



Earth
Innovation
Institute

ANNUAL REPORT

SCIENCE AND COLLABORATION FOR A HEALTHY PLANET

2016/17

MISSION STATEMENT

Earth Innovation Institute advances climate-friendly rural development through innovative approaches to sustainable farming, forestry and fisheries in tropical regions around the world.

PRESIDENT'S MESSAGE



One of the things I love most about my job is meeting smart, courageous people who are blazing the trail to sustainable development through innovative ideas and actions.

The most successful “Earth Innovators” share a critical talent: they are very good at inspiring others to envision a better future. They understand that our strategies for ending tropical deforestation, solving climate change,

protecting wild areas, sustainably managing fisheries and other natural resources, and keeping our air and water clean must be embedded in a larger vision of hope.

I am very proud to share this report on Earth Innovation Institute’s recent achievements. Hope is the recurring theme in our stories and the profiles of two remarkable Earth Innovators.

Our work wouldn’t be possible without the generous support of our friends and donors.

Thank you for believing in Earth Innovation Institute!

My best wishes,

Dan Nepstad
President and Executive Director

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Center for International Forestry Research

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Director of Networks, Grist

OUR APPROACH

The right person in the right place at the right time can catalyze transformational change across vast territories.

At Earth Innovation Institute, this powerfully simple fact permeates our institutional structure, culture, and strategies.

Our staff and partners are chosen because they are the right people. They are trusted by governmental officials, business leaders, farmers, and community leaders. They know how to use the best information available—often from our own scientific research, online platforms, and mapping—to help people envision a better future through sustainable development.

We choose tropical forest states and provinces that are right to work in because they are ripe for transformation. This means choosing places where it is not too late to avoid the depletion of forests, fisheries and soils. The “right” jurisdictions also have strong leaders poised to drive the transformation—in government, farm sectors, non-governmental organizations, or communities.

We believe that a region’s transition to sustainable development is durable and self-reinforcing when it delivers tangible benefits to the people who live there. The pathway of sustainable development delivers votes to the political leaders who champion it when it becomes synonymous with economic opportunities, better education and health care, cleaner air and water, secure food supplies, and inspiring natural beauty.

Outside of our target regions, we work with major markets to reinforce and replicate our progress on the ground. We are supporting new partnerships for sustainable development between the major importers and exporters of soybeans, palm oil and other commodities that drive tropical deforestation by building incentives for climate change mitigation into commodity trade. We are working with partners in China and the European Union on the buying side and in Brazil and Indonesia on the selling side.

Our ambitious approach is feasible because of our commitment to collaboration, with nearly fifty partnerships (see “Partners and Collaborators”).



24%
The amount of annual global greenhouse gas emissions that could be avoided if we were to end tropical deforestation and promote forest regeneration.

COUNTRIES WHERE WE WORK

Target States and Provinces

Office Locations



40%
The amount of land area in Colombia that is dedicated to farming and cattle ranching.

COLOMBIA'S GREEN INVESTMENT OPPORTUNITY

ADVANCING ENVIRONMENTAL SUSTAINABILITY AND ECONOMIC GROWTH

Colombia is an agricultural giant. More than 40% of its land is dedicated to farming and cattle ranching. In 2014 alone, the country produced more than 64 million metric tons of agricultural products and 837,000 metric tons of beef – enough beef to feed over 33 million Americans each year.

Recognizing the importance of its agricultural sector for economic growth and rural development, Colombia created FINAGRO—the Fund for Agricultural Sector Finance—in 1990. The fund serves as a technical institution, designing policies and finance mechanisms to promote the growth of agriculture and animal husbandry. One of its main accomplishments has been expanding access to credit, especially for farmers who could not otherwise receive loans: small farmers, women heads-of-households, and people displaced from the country's decades-long internal conflict.

While FINAGRO has been successful in fostering growth in Colombia's farming sector, it has not always done so with an eye toward environmental sustainability. As a result, farmers continue to use conventional practices, focusing on single, low-yield crops that quickly deplete soil quality and require increasing amounts of fertilizers. In addition, farmers often clear large swaths of forest to make room for new fields or cattle pastures, contributing to incredibly high rates of deforestation. In the rich Amazon region of Caquetá, for example, deforestation increased 193% in 2012.

Seeing an opportunity for FINAGRO to transform Colombia's

agricultural sector toward sustainability, Earth Innovation Institute teamed up with fund leaders to help them design financial incentives for farmers to transition to more efficient and biodiverse farming systems. We hosted several workshops with FINAGRO, the Ministry of Agriculture, and other experts to make sure these incentives would be effective and socially responsible.

Local leaders, including the Director of Unions and Organizations, Lucy Amparo Niño, championed these changes and presented sustainability proposals to FINAGRO's management board. This year, the board approved a new set of financial instruments designed to encourage high-yield, forest-pasture landscapes, marking an important milestone for this project.

In 2018, we will launch a pilot project to test these incentives with 100 ranchers in high-deforestation regions like Caquetá. These ranchers will receive access to low-interest loans and economic incentives for promoting natural regeneration and forest conservation on their lands.

At EII, we believe that environmental sustainability must go hand-in-hand with economic growth. Bringing sustainability incentives into mainstream finance programs is an important piece of turning this vision into a reality on the ground. We anticipate that the FINAGRO pilot will not only inspire the fund to fully integrate sustainability measures across its investment portfolio, but encourage similar programs across the tropics.

4 BILLION

The tons of CO₂ that could be kept out of the atmosphere by 2030 through the “Produce, Conserve, Include” plan launched by Governor Pedro Taques of Mato Grosso, Brazil.

CHANGING THE COURSE OF RURAL DEVELOPMENT IN BRAZIL

“Many [family farmers] struggle to maintain a livable income—we needed a plan that worked for them.”

Lying in the Central-West region of Brazil, Confresa is a county about 800 miles from the nation’s capital city of Brasília. One has to traverse large areas of pasture, plantations, indigenous territories, and dirt roads to get there.

“For me, Confresa and its ecological treasures are one of the most interesting cases of land use change in the Brazilian Amazon,” says EII researcher, Oswaldo Carvalho. “We are creating a new model of rural development here – one that promotes both economic growth and forest preservation.”

Confresa has the highest number of rural smallholder settlements of any county in Brazil. Also known as “family farmers”, smallholders are agricultural producers using small plots of land. There are more than 5,000 families in settlements in Confresa, and many face pressure to expand their farms into nearby forests. At the same time, industrial agriculture is expanding quickly.

“This is the new Amazon frontier,” Oswaldo explains. Smallholder farming, cattle raising, and industrial agriculture are huge drivers of deforestation. Confresa

has lost 24% of its forests in the past fifteen years. While deforestation rates have started to decline, this progress remains tenuous.

Seeing an opportunity to chart a more sustainable future, Oswaldo spent the past two years working with smallholder farmers, farming associations, and the government to define a different direction for the county. He organized them into a powerful working group to explore ways to increase agricultural output and income, and create an action plan for sustainable growth.

“These farmers know deforestation is a problem,” says Oswaldo. “But many of them struggle to maintain a livable income, and we have to remember that—we needed a plan that worked for them.”

Today, local farmers and the government are implementing this plan, using crop intensification techniques to increase production and expanding trade for their products. With improvements in farming output and income, smallholders are no longer driven to clear native vegetation.

“It’s the people who ultimately control the direction of development and the future of the forests,” Oswaldo explains. “It doesn’t work to tell them not to overexploit natural resources. But when we give them tools and get them talking about sustainability, we mobilize local action. This is a win-win for all.”



PHOTO: HENRIQUE SANTANA

2

Brazil’s rank globally for agricultural exporters by product volume.

THE BALIKPAPAN CHALLENGE

TACKLING TROPICAL DEFORESTATION AND EMPOWERING INDIGENOUS PEOPLES

Few of the dominant strategies for conserving tropical forests or empowering their populations feature regional governments. This is surprising given what regional governments can potentially do to advance these causes. This is a problem because many governors of tropical forest states and provinces are taking bold actions to address these issues and are wondering if the world recognizes and values their efforts.

The Balikpapan Challenge is a new plan to plug this gap. Over the next two years, it will support regional governments to do their part in slowing tropical deforestation and supporting indigenous peoples.

The plan is unique in that it is led by the governments of tropical forest regions—the members of the Governors' Climate and Forests Task Force (GCF) who launched the idea in Balikpapan, East Kalimantan, Indonesia, in September of 2017. The GCF is the world's largest network of tropical forest states and provinces devoted to sustainable development and forest conservation.

Running up to 2020, the plan is designed to foster the partnerships that GCF regional governments need in order to tackle tropical deforestation and the challenges faced by indigenous peoples at scale. More than one third of the world's tropical forests are found within the territories of GCF members and numerous institutions are already participating in the Balikpapan Challenge.

Earth Innovation Institute and our sister organization in Indonesia—INOBU—have been proud to support the GCF in developing, launching and implementing the Balikpapan Challenge.

If it works, it will significantly reduce carbon emissions to the atmosphere, slowing climate change, while improving the livelihoods of indigenous peoples and local communities.



**163
MILLION**

Acres that have been protected under Indonesia's national Forest Moratorium, which restricts the issuing of new licenses to use land designated as primary forest and peatland.

A POWERFUL VOICE FROM DEEP IN THE AMAZON

PARTNER PROFILE: FRANCISCA OLIVEIRA DE LIMA

“Indigenous peoples don’t want the government to come and do things for us. We want to work together.”

If there is one message Francisca Oliveira de Lima wants you to hear, it’s this: indigenous peoples have a voice, and they deserve to have a role in decision-making that affects their lands and livelihoods.

Francisca, a member of the Shwādawa indigenous people, grew up deep in the Amazon rainforest of Acre, Brazil. Her tribe had only 76 members left in the 1970s and was facing challenges of extreme poverty and invasion of their territory by land-seeking settlers. It was through these struggles that Francisca gained her strength. “I knew that one day I needed to leave my community to learn more,” she explains. “I wanted to improve the lives of my people and of other indigenous peoples in Brazil.”

Francisca began in her home state of Acre, where the progressive government was designing new policies that recognized the importance of indigenous communities as forest stewards with ancestral claims on large territories. She became a leader in the government’s new Indigenous Working Group and now serves as Treasurer and policy adviser of the Association of Indigenous Agroforestry Agents, which promotes traditional forest management practices as a way of conserving the tropical ecosystems.



PHOTO MATT COLACELLO, MULTIMEDIA STORYTELLER, THE GLOBAL WORKSHOP

Francisca has been tireless in her efforts to get indigenous peoples’ rights and issues included in state policy formulation. She travels across the state, commuting between her village, other indigenous territories, and the capital of Acre, Rio

Branco. Her achievements and powerful speeches have also taken her outside Brazil, sharing her stories of struggle and success with other indigenous groups and governments, building partnerships to further indigenous issues globally.

“Indigenous peoples don’t want the government to come and do things for us,” she explains. “We want to work together, participate, and be consulted. With this, we can create a strategy to build a better world.”

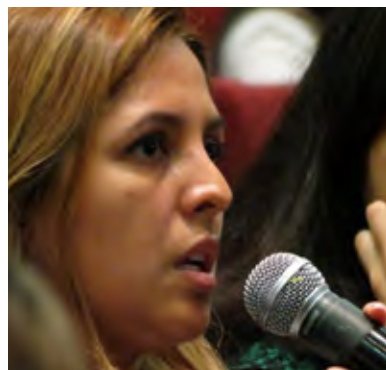
EII supports the efforts of Francisca and other allies working to include indigenous peoples—their knowledge, voices and aspirations—in forest management, climate change solutions, and rural development policies.

18%

The portion of global tropical forests managed by indigenous peoples and local communities.



STAFF SPOTLIGHT



Monica Julissa De Los Rios de Leal

Brazil Program Lead & REDD Specialist

“Environmental conservation is not just the responsibility of governments, or of big industry. It is the responsibility of every single citizen in the world.”

When Monica first stepped foot in the Amazon forest at 18 years old, she did not know

what to expect. Having grown up on the coast in Lima, Peru, she was a child of the ocean. Little did she know then that the Amazon was to become her new home.

Monica went to study at the Federal University of Acre in the southwestern Amazon of Brazil, and fell in love with the forest. After graduate work studying the Acre River watershed, Monica took a position with the state government to build a groundbreaking new program: the state’s Incentive System for Environmental Services—SISA.

SISA has become perhaps the world’s best example of a socially inclusive approach to state-wide forest conservation and is heralded among conservationists as a model for other states.

It builds into public policy the principles of Acre’s historic social movement of rubber tappers¹ led by Chico Mendes to protect the rainforest from clear-cutting for cattle pasture. Mendes’ leadership cost him his life—lost to an assassin’s bullet in 1988.

It was in keeping with the spirit of social inclusion championed

by Mendes that Monica decided to implement the SISA program by taking it to the people. With an exhausting schedule of meetings with indigenous peoples, rubber tappers, and farmers, SISA leapt off the paper and into the minds and hearts of Acre’s citizens. Due in large part to the support from the people, the SISA policy has succeeded in reducing deforestation and providing income to communities who are protecting forests.

“Our environmental and climate crises exist in part because we don’t communicate with one another,” Monica explains. “Environmental conservation is not just the responsibility of governments, or of big industry. It is the responsibility of every single citizen in the world.”

Monica joined Earth Innovation Institute in 2015, becoming the Brazil Program Lead in 2017. At EII, she advises Amazon states in designing new sustainable development strategies. As a consensus builder, Monica is able to facilitate agreement on a shared vision for reducing deforestation, improving livelihoods, and ensuring social safeguards.

“The work that EII does to encourage dialogue is key to promoting a different type of development that mitigates climate change and respects indigenous peoples’ rights and livelihoods,” says Monica. “I believe in this process of collaboration, and EII also believes in it. I feel I am at home.”

¹ Rubber tappers live in Amazon forests and harvest latex from native rubber trees.



205

The number of signatories to the “Under2 MOU”— a global coalition of sub-national governments committed to reducing their greenhouse gas emissions towards net-zero by 2050.

OUR TEAM

USA

Daniel Nepstad
President and Executive Director

Toby McGrath
Deputy Director;
Senior Scientist

Danielle Knight
Director of Operations and Finance

Tathiana Bezerra
Policy Analyst, Climate and Commodities

Charlotta Chan
Research and Communications Associate

Olivia David
Research Intern

Maria DiGiano
Scientist, Environmental Anthropology and Land Use

Edilma Roosma
Operations Administrator

Claudia Stickler
Scientist, Land Use and Regional Planning

Constance Visser Witman
Program Assistant

Matthew Warren
Research Associate,
GHG Accounting

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REDD Specialist

Oswaldo Carvalho
Biodiversity
Conservation Specialist

Andressa Ferreira Ribeiro
Sustainable Agriculture Specialist

Elsa Mendoza
Associate Policy Analyst

João Shimada
Lead, Private Sector Strategy

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Research Associate

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Scientist, GIS Spatial Analysis

Juan Gabriel Rojas
Geospatial Applications
Web Developer

Rafael Vargas
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Scientist

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Research Associate,
Smallholders

Bernadinus Steni
EII Fellow and Land Tenure Specialist

PERU

Gustavo Suárez de Freitas
Lead, Peru Program;
Senior Policy Analyst

Patricia Luna Del Pozo
Research Assistant

PARTNERS & COLLABORATORS

GOVERNMENTS*

Government of Brazil*
State of Acre *
State of Mato Grosso *
Confresa county
São Jose do Xingu county
Canarana county
State of Pará*
State of Tocantins*
Government of California
Government of Colombia*
Government of Caquetá
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Seruyan District
Government of West Papua
Province*
Government of Peru*
Government of Ucayali
Department*
Government of San Martín
Department*

SECTOR ORGANIZATIONS & FINANCIAL INSTITUTIONS

Associação Brasileira das
Indústrias de Óleos Vegetais
(ABIOVE)
Associação Brasileira das
Indústrias e Exportadores de
Carne (ABIEC)
Associação dos Criadores
de Suínos de Mato Grosso
(ACRISMAT)
Associação dos Produtores
de Soja (APROSOJA) - Mato
Grosso & Tocantins
Bonsucro
Chinese Soy Industries
Association (CSIA)
Global Roundtable for
Sustainable Beef (GRSB)
Grupo de Trabalho da
Pecuária Sustentável (GTPS)
Roundtable on Sustainable
Palm Oil (RSPO)
Roundtable on Responsible
Soy (RTRS)
European Union vegetable
oil and protein meal industry
association (FEDIOL)
European Union Feed
Manufacturers' Federation
(FEFAC)

Federação da Agricultura e
Pecuária do Estado de Mato
Grosso (FAMATO)
Fondo para el Financiamiento
del Sector Agropecuario
(FINAGRO)
Instituto Ação Verde
Instituto Matogrossense da
Carne (IMAC)
Instituto Mato-Grossense
de Economia Agropecuaria
(IMEA)
Sindicato Rural de Canarana
Sindicato Rural de Confresa
Sindicato Rural de São Jose
do Xingu

BUSINESSES

Agroicone
Denofa
Grupo Amaggi
Hopefull Group, China
Kaete Investimentos
Marfrig
Unilever

CIVIL SOCIETY & RESEARCH ORGANIZATIONS

AKape Foundation
Aliança da Terra

Alianza Mesoamericana de
Pueblos y Bosques (AMPB)
Australian National University
Carnegie Institute of Science
Center for International
Forestry Research (CIFOR)
Centro de Pesquisa da
Amazônia (CEPAM)
Climate, Community &
Biodiversity Alliance (CCBA)
Colônia de Pescadores Z-20
Consejo Interregional
Amazónico (CIAM)
Coordinadora de las
Organizaciones Indígenas de
la Cuenca Amazónica (COICA)
Corporación Biocomercio
Sostenible
Eco Decisión
El Consejo Empresarial
Colombiano para el
Desarrollo Sostenible
(CECODES)
Environmental Service
Development Company
(CDSA)
Federação dos Povos
Indígenas de Mato Grosso
(FEPOIMT)
Forest Trends
Fundação de Apoio a Pesquisa
do Corredor de Exportação
Norte (FAPCEN)
Fundação Mato Grosso

Fundación Prisma
Fundación Natura Colombia
Global Green Growth Institute
(GGGI)
Governors' Climate & Forests
Task Force (GCF)
Green Belt Movement
Institut Penelitian Inovasi
Bumi (INOBU)
Instituto Centro de Vida (ICV)
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Solidaridad
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The Nature Conservancy
(TNC)
Universidade do Oeste do
Pará (UFOPA)

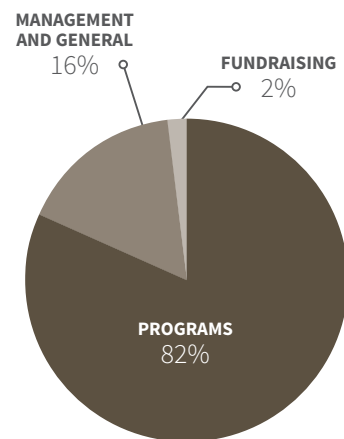
* Ell collaborates with two or more agencies, institutes and/or programs within each national and state/provincial/department government.



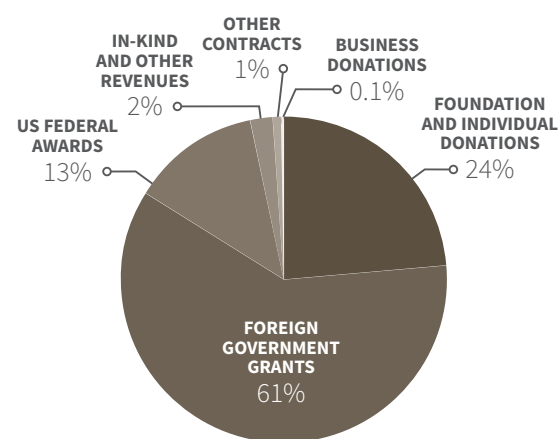
FINANCIAL SUMMARY

2016/2017 OPERATIONAL REVENUES AND EXPENSES

REVENUES	2016 TOTAL	BUDGETED 2017
Grants and contributions	\$3,711,945	\$4,948,437
Contracts	\$589,219	\$529,219
In-kind and other revenues	\$101,703	\$102,000
TOTAL REVENUES	\$4,402,867	\$5,579,656
EXPENSES		
Program expenses		
Sustainable commodities and science programs	\$2,120,454	\$2,405,873
Smallholders and policy programs	\$1,719,130	\$2,376,593
Total program expenses	\$3,839,584	\$4,782,466
Supporting services expenses		
Management and general	\$767,007	\$669,384
Fundraising	\$79,642	\$41,783
Total supporting services expenses	\$846,649	\$711,167
TOTAL EXPENSES	\$4,686,233	\$5,493,632
Operating revenues over operating expenses	\$(283,366)	\$86,024
ENDING UNRESTRICTED NET ASSETS	\$281,619	\$366,176
ENDING TOTAL NET ASSETS	\$5,692,286	\$4,916,195



FY16 EXPENSES



FY16 OPERATING REVENUES



40%
The percent of 2017 EII program funding dedicated to local organizations working on ending tropical deforestation.

FUNDERS

FOUNDATIONS, GOVERNMENTS, AND PARTNERS

- Blue Oaks Foundation
- Carnegie Institute for Science
- The David & Lucile Packard Foundation
- Denofa
- Environmental Defense Fund
- Forest Trends Association
- Gordon & Betty Moore Foundation
- Governors' Climate and Forests Fund
- The Grantham Foundation for the Protection of the Environment
- The International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
- International Institute for Environment and Development
- KfW Development Bank
- The Nature Conservancy
- Norwegian Agency for Development Cooperation
- Solidaridad Latin America
- IDH - The Sustainable Trade Initiative
- The Tinker Foundation
- United States Department of Agriculture, US Forest Service
- United States Agency for International Development
- University of Colorado
- Verified Carbon Standard Association
- Vicki and Roger Sant
- World Wildlife Fund

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- Jeffrey and Sarah Yoest
- Angela Xu
- Anonymous (3)



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SCIENCE AND
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