

## **Business Plan and Economic and Financial mechanisms for the Forests'**

### **Subprogram**

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Inserted in a biome heavily affected by human degradation, the state of Goiás, seeking to promote the environmental conservation with farmers through the implementation of economic and financial mechanisms, developed two programs under the "Goiás Sustainable Cerrado Project": (i) Payment for Environmental Services and (ii) Legal Reserve. The Program of Payments for Environmental Services has four subprograms: Carbon, Water, Biodiversity and Other.

Aiming to assess the economic, social and environmental return of the 'Goiás Environmental Services Management Program', a Business Plan was prepared, which includes (i) a review of the actions and the economic and financial mechanisms of the four subprograms on Payments for Environmental Services and on the Legal Reserve Program; and (ii) the layout of the creation of an institution responsible for the formulation, regulation and implementation of market-based public policy on conservation in the State of Goiás.

The State's role was analyzed for each subprogram, considering the characteristics of environmental services, of market mechanisms established for each service and of existing legal frame. Considering the possible responsibilities of the State to enable the implementation of the Environmental Services Management Program, the designed Business Plan evaluated the opportunities and costs involved in creating a state institution to act in two areas: (i) formulation and regulation of market-based conservation public policy; and (ii) implementation and operation of payments for environmental services projects in the State of Goiás.

To assess the financial condition of the business plan, it was conducted an analysis whose starting point was the economic parameters for each hectare of the rated area. For each type of environmental service, it was quantified the potential revenue per hectare, considering the funding mode. These results were extrapolated for the entire state of Goiás, verifying its applicability in different legal forms areas (Protected Areas, Areas of Permanent Protection, Legal Reserves and remaining vegetation), thus obtaining a quantification of the potential which could be included in the mechanics of the Environmental Services Management Programs.

Considering the estimated revenues potential and government associated costs, it was possible to evaluate the Programs economic return. In conclusion, these results indicated that the implementation of the proposed institution is economically and financially viable. Revenues were significantly higher than the projected costs,

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generating a overbalance cash flow for the 12-year period analyzed, yielding incremental revenue (public and private) for the environmental assets, and contributing to the environmental conservation strategy of the state of Goiás.

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