plan. This TC intends to be the first stage of an effort to support the Pará in the delivery of the PES program, which will be piloted and escalated in subsequent stages.
- 2.7 The TC is also aligned with the IDB's 2025 Vision (in its Goal 2 —Promoting Social Progress), which seeks to reinvest in the Americas by increasing the institutional capacities of the environmental agency of Pará, in its mission to promote financial instruments to stimulate the reduction of deforestation. At the same time, this initiative favors the IDB's transversal objective, which is to promote climate change mitigation and sustainable development.
- 2.8 This TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with its: (i) development challenge of *productivity and innovation*, since it creates the foundations for a modern environmental management tool for policy-makers in the State of Pará; and (ii) cross-cutting theme of *climate change and environmental sustainability* through the strengthening of economic instruments to encourage the maintenance of the standing forest, as well as discourage deforestation. The TC contributes to the IDB Group's Corporate Results Framework 2020-2023 (GN-2727-12), specifically in the number of beneficiaries of better forest management and sustainable use of natural capital. Additionally, the TC is aligned with the Integrated Strategy for Adaptation and Mitigation to Climate Change and Renewable and Sustainable Energy (GN-2609-1), the Climate Change Sector Framework Document (GN-2835-8), the Agriculture Sector Framework Document (GN-2709-10) and the Decentralization and Subnational Governments Sector Framework Document (GN-2813-8).
- 2.9 This operation is aligned with the objectives of the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-14) Window 3 - Sustainable Development in the Amazon (W3A) Emerging Need 1 Sustainable Development in the Amazon, specifically with its objective (ii) "developing tools and methodologies that serve to embed sustainability and inclusivity into development programs for the Amazon", as its objective is to create an innovative financing model to generate emissions reductions and avoid deforestation for the Amazônia Agora State Plan, by developing a PES scheme. It also contributes to the Amazon Bioeconomy and Forest Management Fund (AMZ – Multi Donor Trust Fund) (GN-3074-1), whose objective is to support national and subnational entities, public and private entities, in the Amazonian countries to plan, design and implement investments in support of the Amazon Initiative's objectives, especially through the thematic areas of Sustainable Agriculture, Livestock and Forest Management and Bioeconomy, as well as via the deep integration of the Amazon Initiative's three transversal issues - forest conservation; gender and diversity and institutional strengthening. This TC is aligned with the following specific objectives of the Fund: i) promotion of sustainable and resilient landscapes; ii) promotion of amazon positive value-chains. the operation contributes to the IDB Group Country Strategy -with Brazil 2019-2022 (GN-2973) in the cross-cutting areas of environmental sustainability and climate change and with the strategic objective of supporting national and international integration, as well as with the development of a new model for the Amazon with conservation and use of environmental goods and services.

III. Description of Activities/Components and Budget

- 3.1 **Component 1. Methodological Structuring (US\$200,000).** This component will hire consulting services to carry out the design and structuring of a methodology for a payment platform for environmental services through a payment-by-results mechanism for the state of Pará as an instrument of the *Plano Amazon Agora*. Activities include:
- a. Baseline and Strategy: (i) survey of experiences, cases and lessons learned with PES, Mapping of similar and/or complementary initiatives; (ii) evaluation of interaction with other payments available to beneficiaries including analysis of potential double counting-, double payment among other complementarities and overlaps; and (iii) identification of interested parties (providing agents, public and private beneficiary agents, including gender and diversity issues of the region, and financial and service intermediaries).
 - b. Methodology: (i) definition of eligibility parameters, e.g. women owned or managed criteria, property size, income; (ii) priority focus of areas of intervention and performance; (iii) development of the methodology for pricing, payment, and assessment of additionality for 600 provider agents; (iv) assessment of the provider agents in terms of their willingness to accept the payments; and (v) classification of environmental services related to provider agents (climate regulation, water availability, erosion control and retention of sediments, biodiversity, among others).
- 3.2 Stakeholders' engagement and shared governance: (i) engagement with service providers such as Indigenous Peoples and Local Communities (IPLC), farmers, and agro-extractive settlements for evaluation of the methodology; (ii) proposition for the dynamics of the consultancy/workshop process with stakeholders; (iii) planning for workshop with stakeholders, including public agencies, non-governmental players and relevant organizations for the agribusiness and the bioeconomy value chain; and (iv) pre-consultancy for construction of a shared and representative governance arrangement to the platform.
- 3.3 **Component 2. Tool Development (US\$250,000).** This component will hire consulting services to define the key features of the payments for environmental services platform tool, including:
- a. Platform development and Governance: (i) review of the proposed methodology, eligibility criteria and value proposition to beneficiaries; (ii) legal institutional solutions: creation or adjustments of PES Law and Regulation and accessory instruments; (iii) define the governance of the platform; (iv) connections with other initiatives; (v) evaluate and design the platform's operational workflow and selected players/intermediaries; and (vi) databases and connection of other State tools that must integrate the Sustainable Territories Program³ (Land Registry and Regularization System (SICARF), National Rural Environmental Registry System (SICAR), Green Seal, CAR 2.0, among others). The platform will be aimed at beneficiaries of environmental services, user-payers, and will also be used for engagement and dialogue with actors and beneficiaries of this type of service.

³ The Sustainable Territories Integrated Action Policy (TS) was established by Pará State Decree No. 344, of October 10, 2019. TS aims to be the instrument of contribution to global sustainable development commitments, the Nationally Determined Contributions (NDCs), and the achievement of the Sustainable Development Goals at the state level. The Policy's guidelines are the conservation of natural capital, the promotion of socio-economic development on a sustainable basis, based on increased efficiency in livestock and agroforestry production, and the recovery of altered and degraded areas. TS was designed considering the need for a socioeconomic boost in the regions most affected by deforestation.

- b. Providing agents: (i) such as agro-extractive settlements, traditional communities and indigenous peoples, rural producers (“appetite” to participate in the market value of the PES that attracts them); (ii) mapping priority areas and actors (private areas – small, medium and/or large, indigenous peoples and local communities, non-destined public forests, conservation units, etc.); (iii) assessment of potential impact as an incentive (for restoration, conservation of forests and/or for environmental services); (iv) proposition of methodology and dynamics of consultancy/workshop with beneficiaries to evaluate eligibility criteria and priority areas; and (v) connection with the Sustainable Territories and Regularization of the Pará Platform (land and environmental regularization) and interconnection with other public and private mechanisms, including the carbon market, jurisdictional REDD+ program, article 6 of the Paris Agreement.
- 3.4 **Component 3. Knowledge Management and Results Monitoring (US\$50,000).** This component will hire consultant services to support: (i) dissemination of lessons learned and dialogue at the state level; (ii) definition of metrics to support results’ monitoring of the Platform’s impacts; and (iii) systematization results from learning, monitoring of the implementation of goals.
- 3.5 The total cost of this TC will be US\$500,000, of which US\$350,000 will be financed with resources from the OC SDP Window 3 - Sustainable Development in the Amazon (W3A) Fund and US\$150,000 from the Amazon Bioeconomy and Forest Management Fund (AMZ - Multi Donor Trust Fund).

Budget

Activity/Component Description	IDB/Fund OC SDP (W3A)	IDB/Fund Multi Donor Fund (AMZ)	Counterpart	Total
Component 1. Methodological Structuring	100,000	100,000	0	200,000
Component 2. Tool Development	200,000	50,000	0	250,000
Component 3. Knowledge Management and Results Monitoring	50,000	0	0	50,000
Total	350,000	150,000	0	500,000

IV. Executing Agency and Execution Structure

- 4.1 The project team will supervise the TC. Technical and implementation supervision will be responsibility of the Climate Change Division (CSD/CCS) in the IDB Country Office in Brazil, with co-responsibility of the Connectivity, Markets and Finance Division (IFD/CMF) and the Amazon Coordination Unit (CSD/ACU). Fiduciary and financial supervision will be carried out by the financial and procurement specialists during the execution. There will be no need for any use, licensing, or transfer of products containing intellectual property rights in the scope of this TC and this will be reinforced in the contract signed with the firm to develop the services.
- 4.2 At the request of the beneficiaries and in accordance with Appendix 2 of the Operational Guidelines for Technical Cooperation Products (OP-619-4), the IDB will be the Executing Agency given its experience in the preparation and development of

the operational and technical instruments proposed for this type of operation, as well as its knowledge of the scope of work.

- 4.3 The Nature Conservancy (TNC) will be hired to carry out the core activities of this technical cooperation via the Single Source Selection methodology. TNC is one of the leading NGO (Non-Governmental Organization) working in the Brazilian Amazon. It has been present in the state of Pará for over 20 years and it possesses a broad local expertise in the Amazon region. TNC has worked closely with strategic organizations on the development of public and private partnerships, particularly in the State of Para. The organization has provided support to the state's government in the design of the mobilization strategy for the FAO (Fundo da Amazonia Oriental) and was selected as a member of the Management Committee of such fund. The organization has developed technical work for cattle ranching, government capacity building, bioeconomy and gender issues for the State of Para's wider Program, the Amazonia Agora. TNC is uniquely placed to support to State of Pará AAP financial architecture as it has significant knowledge of the state's supply chains and economic opportunities, which are essential in the identification of sustainable value chains to build a pipeline and facilitate investment in the region through FAO. TNC is developing several field projects with companies and financial institutions that deliver conservation, production, and social results. It has been working closely with BASA, Partnership for Forests, Mondelez, Olam, and Extreme-E to recover degraded pasture lands with agroforestry systems. In addition, TNC is leading the development of territorial management plans to support communities in managing, using, and developing resources.
- 4.4 Internationally, TNC has over 28 years of on-the-ground experience in the design and implementation of conservation programs. It is responsible for the Latin America Conservation Council, an advisory group of influential corporate and development leaders in Latin America that brings powerful advocacy and influence on key markets for economic development relying on sustainable environmental management. TNC has successfully executed IDB projects (GRT/CF12631-RG, ATN/FI-12690-RG, ATN/OC-14053-RG, and ATN/OC-15994-RG, among others) totaling more than US\$6M. This includes the implementation of the first phase of the Latin America Water Funds Partnership, a five-year, \$12.6M collaboration of TNC, IDB, FEMSA and the Global Environment Facility, that leveraged over US\$100M to implement 19 Water Funds; the second phase of the Latin America Water Funds Partnership; as well as the Early Planning Finance for Sustainable Infrastructure in Latin America (ATN/OC-16226-RG). TNC was also hired to deliver services related to ATN/AS-14436-RG, including an assessment on the state of Para's bioeconomy economic value, and a report which identifies key elements for the development of healthy agricultural systems in the Para.
- 4.5 The activities to be executed under this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the IDB's established procurement methods. Specifically, the Bank will follow its procurement policies and guidelines related to contracting processes: (i) individual consultants will be hired according to the guidelines established in policy AM-650; (ii) consulting firms of an intellectual nature will be hired according to the "Policy for the selection and contracting of consulting firms for operational work carried out by the Bank" ([GN-2765-4](#)) and its Operational Guidelines ([OP-1155-4](#)); and (iii) other non-consulting services in accordance with the "IDB Institutional Procurement Policy" ([GN-2303-28](#)).

V. Major Issues

5.1 The following risks and mitigation measures have been identified.

Risk	Mitigation Measure
Electoral year may cause delay on project implementation	Project team advances in the elaboration of the technical work
Current political instability in Brazil delays project or undermines governmental buy-in	The project is related to Pará's strategic development plan (Amazonia Agora Plan), ensuring institutional buy-in at both technical and political level, and ensuring that TC closely contributes to long-term governmental programs and priorities
Project fails to deliver socio-environmental change and increase resilience to climate change	Define the pilot project's areas of action as those that will have the greatest impact on the state, in convergence with other public policies such as the Sustainable Territories Platform
The legacy of sustainability is not achieved	Inclusion of stakeholders and dissemination of results obtained to demonstrate impacts and benefits in the state

VI. Exceptions to Bank policy

6.1 No exceptions to Bank Policy have been identified for this operation.

VII. Environmental and Social Strategy

7.1 This technical cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes

[Request from the Client - BR-T1516](#)

[Results Matrix - BR-T1516](#)

[Terms of Reference - BR-T1516](#)

[Procurement Plan - BR-T1516](#)