



Memorandum of Understanding No. 001/2020

Memorandum of Understanding for
the Balsas Region PCI Compact by
and between IDH - Sustainable
Trade Initiative and FAPCEN - North
Export Corridor Research Support
Foundation,

On one hand, The **Sustainable Trade Initiative (IDH)**, foundation under the Dutch law, registered with the Chamber of Commerce of the Netherlands under number 53521129, with registered office and head office at Arthur van Schendelstraat 500, 3511 MH Utrecht, Netherlands, in this matter duly represented by Mr. Daan Wensing, and on the other hand, **FAPCEN – Fundação de Apoio à Pesquisa do Corredor de Exportação Norte** (Research Support Foundation of the North Export Corridor) "Irineu Alcides Bays", registered with the CNPJ under No. 69.428.696/0001-58, with headquarters at Br 230, km 386, Fazenda Sol Nascente, Balsas, Maranhão, represented herein by its superintendent, Gisela Regina Introvini, Brazilian, resident and domiciled in Balsas/MA, bearer of the RG No. 063340742017-9 and enrolled in with CPF under No. 337.183.509-04, agreed to sign this Memorandum of Understanding, for the promotion and development of the **Balsas Region PCI Compact** (Produce, Conserve and Include initiative)

IDH and FAPCEN , hereinafter collectively referred to as the “Parties”.

1. Scope

This Memorandum of Understanding aims to set up a multi-stakeholder initiative to establish cooperation and to make the necessary efforts to promote actions that contribute to sustainable economic development, in Balsas - Maranhão, through the **Balsas Region PCI Compact**.

2. Term

The term for the accomplishment and performance of the actions set forth in this Memorandum of Understanding shall be sixty (60) months as of its signature.

3. Introduction

The Parties hereby acknowledge that, by launching a strategy that includes the vertical elements of Production, Conservation and Inclusion (PCI) action in the Balsas Region that can foster and promote the regional goals related to sustainable production, conservation and social inclusion, they will contribute towards the fostering, promotion and implementation of a regional model that can expedite the social and economic development of the region and, in particular, the establishment of a strong link between the protection of natural resources and sustainable productive activities in the territory;



They also acknowledge that the PCI strategy may contribute to the Brazilian National Targets established in the NDC (Declared National Contribution) and declared to the United Nations under the Paris Agreement, which expressly mention the restoration of degraded pastures, reducing deforestation and low carbon agriculture as relevant issues for the country to reach the desired level of greenhouse gas emissions reduction.

The Parties also acknowledge that the PCI strategy can be designed in such a way as to establish a direct relationship with the Low Carbon Agriculture Plan (ABC Plan) as well as with the efforts to implement the Forest Code, both policies of the Federal Government, as central strategies for the sustainable development of agriculture and environmental regularization of rural properties in Brazil.

The Parties further acknowledge that the joint effort between the public and private sectors can bring positive results for the area covered by the PCI compact, contributing to the development of a productive and low carbon economy in the municipalities, fostering conservation and increasing the sustainable production of small and medium scale rural businesses, encouraging the recovery of degraded areas, increasing and qualifying technical assistance and rural extension (ATER), thus contributing to the implementation of the norms established in the Forest Code.

In view of the above, the Parties agree to enter into, in addition to this Memorandum of Understanding, the legal instruments required to enable the implementation process of the PCI Compact for the Balsas, through the adoption of goals to be managed and implemented by the Balsas Region PCI Compact management committee, with external financial support and with responsibilities defined and validated by the parties involved.

In this regard, the Parties consider that the Balsas Region PCI Compact is an institutional arrangement which consists of voluntary goals and is formed by a governance model that brings together a set of public, private and civil society institutions to achieve the objective of this Memorandum of Understanding.

4. Pillars and Targets

The Balsas Region PCI Compact will contain, without prejudice to others that may be added in the future, notably at the state and/or national levels, including the Production, Conservation and Inclusion strategy pillars, considering, among others at the municipal level on a voluntary basis, the following strategic lines of action:

- Produce Pillar:
 - Furthering territory value through food production.
 - Expansion and outflow of cotton production in the region and destination/outflow to the Port of Itaqui;
 - Expanding sustainable production through management systems and certifications such as: Soja Plus, RTRS, BCI and others;
 - Encouraging research on plant and animal genetics and
 - Encouraging integrated management (ILPF) in the region.



- Conserve Pillar:
 - Strengthening municipal and regional environmental advocacy committees.
 - Encouraging the reduction of illegal deforestation;
 - Supporting programs for conscious use of water and fire control; Advancing the validation of the CAR and the implementation of the PRA;
 - Supporting programs of payment for environmental services;
 - Support programs of Technical Assistance and Rural Extension - ATER
 - Supporting campaigns for correct waste disposal;
 - Supporting the development of an urban basic sanitation plan.

- Include Pillar:
 - Through major events (Agrobalsas) and field days in communities/municipalities.
 - Development of live crop and animal showcases; information and technology transfer through courses, training and lectures;
 - Fostering and disseminating production with a view to marketing the main products of the regional communities (Cassava, Cowpea, Cerrado Fruit, Alternative Species);
 - Supporting the development of regional crafts;
 - Supporting the institutions regarding the training of the Regional Workforce;
 - Fostering agroforestry systems, structuring agri-extractivism and agri-industrialisation, especially in the production of fruit pulp in the region;
 - Encouraging sheep and goat farming in the region.

The targets agreed with local stakeholders will form the basis for defining a set of policies, strategies, actions, activities and resources, including financial resources, that can be voluntarily achieved by all parties, as presented in this Memorandum of Understanding.

Produce Pillar Goals:

- Increase cotton production in the Balsas region by 2025, reaching 50 thousand hectares;
- Increase the area of RTRS certified soy, Soy Plus and other quality standards in the Balsas region by up to 30%, by 2025;
- Increase the diversification of crops adapted to the Balsas region by up to 25% of different species, by 2025;



- Increase production areas with a system (ILP / ILPF) in the Balsas region by up to 20% animal genetics and fodder, by 2025;
- Support 100% of the actions of the National Federation of No-Tillage in the Balsas region, through soil conservationist practices, until 2025;

Conserve Pillar Goals:

- Support actions that promote the reduction of illegal deforestation in the Balsas Region by 100% by 2025;
- Support actions that promote the reduction of fires in the Balsas Region by up to 50% by 2025;
- Register up to 100% of rural properties at SICAR in the Balsas Region, by 2025;
- Validate up to 100% of the CAR in the Balsas region, by 2025;
- Support actions that promote Payment for Environmental Services in the Balsas region, reaching 2 projects implemented by 2025;
- Encourage correct disposal of up to 100% of waste in the Balsas region, by 2025;
- Support the development and enhancement of ecological tourism in the Chapada das Mesas, supporting cities, communities, archaeological sites and rural properties.

Include Pillar Goals:

- Increase the number of families served by ATER (technical assistance & rural extension) programs by 50% by 2025;
- Promote Land Regularization in up to 40% of the Family Farming lots in the Balsas Region;



- Increase cassava production by 60% by 2025, supporting the structuring of the value chain;
- Increase cowpea production by 50% by 2025, supporting the structuring of the value chain;
- Increase rice production by 30% by 2025, supporting the structuring of the value chain;
- Increase the production of corn cultivar by 40% by 2025, supporting the structuring of the value chain;
- Increase the production of cerrado fruits and species introduced by 20% by 2025, supporting the structuring of the value chain;
- Encourage the sheep / goat chain in the Balsas region, promoting a 40% increase in local production by 2025;
- Support 100% of the actions to increase the production of milk and dairy products in order to strengthen the region's cooperative system by 2025.
- Create 01 program to promote the inclusion of women, traditional peoples and communities in activities related to crafts and other regional development;

5. Means of Implementation

In order to determine and implement the voluntary targets, the parties must carry out the necessary technical, scientific, legal and economic studies.

The policies, strategies, actions, activities and resources to achieve the goals outlined in this document must be coordinated by the organization incorporating the Regional PCI, including among others the local committee, with broad support from the public and private sectors.

The goals herein are agreed upon on a voluntary basis and are dependent on the effective availability of human, technical, institutional and financial resources for their achievement and shall not establish any sanction or penalty to the participating parties in case they are not met, whether in total or in part, without prejudice to any statement



otherwise being established in a legal provision or by means of a contractual agreement between the parties hereto, within the scope of donation and/or financing actions with national or international entities.

Governance mechanisms will be created, namely "the Institutional Governance mechanisms of the for the Balsas Region PCI", as a means to enable the implementation of policies, measures, goals and actions, aimed at managing the compact, as well as a formal structure for raising, receiving and applying the necessary financial resources for the actions, namely "the financial mechanism for promotion, investment and distribution of benefits".

6. Governance

Within 90 days upon signing of this MoU, a governance structure should be formed, which shall observe the following arrangement:

Deliberative Body, Management and Articulation - Balsas Region PCI Compact Steering Committee, which will comprise the parties signing this memorandum, as well as other institutions, including civil society, whose participation in this committee will depend on the expression of interest through accession to the memorandum and approval by a majority of the committee. This committee will receive secretarial support from one of the institutions comprising the committee. The objectives of this Committee will be, among others, monitoring, articulating, integrating actions, and promoting the monitoring of actions. The Balsas Region PCI Compact Steering Committee will endeavour to strengthen municipal councils for the environment and agriculture, if they exist.

Implementing Body - An Implementing Body will be created, consisting of designated and/or appointed representatives of the institutions and organizations of public power, private initiative and civil society with duties and responsibilities regarding the implementation of strategies, policies, projects, actions and activities with a view to implementing and achieving the objectives and goals of the Balsas Region PCI Compact.

The Regulations and/or rules of the structures that constitute the Balsas Region PCI Compact shall be timely compiled by the parties or immediately after the deployment of such structures.

7. Financial Sustainability and Fundraising Mechanism

Initially the implementation of strategies, policies, projects, actions, and activities will be voluntarily carried out by the very institutions that are signatories of this memorandum and in accordance with their budgetary and financial availability.

A plan must be prepared within 120 days and a financial sustainability mechanism must be created to raise/manage the financial resources required to implement the strategies, policies, projects, actions and activities of the Balsas Region PCI Compact.



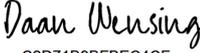
8. Final Understandings

The Parties hereby agree to, within ninety (90) days, execute all legal instruments required to establish the activities and/or conditions to perform the cooperation between the parties for the achievement of the voluntary goals and implementation of the Pillars of the Balsas Region PCI Compact along with other goals to be defined between the Parties within the limits and rules of compliance of the legal framework in force in Brazil.

As regards the design, definition and execution of this Memorandum of Understanding, the Parties agree to act in good faith and to comply with all municipal, state and federal laws and regulations in the State of Maranhão and the Federal Laws of Brazil.

The Parties hereby acknowledge and agree that other stakeholders may join this PCI Initiative by becoming a party to this MoU. The stakeholders may become a party to this MoU by signing an annex to this MoU (model annex being set out in Annex I).

Balsas/MA: Friday, November 27, 2020

DocuSigned by:

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Daan Wensing

IDH - The Sustainable Trade Initiative

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Gisela Introvini

Fundação de Apoio à Pesquisa do Corredor de Exportação Norte [North Export Corridor
Research Support Foundation] - FAPCEN