While logging has taken place in the Amazon for over 300 years, starting in the 1960s it showed a significant boost with the development of highways through the forest.\(^1\) By the 1980s, as a result of government incentives promoting agriculture, mining and timber extraction, a model of predatory, extensive and unplanned logging was consolidated as the result of the deforestation associated these incentivized activities.\(^2^,\)\(^3\)

It was in the context of unprecedented deforestation and land grabbing\(^4\) that, in 2006, the Public Forest Management Law (\textit{Lei de Gestão de Florestas Públicas - LGFP})\(^5\) was enacted to ensure the sustainable use of Brazilian public forests, especially in the Amazon, through the implementation of a forest concession system in Brazil.

International experiences with forest concessions had not been largely successful in most cases, either because the environmental variable was not present or because governments failed in supervision and monitoring activities.\(^6\) In Brazil, the forest concession, implemented by LGFP, sought to distance itself from these experiences by reconciling environmental protection with the profitable private exploitation of natural resources, serving as a deterrent against land grabbing.

Despite the law being widely celebrated and generating high expectations, federal concessions of public forests in the Amazon fell short of expectations and currently only cover the extraction of timber in about 1.3 million hectares. In 2006, when the LGFP was enacted, the federal government aimed to concede four million hectares of forest by 2010.\(^7\) State concessions in the Amazon have progressed even more slowly: only 551,000 hectares are under exploration in just two states—Pará and Amapá.

Various causes have been attributed to this modest growth, including competition with the illegal market, legal disputes arising from the presence of indigenous peoples and traditional communities in concession areas, and the issuance of concessions lacking economic viability.\(^8\) However, the findings of this study indicate that fragilities in the governance may be a significant limiting factor.

\(^5\) Law no. 11,284, March 2, 2006 - Deals with the management of public forests for sustainable production. [bit.ly/3x9o1HT].
In this publication, researchers from Climate Policy Initiative/Pontifical Catholic University of Rio de Janeiro (CPI/PUC-Rio) present the evolution of forest concessions in the Amazon and then delve into concessions in Pará, a pioneering state in the sector. The detailed analysis of the concession procedures in Pará, supplemented by interviews with market representatives, allows for the identification of governance concerns and draws lessons that go beyond the state level to help advance the agenda of forest concessions in the Amazon region.

The analysis identified situations in Pará involving (i) the cancellation of bids—i.e., half of the bids held in the state, (ii) non-concession of areas, and (iii) termination of concession contracts. A total of 17 attempts to concede an area for state concessions in Pará were recorded, counting repeated occasions where the same area was conceded, not conceded, or had its contract terminated. This translates to a success rate of 53% in the long term, taking into account the number of existing contracts as a parameter, as opposed to the number of vacant areas due to non-concession or contract termination.

The cancellation of bids seems to be caused by basic errors in the preparation of call for proposal documents, indicating limited capacity of the agencies responsible for managing the concessions. The non-concession of some areas may be caused by the low qualification of some concessionaire candidates, the prolongation of bids, and restrictions on the quantity and total area that can be conceded to a single company. Finally, contract termination may be caused by non-compliance with the qualification and regularity conditions of companies, the terms of proposals, and forest and labor management norms.

At a time when the LGFP has been reformed to allow the trading of carbon credits and to make it possible to include new types of environmental services as the object of concessions, these points of concern become even more relevant due to the increasing complexity of this public forest management model. Improvements in governance must be implemented for concessions to solidify as sustainable business models.

**Recommendations**

- Eliminate legal restrictions on the quantity and total area that can be conceded to a single company to allow more qualified companies to scale up by obtaining more concessions and the possibility to operate in larger areas, without prejudice to the application of general bidding standards.

- Improve the training of public officials responsible for forest concession management to enhance the quality of bidding procedures through improvements, such as in the accuracy of preliminary concession studies and in the models of calls for proposal and contracts.
Evolution of Forest Concessions in the Amazon

The forest concessions agenda is of extreme relevance for the Amazon, as it can generate income and employment for its population, simultaneously making socioeconomic development compatible with forest protection and serving as a deterrent for land grabbing.

Box 1. What Are Forest Concessions?

Forest concessions aim to regulate the possession of public forests, allowing the timber industry to continue existing on sustainable grounds and preventing timber extraction from causing the transformation of forests into pasture areas. Additionally, concessions play a discouraging role against land grabbing by enabling timber industries to explore forest resources in a context of well-defined property rights.

The General Law of Public Forests (LGFP), regulating the matter, establishes that the object of concessions is the exploitation of forest products and services. This exploitation can take various forms, such as timber extraction, tourism promotion, and the trading of carbon credits. Concessions can occur through onerous delegations by the Public Authority to individuals through procurement; therefore, a concessionaire must pay the public entity that owns the forest for the right to exercise these activities. The LGFP was recently reformed by Law no. 14,590/2023, resulting from the conversion of Provisional Measure no. 1151/2022.

The federal government’s estimate in 2006, when the LGFP was enacted, was that there would be four million hectares of forests conceded by 2010. However, after 17 years, federal concessions of public forests in the Amazon fell short of expectations and currently only cover the extraction of timber in about 1.3 million hectares, totaling 22 projects from 11 companies. Between 2014 and 2016, during Dilma Rousseff’s government, over 800,000 hectares were conceded, but after that, new contracts were only signed by the federal government between 2019 and 2022, with emphasis on the year 2021.

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The federal concession system, as outlined in the LGFP, can be implemented by all three levels of government. However, the states lag behind in the implementation of concessions compared to the federal level. In the Amazon, where 96.3% of state public forests are located, covering a total area of 76 million hectares, only 551,000 hectares are in operation, and only in Pará and Amapá—approximately 483,000 and 68,000 hectares, respectively. Most Amazonian states have not even developed their first forest concession plan.\(^{13}\)

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Figure 2. Total Area of Signed State Concession Contracts for Pará, 2011-2018

Source: CPI/PUC-Rio with data from IDEFLOR-BIO, 2023

These data highlight the intermittency in the implementation of forest concessions and the difficulty in meeting long-term goals.
Governance of State Concessions in Pará

The Importance of Pará

The state of Pará began implementing forest concessions in 2011, positioning it as the main timber producer in Brazil at that time. The state had the highest number of timber centers and industries, the highest demand for logging, and the highest annual gross revenue for the sector in the Amazon. In 2009, this revenue was reported to be US$ 1 billion, compared to US$ 555 million for all other states in the Northern Region combined. Forest concessions were seen as promising solution to boost Pará’s economy, given that only 18% of the state’s land was private.14,15

The first state concessions in Pará took place in the plots Mamuru-Arapiuns in 2011, established through a partnership between the Institute of Forestry and Biodiversity Development of the State of Pará (Instituto de Desenvolvimento Florestal e da Biodiversidade do Estado do Pará – IDEFLOR-BIO), the state entity responsible for concession management, and the Brazilian Forest Service (Serviço Florestal Brasileiro - SFB), responsible for federal concessions. These were not only the first state concessions in Brazil but also the first on undesignated public lands.16 Previous concessions were federal and located in National Forests (Florestas Nacionais - FLONAS).17

Following the plots Mamuru-Arapiuns concessions, the state implemented concessions in the State Forest (Floresta Estadual - FLOTA) of Paru, also starting in 2011. Until 2017, Pará remained the only state with concessions in Brazil.18 Pará is the most advanced Amazonian state in the sector, with over 480,000 hectares conceded out of a total of 3.2 million hectares of state public forests.19 Currently, the state is preparing for concessions compensated by the trading of carbon credits.20

Overview of Concessions in Pará

State forest concessions in Pará are currently divided into two main blocks: concessions in the plots Mamuru-Arapiuns and concessions in the Paru FLOTA.

The plots Mamuru-Arapiuns concessions were divided into two lots and five Forest Management Units (Unidades de Manejo Florestal - UMFs). UMFs are areas designated for concessions within a public forest, and each UMF can be subject to only one concession contract. There was one bid for the concessions of the first lot, corresponding to UMFs I, II, and III, and four bids for the concessions of the second lot, corresponding to UMFs IV and V. Of these last four bids, three were annulled, and one is ongoing. The annulments appear to be the cause of UMFs IV and V not being conceded.

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15 Other data indicate that the state of Mato Grosso was the main timber producer in the Amazon between 2008 and 2020, followed by Pará and Rondônia, except for 2011, when Pará was the leading producer. In the latter years of the 2010s, there was also an increase in the significance of the Amazonas state in this sector. Learn more at: Valdiones, Ana Paula et al. A Evolução do setor madeireiro na Amazônia entre 1980 e 2020 e as oportunidades para o seu desenvolvimento inclusivo e sustentável na próxima década. Belém: Imazon, Imaiflora, ICV, and Idesam, 2022. bit.ly/3QBpp3s.
16 Public land with unassigned use by the government.
18 Ibid., 284.
The Paru FLOTA concessions were divided into three lots and nine UMFs. There was one bid for the concessions of the first lot, corresponding to UMFs I to IX, one bid for the concessions of the second lot, corresponding to UMFs V, VI, and VII, and two bids for the concessions of the third lot, corresponding to UMFs IV and V. Of these last two bids, one was annulled. Attempts to concede the same UMF in more than one lot and more than one bid occurred because some UMFs were not conceded in previous biddings or because some contracts were terminated. The non-concession of UMFs and contract terminations appear to be the causes of UMFs V, VI, and VIII being vacant.

Source: CPI/PUC-Rio with data from IDEFLOR-BIO, 2023
In the context of Pará’s state forest concessions, there were eight bids, half of which were annulled, nine UMFs conceded, and five UMFs vacant due to non-concession or contract termination. Ongoing bids were not analyzed in this study.
A total of 17 attempts were made to concede a UMF in Pará’s state concessions, counting not only the number of UMFs that were conceded, but also the repeated occasions in which the same UMF was conceded, not conceded or had its contract terminated. These attempts had a success rate of about 71% in the short term, considering the number of times a concession contract was signed as a success parameter, as opposed to the number of times a UMF was not conceded. In the long term, however, the success rate would drop to 53%, if the number of existing contracts were considered as opposed to the number of vacant UMFs due to non-concession or contract termination. Annulled bids were not considered as concession attempts.
Reasons for the Annulment of Bids

As observed, four bids were annulled: bids no. 003/2016, no. 001/2017, and no. 001/2021, related to concessions in the plots Mamuru-Arapiuns, and bid no. 006/2017, related to concessions in the Paru state forest. All annulled bids occurred from the second half of the first decade of forest concession implementation in Pará.

Figure 8. Valid and Annulled Bids in Pará, 2011-2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Valid bidding procedures</th>
<th>Annulled bidding procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
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<td>2012</td>
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<td>2020</td>
<td></td>
<td></td>
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<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CPI/PUC-Rio with data from IDEFLO-BIO, 2023

As illustrated in Figure 3 above, bid no. 003/2016 was the first concession procedure for UMFs IV and V of the plots Mamuru-Arapiuns. It was annulled by IDEFLO-BIO due to arguments presented by two candidates in the context of the bidding process. As acknowledged by the entity itself, its notice violated the law in two points. First, it failed to require a document that candidates are legally obliged to present. Second, it demanded more documents than candidates are legally obligated to provide.

Bid no. 001/2017 was the second attempt to concede the same UMFs IV and V of the plots Mamuru-Arapiuns. It was annulled by IDEFLO-BIO due to arguments of objections, appeals, and legal action presented by candidates within the bidding process. As recognized by the entity itself at the end of the procedure, its notice violated the law by not providing criteria to assess whether the proposals of candidates could be practically executed. In other words, the notice did not include criteria for evaluating the feasibility of the proposals.

Bid no. 001/2021 was a third attempt to concede only UMF V of the plots Mamuru-Arapiuns. It was annulled at the beginning by IDEFLO-BIO due to objections presented by a citizen within the procedure. As recognized by the entity itself, its notice did not inform that the
management unit area was already being exploited by third parties, and this information would be necessary for candidates to adequately establish the value of their proposals.32,33

A fourth attempt to concede UMF V of the plots Mamuru-Arapiuns is currently underway through bid no. 001/2022.34 According to unofficial information, this bid and bid no. 001/2021 did not aim to concede UMF IV because there is a termination of the contract related to a contiguous area, which should be added to UMF IV for future concession.

Finally, bid no. 006/2017, related to the state forest of Paru, was the second attempt to concede its UMF IV and the third attempt to concede its UMF V.35,36 It was also annulled at the beginning by IDEFLOR-BIO due to arguments of objection presented by a candidate in the bidding process. As recognized by the entity itself, (i) there were mistakes in its notice regarding how to classify the distance between the UMF and distribution centers, and this classification would be an important pricing criterion in the concession contract, (ii) the call for proposal did not provide the necessary information about the timber species in the management unit, and (iii) it also did not present information about pre-existing infrastructure and other assets in the area to be conceded.37, 38

This set of annulled bids indicates that errors in the drafting of notices were acknowledged by IDEFLOR-BIO during the bidding procedures and could have been avoided through (i) a more rigorous legal analysis of the calls for proposal, (ii) proper evaluation of the areas to be conceded, and (iii) updating the protocols for reviewing notices and annexes (Table 1).

Table 1. Reasons for the Annulments of Bids and Possible Solutions

<table>
<thead>
<tr>
<th>Reason Type</th>
<th>Possible solution</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Errors in the Drafting of Bids</td>
<td>The bid demanded documents from the candidates that were not in accordance with the law.</td>
<td>Rigorous legal analysis of bids.</td>
</tr>
<tr>
<td></td>
<td>Bids did not provide accurate information about the areas to be conceded.</td>
<td>Thorough evaluation of areas to be conceded through precise sample inventories and demographic surveys, among other studies.</td>
</tr>
<tr>
<td></td>
<td>The bid failed to establish criteria for evaluating the feasibility of proposals.</td>
<td>Update protocols for the review of bids and attachments.</td>
</tr>
<tr>
<td></td>
<td>The bid incorrectly set criteria for pricing in the concession contract.</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** CPI/PUC-Rio, 2023

Furthermore, the succession of annulled bids regarding the Mamuru-Arapiuns plots indicates that the concession of UMF V is at least six years behind schedule due to the annulments.

35 IDEFLOR-BIO. Bidding procedure no. 6. 2017. bit.ly/3ug1spL.
36 As illustrated in Figure 4 above, UMF IV was granted in Bidding procedure no. 02/2011, but the concession contract was terminated in 2017. UMF V was not granted in either of the previous two bidding procedures. The reasons for the non-awarding of UMFs and contract terminations will be clarified in the following sections.
37 IDEFLOR-BIO. Analysis of the objection to the public call for proposal. 2018. bit.ly/47kZ5kb.
**Reasons for the Non-Concession of Some Areas**

As reported above and illustrated in Figure 3, the annulments of bids no. 003/2016, no. 001/2017, and no. 001/2021 seem to be the cause for UMFs IV and V of the Mamuru-Arapuins Plots not being conceded. However, as also reported above and illustrated in Figure 4, there were UMFs not conceded within valid bids held in the years 2011, 2013, and 2018 for concessions in the Paru state forest.

In bid no. 02/2011, UMFs V, VI, and VII of the Paru FLOTA were not conceded.39 Regarding UMF VI, no candidate met the minimum requirements of the notice to participate in the bidding. As for UMFs V and VII, IDEFLOR-BIO had declared the company Semasa as the winner. The company RRX was ranked second in reference to both areas.40,41,42 This indicates that at least two candidates were interested in these two management units. However, UMFs V and VII were not conceded, apparently due to how the law and the notice modeled the procedure. The law allows a company to obtain a maximum of two concessions in the same bidding.43 In addition to UMFs V and VII, Semasa was also the winner for UMFs IV and VIII. According to the notice, the company would have its proposals disqualified for units of smaller classes in this situation. The notice categorized the UMFs into three classes, according to the area criterion: large, medium, and small. The notice also established that the same company cannot be the concessionaire of two UMFs of the same class.44 In the case of Semasa, the smaller units in each class are UMFs V and VII, so the company became the concessionaire of UMFs IV and VIII.45,46 The calls for proposal also stipulate that the second-placed should be called in this case of proposal disqualification.47 If the same logic applied to the first-placed is followed, RRX, which ranked second in the bid for UMFs V and VII but won the bid for UMFs III and IX, should have obtained the concessions of UMFs III and VII, which are the largest in each class among these four management units. However, RRX signed concession contracts for UMFs III and IX.48,49 No clarification was obtained as to why this occurred.

In bid no. 01/2013, UMF VI of the Paru State forest was not conceded again, despite four companies submitting proposals for the concession of the area.50 IDEFLOR-BIO had declared the company Eco Selva as the winner.51,52 However, the final decision of the bidding was made after the expiration of the validity period of the proposals. Therefore, the winner was asked to express whether it wanted to extend it.53 Eco Selva gave up obtaining the concession of UMF VI—allegedly due to the expiration of the proposal and having taken on other commitments—and did not win the bid for any other area.54 The notice provided that, in case the winner did not sign the contract, IDEFLOR-BIO could “call the remaining bidders, following the ranking order,” to sign it

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41 IDEFLOR-BIO. Administrative decision. 2012. bit.ly/3SJ0DQE.
50 IDEFLOR-BIO. Bidding procedure no. 1. 2013. bit.ly/3upq4AF.
51 IDEFLOR-BIO. Final outcome of the technical proposal evaluation by the bidders. 2014. bit.ly/3SF5wKv.
53 IDEFLOR-BIO. Administrative Decision. 2014. bit.ly/3R1FQX.
“under the same conditions proposed by the first-placed, including updated prices and technical indicators.” Alternatively, the entity could revoke the bid concerning the area in question.55 According to unofficial information, IDEFLOR-BIO called the second and third placed after Eco-Selva’s withdrawal, but none of the companies accepted to sign the contract.

Finally, in bid no. 001/2018, UMF V of the Paru State forest was not conceded once again.56 As reported above and illustrated in Figure 4, this area was not conceded in bid no. 02/2011; instead, it was conceded in bid no. 01/2013 but had the contract rescinded; it was also the subject of bid no. 006/2017, in turn, annulled; finally, it was then the subject of this fourth bid, in 2018. IDEFLOR-BIO judged that, of the four candidates, only one met the minimum requirements to participate in the bidding. Thus, the bid continued only for the candidate Blue Timber. In the case of one of the other three candidates, RRX, the non-compliance with the requirements was recognized by IDEFLOR-BIO following an appeal filed by Blue Timber. This occurred because RRX was already the concessionaire of three UMFs in the Paru State forest, and if it obtained a new contract, it would have more than 10% of the available state public forests for concession under its management, exceeding the legal limit established by LGFP.57,58,59,60 The other two bidders did not comply with the requirements because they did not submit the required documents in the notice.61 Blue Timber submitted proposals for UMFs IV and V.62,63 In this bid, the notice referred to the mentioned legal provision that allows a company to obtain a maximum of two concessions in the same bidding but to determine that “if any bid wins both forest management units, it must choose one of them to sign the forest concession contract, and regarding the remaining management unit, the second-placed will be called”.64 It was not possible to clarify why the law was applied so restrictively in this case. The company opted for UMF IV, which is about a thousand hectares larger than UMF V, although it is not possible to state what the criteria for Blue Timber’s choice would have been.65,66

The analysis of these three bids indicates that there are five reasons for the non-concession of some state areas in Pará: (i) candidates do not meet the minimum requirements of the notices to participate in the bids; (ii) procedures extended beyond the proposal deadlines; (iii) candidates are required to choose only one area even though they won in two areas; (iv) legal requirements stipulate that a company can only obtain a maximum of two concessions in the same bidding; and (v) legal requirements state that companies cannot have more than 10% of the available state public forests for concession under their management. Some of these reasons occurred concurrently in some of the analyzed procedures, and this seems to have further hindered the concession of the areas in question.

58 IDEFLOR-BIO. Analysis of the administrative appeal by Blue Timber Consultancy and Advisory Ltd. 2018. bit.ly/3QzkRdi.
60 Law no. 11,284, March 2, 2006 - Provides for the management of public forests for sustainable production. Articles 34, I, and 77. bit.ly/3s9ocHt.
The first three reasons can be solved through administrative measures. The third and fourth refer to bidding aspects of LGFP (Table 2).

### Table 2. Reasons for Non-Concession of Some State Areas in Pará

<table>
<thead>
<tr>
<th>Reason</th>
<th>Possible solution</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidates who do not meet the minimum requirements of the calls for proposal to participate in the bids</td>
<td>Creation of incentives, such as a better definition of feasibility criteria for proposals, to attract more qualified candidates to the bids</td>
<td>Entities or organizations responsible for the design and management of bids</td>
</tr>
<tr>
<td>Extension of procedures beyond the proposal deadlines</td>
<td>Adjustment of procedural deadlines to proposal deadlines</td>
<td>Entities or organizations responsible for the design and management of bids</td>
</tr>
<tr>
<td>Requirement for the candidate to choose only one area when they were the winner in two</td>
<td>Adaptation of the bid to the law</td>
<td>Brazilian legislative branch</td>
</tr>
<tr>
<td>Legal requirement that a company obtains a maximum of two concessions in the same bidding</td>
<td>Elimination of the criteria of the quantity of UMFs to allow concessionaires to scale up, without prejudice, subject to monitoring under the Brazilian Bidding System</td>
<td>Brazilian legislative branch</td>
</tr>
<tr>
<td>Legal requirement that companies do not manage more than 10% of publicly available forest concessions</td>
<td>Elimination of the percentage of area criteria to allow concessionaires to scale up, without prejudice, subject to monitoring under the Brazilian Bidding System</td>
<td>Brazilian legislative branch</td>
</tr>
</tbody>
</table>

**Source:** CPI/PUC-Rio, 2023

### Reasons for Contract Termination

The contracts related to UMFs IV, V, and VIII of the Paru FLOTA, conceded in bids no. 02/2011, no. 01/2013, and again no. 02/2011, respectively, were unilaterally terminated by IDEFLOR-BIO due to the complete breach by the concessionaires of some contractual clauses.

The contracts related to UMFs IV and VIII were terminated in 2017, about five years after being signed, due to Semasa’s non-compliance with clauses related to (i) maintaining the company’s qualification and eligibility conditions and general obligations to comply with the call for proposal provisions, proposal terms, exploitation rules, and contract clauses; (ii) complying with forest management norms; (iii) presenting certificates, records, authorizations, registrations, proving the company’s regularity; (iv) hiring labor and complying with labor laws; (v) adopting measures to prevent environmental impacts; (vi) removing company assets when the contract expires; (vii) staking areas with restrictions on forest exploitation; and (viii) adopting a timber tracking system.67,68,69

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67 IDEFLOR-BIO. Forest Concession Contract - UMF IV. 2012. The contract is no longer available on the IDEFLOR-BIO website, but it can be requested from the authors of this publication via email.

68 IDEFLOR-BIO. Forest Concession Contract – UMF VIII. Clauses 3.2; 4.2.5; 11, items I, II, V, VI, VII, X, XIV, sub-item c, and XXV; and 26.2. 2012. The contract is no longer available on the IDEFLOR-BIO website, but it can be requested from the authors of this publication via email.

Finally, the contract related to UMF V was also terminated in 2017, about two years after being signed, due to Brumari’s non-compliance with clauses related to: (i) submitting a management plan to IDEFLOR-BIO within twelve months from the contract signing; (ii) annually presenting proof of maintaining the company’s qualification and eligibility conditions; and (iii) paying the minimum annual amount due to the state for obtaining the concession.\textsuperscript{70,71}

It was not possible to ascertain the specific reasons that led to the breach of these clauses and the unilateral termination of the contracts by IDEFLOR-BIO.

The analysis of the three terminations indicates that there are five reasons for contract terminations: (i) non-compliance with the qualification and regularity conditions of the companies; (ii) non-compliance with proposal terms; (iii) non-compliance with forest management norms; (iv) non-compliance with environmental norms; and (v) non-compliance with labor norms. These reasons can be addressed by creating incentives for the participation of more qualified candidates in the bidding process (Table 3).

\begin{table}[h]
\centering
\begin{tabular}{|l|l|l|}
\hline
Reason & Possible solution & Responsible \\
\hline
Non-compliance with the qualification and regularity conditions specified in the call for proposal and contracts & Creation of incentives for the participation of more qualified candidates in bids & Entities or organizations responsible for the design and management of bids \\
Non-compliance with the terms of the proposals by companies &  &  \\
Non-compliance with forest management regulations by companies &  &  \\
Non-compliance with environmental regulations by companies &  &  \\
Non-compliance with labor regulations by companies &  &  \\
\hline
\end{tabular}
\caption{Reasons for Contract Termination in State Concessions in Pará}
\label{table:contract_termination}
\end{table}

\textbf{Source:} CPI/PUC-Rio, 2023

\textsuperscript{70} IDEFLOR-BIO. Forest Concession Contract - UMF V. Clauses 4.5.1; 9th, item l; and 11, item XIV, sub-item c. 2015. The contract is no longer available on the IDEFLOR-BIO website, but it can be requested from the authors of this publication via email.

Lessons for the Implementation of Public Policies

The analysis of bid cancellations, non-concession of some areas, and contract terminations highlights two main opportunities for improving public policies for forest concessions in Pará: removing legal restrictions on the quantity and total area that can be conceded to a single company and investing in training IDEFLOR-BIO employees.

Removing legal restrictions on the quantity and total area that can be conceded could allow more efficient companies to scale up by obtaining more concessions. It could also lead to the concession of more areas to better-qualified concessionaires, potentially reducing the number of non-conceded management units and terminated contracts.

The LGFP prescribes these restrictions, but there is an understanding that the restriction on the quantity of management units would be unnecessary, given the restriction on the total area. Furthermore, it is argued that the quantity criteria could lead to unequal treatment among concessionaires since the area of a single management unit can be larger than that of two others, for example. In any case, according to this understanding, the quantity and area criteria would be inadequate as they would not consider economic concentration in the relevant markets involved. Any suppression of the quantity of management units and area criteria would not harm the monitoring of concessionaires within the Brazilian Bidding System.

Better training of IDEFLOR-BIO employees would enhance the quality of bid procedures through improvements, for example, (i) in the accuracy of sample inventories regarding the presence of economically attractive timber species in concession areas, (ii) in the accuracy of demographic surveys, (iii) in the accuracy of information on other operational and logistical aspects of conceded areas, and (iv) in the protocols for reviewing notice and contract models.

Interviews with private sector agents in the forest concessions sector revealed that government sample inventories prepared for concessions do not adequately reflect which economically attractive timber species exist in the areas to be conceded. According to the interviewees, adequate inventories are especially relevant for concessions in the Amazon, where the distribution of these species in the territory varies greatly. In addition, they believe (i) that demographic surveys on the existence of local communities, for example, in or near concessions, are also lacking, (ii) that other studies on operational and logistical aspects of the areas to be conceded, such as their terrain, are insufficient as well, and (iii) that governments would be slow to improve notice and contract models based on previous experiences.

Finally, according to the same interviewees, parameters to discourage unfeasible proposals from “adventurers” are insufficient. According to them, this insufficiency could cause more experienced candidates to have less incentive to take part in bids, as well as increase the risks of future contract termination when less qualified candidates obtain concessions.

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72 Law no. 11,284, March 2, 2006 - Provides for the management of public forests for sustainable production. Article 34. bit.ly/3s9ocHt.
Policy Actions

Concessions aim to regularize the ownership of public forests, allowing economic activities to continue in a sustainable manner. This is an extremely relevant agenda for the Amazon, as it can generate income and employment for its population while making socioeconomic development compatible with forest protection. At the time when the LGFP has been reformed to encourage the commercialization of carbon credits and to facilitate the exercise of new types of activities within concessions, this agenda has become even more relevant due to the increasing complexity of this public forest management model.

However, concessions have not been implemented at a satisfactory pace. The intermittency of this implementation and the difficulty in meeting long-term goals may result from numerous factors, but governance can be one aspect of the agenda where there are opportunities for improvements, at least in the case of state concessions in Pará. The state implemented not only the first state concessions in Brazil but also the first one on undesignated public lands. Furthermore, Pará’s concessions would still be the only state concessions in Brazil until 2017. Pará is the most advanced Amazonian state in the sector.

Analysis of concession procedures and interviews with market agents identified the main governance issues hindering the forest concession model from being implemented in the state. These issues include the cancellation of bids, non-concession of some areas, and contract terminations and are caused by problems that can be mostly addressed by the concession management entity itself.

The proposed solutions in this publication aim to increase the governance of concessions in the state through investments in training IDEFLOR-BIO employees and removing legal restrictions on the quantity and total area that can be conceded to a single company. These recommendations have the potential to improve the quality and efficiency of concessions in Pará.
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