

RESULTS REPORT AND FINAL REPORT FORM

1. General

1.1 **Name of grant recipient:** Earth Innovation Institute 1.2 **Norad agreement number:** QZA-0701 QZA-16/0162 1.3 **Agreement period** (2016-2020) 1.4 **Reporting period** (2016-2019) 1.5 **The type of report submitted:** Results Report 1.6 **Link between the Project and the UN Sustainable Development Goals (SDGs):**

The Project principally addressed 6 SDGs. Across regions, the Project worked to **Reduce Poverty (Goal 1)** and to achieve **Zero Hunger (Goal 2)** by supporting fisher communities and smallholders to improve extraction and agricultural practices, resource management, access to markets, incentives, and technical assistance. The Project's work with producers, buyers, certification bodies, watchdog organizations, and subnational and national governments helps to drive **Responsible Consumption and Production (Goal 12)**. Among the central goals of the Project is to combat climate change and its impacts (**Goal 13: Climate Action**) by helping subnational governments to develop and implement strategies to reduce deforestation and sustainably manage forests and forest resources (**Goal 15: Life on Land**), increase equality and rights for marginalized populations (**Goal 1**), and increase sustainable agricultural production (**Goal 2; Goal 12**), and multi-stakeholder partnerships to foster the trade of sustainably produced products (**Goal 12; Goal 17: Partnerships to achieve the Goal**).

2. Results

2.1 Introduction:

As we prepare this Results Report, well into the fifth year of the Project, it is important to reflect upon the progress being made to slow the loss of tropical forests globally. In general, the loss of tropical forests remains persistently high; the four years of greatest primary forest loss since 2000 were 2016 through 2019 (Global Forest Watch 2020). The 80% decline in deforestation rates achieved in the Brazilian Amazon by 2012—which provided an important “proof-of-concept” that large-scale emissions reductions can be achieved by slowing deforestation—has been partially lost; deforestation in 2018/2019 was half of the historical average, and it is rising . The 500+ corporate commitments to zero deforestation sourcing of soybeans, beef, palm oil, timber,¹ pulp, cocoa and other deforestation-driving commodities that have been an important source of optimism have been difficult to implement and their overall impact difficult to measure. On a positive note: deforestation rates are finally coming down in Indonesia (GFW 2020).

Our analyses of these and other results have focused on the questions: why is deforestation persistently high? What are the most promising ways to reduce deforestation? Partnering with CIFOR, we analyzed the progress of 39 subnational jurisdictions in tropical forest regions in advancing their

¹ It should be noted that due to broader access to quality and official data, we were able to generate more precise numbers for the baselines of deforestation rates for the target regions. Thus, we would like to propose the revision of the numbers for the baselines and Projections for subsequent years (see A142). However, despite the proposed changes in numbers, the overall percentage in estimated reductions continue to be the same in terms of reduction in deforestation. Please note also that data for 2019 is still provisional for the regions of Colombia and Indonesia. Definitive data will be published in the next months for those jurisdictions.

forest-friendly development strategies. Our “State of Jurisdictional Sustainability” report (A1; see SJS Result) and subsequent peer-review papers (Stickler et al. 2020 [A2], DiGiano et al. 2020 [A3]) help to shed light on the course corrections that could be taken to increase the positive impact of the tropical forest community of practice. Our analysis builds upon our previous work to assess the potential for low-emission rural development in Colombia (Nepstad et al. 2013 [A4]), on the causes and sustainability of the decline in deforestation in the Brazilian Amazon (Nepstad et al. 2014 [A5]), the potential of the Ecuador REDD+ Action Plan to achieve nation-wide reductions in deforestation (A115), and our assessment of the prospect for moving from targets to a forest-friendly development plan in Mato Grosso (A6).

We found a surprising lack of formal partnerships between the companies that have committed to “zero deforestation” sourcing and the farm sectors, businesses, and rural communities of the 39 tropical jurisdictions we assessed (Stickler et al. 2018 [A1]). Only six of the jurisdictions had established partnerships with “zero deforestation” companies, despite formal government commitments to the forest agenda. In interviews with nine companies, all stated that one reason they are reluctant to establish formal partnerships with forest-committed jurisdictions is the fear of exposure to “bad actors” in the jurisdictions that lead to attacks from environmental groups.

Most aspiring jurisdictions are still waiting for the increase in climate finance, investment, or market access that they had hoped would occur when they moved down the pathway to forest-friendly development.

A general picture is beginning to emerge from these and other analyses (under review) to explain the persistence of deforestation. In a nutshell, the “case” for regional societies in tropical forest regions to move down the pathway to forest-friendly development is still insufficient. From the perspectives of farm sectors, rural communities, businesses and local governments in tropical forest regions, the forests and climate community are asking them to stop trading natural assets (forests) for development, and many of these stakeholders are not convinced that this trade makes sense. Stated somewhat differently, they are being asked to forgo large and well-understood benefits of the conventional development model involving forest conversion to crops and pasture in exchange for uncertain and poorly understood benefits associated with forest-friendly development.

We see considerable scope for *optimizing* the zero-deforestation movement (ZDM), which has been very effective in creating risk to commodity buyers and investors who are linked to forest clearing, but which has made little progress in pushing companies and investors to engage in aspiring, forest-committed jurisdictions.

There is a significant risk that the Covid-19 pandemic will further weaken the case for forest-friendly development as concerns about food security, depleted public coffers, and reduced tax revenues for future budgets increase pressure on forests while diminishing the capacity of the government to support forest-friendly development.

The need to make a stronger case for tropical forest societies to choose the pathway to forest-friendly development underlies the launch of the Tropical Forest Champions initiative (see TFC Result) with the goal of recognizing and supporting jurisdictions that are making progress down this pathway—including those that are at the very beginning of the journey.

The consolidated Results Framework Table with indicator values for 2016-2019 can be found here (A143).

Outcome 1: Public and private sector deliver funds for low-emission development strategies to local governments, smallholders and communities in Brazil, Indonesia, Peru and Colombia.

The Project is on track to partially achieve Outcome 1. EII and partners have had to adaptively manage this component of the work to respond to important obstacles, including: (a) abandonment of the Amazon Fund by the Bolsonaro administration; (b) loss of political traction for a forest bond in Brazil; (c) reluctance/fear of many companies to collaborate with farm sectors and rural communities in tropical forest jurisdictions (described below); and (d) barriers to participation of subnational governments in national forests/climate finance programs (e.g. Peru, Colombia, Indonesia). There have also been important new opportunities: (a) corporate “climate neutral” commitments and growing demand for forest carbon offsets; and (b) growing global awareness that climate change is real, is dangerous, and will have the largest negative impacts on low-income communities; and (c) .

We anticipate that some companies that have already expressed interest in investing in jurisdictional forest-friendly development programs to acquire offsets (e.g. Salesforce) or carbon-neutral commodities will finalize a deal before the end of the Project.

Outcome 2.1: State-wide low-emission rural development strategies being designed and implemented in Mato Grosso (MT), Acre (AC), and the Lower Amazon (LA), Pará, Brazil

The Project is on track to fully achieve this Outcome, despite threats to the Acre and Mato Grosso strategies associated with the election of new Governors in late 2018. Gladson Cameli was elected Governor of Acre on a platform of agribusiness expansion and the end of 20 years of forest-focused policies. EII was able to engage the Governor in a “green agribusiness” agenda that maintains and builds upon the forest conservation legacy of his predecessors (draft available upon request). After discussions with EII, both Cameli and Governor Mauro Mendes of Mato Grosso requested technical assistance to help them capture investments from the growing market for voluntary jurisdictional forest carbon offsets and to sell carbon-neutral commodities; these governors understand that the success of both of these initiatives depends upon achieving a declining deforestation rate (A121, A122). All nine governments of the Brazilian Amazon have endorsed the “Amazon Back to Fish” strategy (see Fish Result), which could reduce demand for beef, the main driver of deforestation in the region. Acre and Tocantins became founding “Tropical Forest Champions” (A134, A135) and Mato Grosso has signaled its interest in becoming one as well.

Outcome 2.2: Integrated province-wide LED-R strategies are designed and implemented in Central Kalimantan and West Papua, Indonesia.

Both of these strategies will be completed in 2020 with additional momentum and funding provided by the UNDP/Norway “Window A” grants to GCF Task Force members. EII was invited by these governments to be the “responsible partner” for these UNDP grants, with Project partner INOBU as implementing partner. Strategy implementation should begin in late 2020. In Central Kalimantan, the Project supported the design of the LED-R strategies for these regions by focusing on alignment between subnational LED-R strategies with national policies (output 2.2.1), analysis and convening promoted at district (output 2.2.3) and village levels (output 2.2.3) to define and adopt the LED-R targets, while the UNDP/N-A then built upon these advances to develop the LED-R strategies themselves, and facilitate their endorsement through formal government planning processes at district

and provincial levels. As for West Papua, the Project focused on the alignment between subnational LED-R strategies with national policies (output 2.2.1), the implementation of the customary land rights to strengthen the rights of traditional peoples to manage their forests through a Decree that established a provincial working group to carry out this implementation (output 2.2.2), and a LED-R strategy focused on nutmeg production (an important, but under-developed, forest commodity in the region). The 3FI activities supported the implementation of UNDP/N-A, but were distinct in the sense that UNDP/N-A LED-R proposal is broader, including all sectors of the economy, and focuses on the development and government endorsement of the strategy rather than the strategy proposal designated in Project Output 2.2.5. INOBU built on 3FI project activities related to the Nutmeg LED-R strategy to support the Province of W.P. in developing their broad LED-R strategy. For more details on the synergies between the two grants, please see a detailed comparison table at A147.

In addition, the Project has responded to opportunities to support low-emission development in two Districts of Central Kalimantan--Seruyan and Kotawaringin Barat--and one District in West Papua--Fak Fak. The Districts in C Kal were selected as one of three global jurisdictional certification "pilots" of the Roundtable for Sustainable Palm Oil (RSPO) in 2015.

Outcome 2.3: REDD+ related initiatives being supported in Colombia as part of integrated LED-R strategy through linkages with national zero-deforestation sectoral programs and Departmental Development Plans.

Despite the challenges posed by the post-conflict process and continued presence of armed paramilitary, the current Caquetá and Putumayo governments (the Project's target jurisdictions), are forging ahead with the design and implementation of low-emission development strategies. Caquetá completed and approved its LED-R strategy in 2019 (A129, A131) with support from the Project and is now developing an Action Plan akin to the Mato Grosso, PCI strategy in line with the department's new Development Plan. It is worth mentioning that there are strong synergies between the Project and the UNDP/N-A grant, but no overlap. The UNDP/N-A grant is implementing specific interventions to reduce deforestation that are part of the LED-R strategy completed with 3FI support, and supporting the development of an instrument that can support the adoption of targets to reduce deforestation in Caquetá, which are in alignment with the LED-R strategy developed with support from the Project. For more details, please see A147.

Putumayo was inspired to begin developing its own jurisdictional LED-R strategy both by Caquetá's progress in advancing LED-R and an exchange workshop in Peru in 2018. Both departmental governments are incorporating LED-R concepts and practices into two key policies: a new Public Policy for Rural Development (*Plan Departamental de Extensión Rural* – PDER) and the Integrated Management Plan for Climate Change (*Plan de Gestión Integral y Adaptación al Cambio Climático*). The Amazon Management and Planning Region (RAP – Amazonía) was created in December 2019 (A114, A130, A132, A133) – inspired by Peru's CIAM -- by the departments of Caquetá, Putumayo, Guaviare and Guainía, as a means of promoting the region's economic and social development, attracting investment and increasing the region's competitiveness (the seed idea to create RAP was born from the LED-R exchange workshop in Peru 2018, which was funded by the project). The RAP will permit the Amazon Region governors and their governments to present a more coordinated approach to the national government with greater influence over national policies, their implementation in the region, and greater access to financial resources. It will also strengthen the decentralization process in Colombia, and will serve as a unified entity to promote the Colombia

Amazon Region to international opportunities.

EII supported the design and implementation of the Instrument for Sustainable Production Transformation (ITPS, under Outcome 1, Output 1.1.4) pilot finance program to incentivize low-emission production systems in Caquetá and Guaviare. Further proposals for an agroforestry financial mechanism via the Fund for Agricultural Sector Financing (FINAGRO) have been made to the Amazon Vision Program.

Outcome 2.4: Integrated LED-R strategy implemented in the Peruvian Amazon

The 3FI consortium is on track to complete strategies and begin implementation (in 2021) for all six regional governments of the Peruvian Amazon, as described in the “Results” section below. The 3FI project laid the foundation for this accomplishment through early engagement with Ucayali and San Martin regional governments to design LED-R strategies, and by delivering technical and coordinating support to the Interregional Amazon Council (CIAM) to formalize the Amazon Regional Commonwealth (*Mancomunidad*). Coordination among these strategies to achieve a more durable vision and plan for forest-friendly development in the Peruvian Amazon was facilitated by (a) the fact that EII was asked by five regional governments to act as the “responsible partner” for the UNDP/Norway Window A grants and (b) the recent creation of the “*Mancomunidad*” or Commonwealth, responsible for inter-regional LED-R policy development and facilitating access to domestic and international funds. In addition, all Peruvian regional governments are participating in the “Amazon Back to Fish” strategy and 5 have become “founding Champions”, which should help to translate the 50-member “Public-Private Coalition for LED-R” (A118) from pledges to practice. Finance for very small-scale farmers to make the transition to more productive, profitable and permanent production systems remains a critical need that is the focus of the six low-emission development strategies of the Amazonian regional governments. Implementation of these strategies will ensure these needs are met through solutions tailored to specific local and regional contexts.

Outcome 3: Enabling conditions established for mutually-beneficial sourcing agreements between soy-, beef- and palm-oil buying companies/governments and producers

The dearth of sustainable sourcing agreements between companies and the farm sectors, agribusinesses and rural communities of forest-committed jurisdictions (see Results below) caused us to reexamine our approach to these sourcing agreements, leading us to the Tropical Forest Champions initiative (see TFC Result, below). A core premise of the TFC is that *collaborative* approaches to forest-friendly development, focused on the core needs of jurisdictions that are aspiring to move down the pathway to forest-friendly development, are a missing piece of tropical forest strategies. In the absence of adequate recognition of the progress made by these jurisdictions and collaboration to address these needs, the pledges from companies to shift to zero deforestation sourcing of palm oil, soybeans, beef and other commodities may not have the desired effect.

The 3FI consortium’s adoption of collaborative approaches to sustainable sourcing have been a more productive way to discuss deforestation with the current Brazilian government and with China. Minister of Agriculture Tereza Cristina has rejected calls for “zero deforestation” commodities (although she supports “zero illegal deforestation”), but has asked EII to help bring “carbon neutral soybeans” into her Ministry’s trade negotiations with China and the EU. Interestingly, carbon neutral commodities are only feasible if a share of embedded emissions can be offset by verified emissions

reductions from regional declines in deforestation.

EII and the Tropical Forest Alliance are now partnering to bring this more collaborative approach to sustainable sourcing into the dialogues that are creating new sourcing agreements to be announced at COP26 in Glasgow, that are feeding into the EU policy position on “imported deforestation”, with a focus on the State of Mato Grosso, Brazil, as a “proof-of-concept” that collaboration with companies and nations can lead to major reductions in deforestation and increases in reforestation across a giant agroindustrial jurisdiction. We anticipate that some new sourcing partnerships will be forged through this process by the end of the Project.

Outcome 4: Target groups’ increased willingness to include REDD+ in their climate finance programs.”

Success was achieved with respect to two groups. First, with the California Air Resources Board, which endorsed the California Tropical Forest Standard in September 2019, with the potential to channel \$1 billion to tropical forest jurisdictions in the next decade (see Results below). Second, India’s 15th Finance Commission, which for the 2020-21 interim fiscal year kept forests in the horizontal devolution formula that governs how \$10s of billions annually is distributed from the Union government to state governments. Since policy decisions are inevitably the result of many factors, it is impossible to quantify the size of the 3FI contribution to these decisions.

In 2019, EII played a prominent role in helping the global tropical forest community of practice and the public at large to understand what was really happening during the Amazon fire crisis of 2019 and how best to respond to the crisis. Our Blog on the issue, “Amazon fires: what we know and what we can do” was accessed 18,000 times; EII’s Nepstad testified on the issue to the US House (A124).

Supporting documentation related to the achievements under Outcome 4 can be found in the Annex (A140).

2.2 Representative example(s) of results at outcome level.

Context: We have decided to highlight a group of results that are inter-connected. We learned early in the grant that our targets for new partnerships between companies and jurisdictions were going to be difficult to reach. When Unilever repeatedly postponed a phase two of their investment in Central Kalimantan (Kotawaringin Barat District) because of fear that they would be attacked by Greenpeace through exposure to a Wilmar refinery, we realized that there was a major barrier to the new partnerships we were hoping to foster. When we started to look deeper into this issue, we learned that many companies had similar concerns about partnering with jurisdictions--results formalized in the “State of Jurisdictional Sustainability” assessment. (This same barrier we learned was inhibiting the flow of finance.) Our discovery of this critical barrier to partnerships created by unanticipated effects of the “zero deforestation movement” led us to propose to the GCF Secretariat a new approach to jurisdictional strategies--one focused on recognizing and rewarding “meaningful progress” and finding a way to reduce the risk to companies of collaborating. This led to the principles and definitions of “jurisdictional sustainability” created by the Balikpapan Challenge process, and a strategy for implementing these principles and definitions--to make partnerships between jurisdictions and companies safe and easy--the Tropical Forest Champions initiative. The TFC is also a mechanism for

putting the “Guiding Principles for Collaboration” into practice. The ten founding forest “champions” have agreed that a mandatory “action” of champions is to develop programs for implementing these guiding principles. The California Tropical Forest Standard is linked to these other important results because it presents clear rules recognized internationally that define which jurisdictions are ready to sell carbon offsets into markets.

Below we feature seven representative examples of Outcome-level results. These are just a few of the results, and we included additional results as attachments to highlight the case of the extension and expansion of India’s forest-based ecological fiscal transfers (Busch et al. 2020 [A7], A111) and work in Indonesia (A112).

2.2.1 Heading: Tropical Forest Champions beginning implementation

Results Framework Table: *relates to Outcome 3, Intermediary Outcome 3.1.i, and Output 3.1.1.*

INTRODUCTION: Tropical Forest Champions (TFC) (A8) was created to support tropical forest jurisdictions interested in making the journey to forest-friendly development with a special focus on making it easier and safer for companies to partner with and support these jurisdictions. It was created to address the significant barrier to corporate-jurisdiction partnerships identified early in the grant.

WHY: The growing “zero deforestation movement” (ZDM) is moving in parallel with jurisdictional approaches to slowing deforestation, with few if any synergies. As of 2018, only six of 39 forest-committed jurisdictions that EII analyzed (A1) had formal partnerships with companies. Nearly all of the jurisdictions analyzed had pledged to reduce deforestation 80% by 2020, through the Rio Branco Declaration of 2014 (A9), if corporate partnerships and adequate finance were in place. For the most part, they were not (A2). These partnerships are key to scaling forest-friendly development, particularly in jurisdictions that are taking nascent steps in this direction, providing much-needed support and encouraging greater public support for these policies.

WHAT: The objective of Tropical Forest Champions is to deliver more benefits—including positive publicity, partnerships, finance, technical support, processing plants, etc.—to jurisdictions at all stages of progress towards forest-friendly development. Partnerships with companies are facilitated by a “safe haven” status—still under negotiation with advocacy groups—that protects companies that are contributing to jurisdictional strategies from attacks related to their unavoidable exposure to deforesters. The theory of change is based on the core assumption that the case for tropical forest jurisdictions to move down the pathway to forest-friendly development is weak. Farm sectors, businesses, rural communities and governments are being asked to forgo well understood benefits of converting forests to agriculture and livestock in exchange for poorly understood benefits of reducing/reversing forest loss. To recognize and reward jurisdictions making meaningful progress down the pathway to forest-friendly development, an important first step is to establish a widely-accepted definition of what “meaningful progress” is. That was done through a two-year process of consultation with civil servants of tropical forest governments called the “Balikpapan Challenge” (A10). These principles and definitions were formally endorsed (A11) by the 37 members of the Governors’ Climate and Forests (GCF) Task Force in May 2019. The TFC initiative is designed to implement these

principles and definitions; ten tropical forest jurisdictions are founding members of TFC and several companies are interested in joining. It is also designed to optimize the ZDM to push companies and investors into collaborations in aspiring jurisdictions.

HOW MUCH: The entire process leading to the TFC cost approximately USD600k (4.8M NOK) with 90% from Norad and 10% from the Packard Foundation.

RESULTS: The TFC is the result of the Balikpapan Jurisdictional Framework (Outcome 3, Intermediary Outcome 3.1.i, and Output 3.1.1), and it was launched to overcome the barriers to corporate-jurisdiction partnerships identified early in the project. The Project has led to (a) formal commitments from ten tropical forest jurisdictions as “founding Champions” (A134-A139) through (b) a clear set of principles and definitions established through a process led by EII and GCF, and endorsed by tropical forest region governments, to guide their partnerships with companies (A11); (c) an initial set of “rules” for defining a jurisdiction’s “Commitment”, “Actions” and “Results” as it moves down the pathway to forest-friendly development (forthcoming); and (d) a website (forestchampions.org) for jurisdictions to register as a Champion, providing relevant information about the jurisdiction and monitoring progress. TFC should lead to increased public/private partnerships and financial flows, spurring on jurisdictions that are taking tentative steps toward forest-friendly development and encouraging more jurisdictions to move in that direction.

LESSONS LEARNED / ASSESSMENTS: (a) achieving ownership of TFC among governments requires frequent, repeated engagement in the region, (b) recognition of “champion” jurisdictions as “safe spaces” for companies to invest will require deep engagement with environmental advocacy groups, and (c) many companies are beginning to understand that to achieve change at scale, they must engage with governments in the regions where they work. However, it is still a difficult task to convince companies that these partnerships can be safe and productive. In addition to fear of advocacy campaign attacks, companies are reluctant to partner with jurisdictional initiatives because of their concerns that partnerships with governments could expose them to reputational risks related to corruption, and shifts in political will through election cycles.

SOURCES: See A1; A2; A8-A14

PHOTOS: See A12 for photos from EII’s roundtable on the sidelines of COP 25 in December 2019 (A13), at which EII Executive Director and Senior Scientist Dan Nepstad and Geospatial Analyst Juan Ardila gave a presentation on the TFC initiative (A14) to regional government representatives.

PARTNERS: The GCF Task Force Secretariat was a partner in coordinating the process of determining principles and definitions for successful corporate-jurisdiction partnerships.

2.2.2 HEADING: Lessons for jurisdictional strategies identified

Results Framework Table: relates to all Outcomes, and Output 3.1.4

INTRODUCTION: The *State of Jurisdictional Sustainability* study (SJS) (A1) was designed to learn how

jurisdictional strategies to slow deforestation could be improved by analyzing 39 subnational jurisdictions, identifying several key lessons for how the effectiveness of these strategies can be improved.

WHY: The SJS addressed the lack of analysis of subnational governments' progress in designing and implementing planned low-emission development strategies, including the role of commitments to reduce deforestation and the influence of climate finance and corporate zero deforestation commitments on these strategies. It also examined progress made in addressing the core conditions of the 37 signatories of the Rio Branco Declaration--that these subnational jurisdictions would reduce deforestation 80% by 2020 if adequate finance and private sector partnerships were in place. The Project aimed to (1) define and evaluate the elements underlying "jurisdictional sustainability"; (2) assess 39 subnational jurisdictions (mostly GCF TF members) in terms of those elements; (3) identify specific challenges to and opportunities for advancing jurisdictional sustainability within those jurisdictions, with a special focus on ways to improve strategies for slowing deforestation; and (4) establish a database available to governments, donors, investors, and other stakeholders via the GCF Impact Platform and the forthcoming Tropical Forest Champions (TFC) website.

WHAT: The core assumption of the Project was that the success of jurisdictional strategies to address deforestation would be more successful with better information on the progress made by these jurisdictions, and the level of response to the Rio Branco Declaration conditions. The theory of change proposed that a study of the current conditions in and needs of subnational jurisdictions undertaking LED-R strategies would (1) facilitate jurisdictional governments' own ability to improve the strategies and their implementation, (2) increase donors' and investors' understanding of the needs and opportunities in individual jurisdictions, and (3) increase general understanding and development of evaluation criteria for jurisdictional programs.

HOW MUCH: The total cost of this Project was approximately USD1.8M (14.4M NOK); ~25% of this cost was covered by the Project; the remainder was covered by the German International Climate Initiative (IKI) grants to EII and CIFOR, a Norad grant to CIFOR, and FTA (CGIAR Research Program on Forests, Trees & Agroforestry) grants to CIFOR.

RESULTS: This Project resulted in the most comprehensive assessment to date of subnational jurisdictions' progress toward achieving voluntary commitments to low-emission development, identifying important lessons for improving strategies to slow tropical deforestation. These lessons include: (a) the need to optimize the campaigns of environmental advocacy campaigns to "push" companies into more partnerships with tropical jurisdictions; and (b) the urgent need to increase the amount of climate finance reaching subnational governments that are making meaningful progress towards forest-friendly development. The study found a surprising lack of formal partnerships between companies and jurisdictions to advance progress towards forest-friendly development; also, few jurisdictions had received climate finance directly for their commitment to and progress towards forest-friendly development. Nevertheless, deforestation was declining below reference levels in half of the study jurisdictions.

Information generated by the Project was provided to government and other stakeholders in focal jurisdictions, as well as to donors, investors and other interested parties. Many governments

were very interested in the data and products and incorporated data and ideas generated in their jurisdictional strategies.

LESSONS LEARNED / ASSESSMENTS: Dedicated funding for carrying out rigorous data collection, analysis, and reporting is critical, particularly since demand for the next round of assessment among government officials and other parties is high.

SOURCES: See A1; A2; A3; A15-A25

PHOTOS: See A24 for photos from presentations listed above.

PARTNERS: This project was a partnership between EII and the Center for International Forestry Research (CIFOR), with contributions from the Governors' Climate and Forests Task Force Secretariat, the Climate, Community, and Biodiversity Alliance (CCBA) and ProNatura Sur (Mexican NGO).

2.2.3 HEADING: California endorses Tropical Forest Standard

Results Framework Table: *relates to Outcome 1, output 1.1.7, and Outcome 4*

INTRODUCTION: The California Air Resources Board's (CARB) endorsement of the California Tropical Forest Standard (TFS) (A27) establishes broadly-accepted rules for defining which jurisdictional programs for reducing deforestation should be allowed to sell offsets into emerging forest carbon markets. The significance of the TFS could go well beyond the offset market if we are successful in positioning the TFS as the rules for defining which jurisdictions should qualify as sources of sustainable, low-carbon commodities and as safe places to invest.

WHY: California's cap-and-trade program has included provisions for tropical forests since its inception. But it has taken 11 years for these provisions to be fleshed out and endorsed, in the face of organized opposition.

WHAT: The objective was to get the Standard approved by CARB as the final hurdle to regulation of California's tropical forest offset market and for . The theory of change focused on diminishing the main points of opposition to the TFS. Opponents argued that it would lead to violations of Indigenous Peoples' (IP) rights and that it lacked environmental integrity. EII's Dan Nepstad and Monica de los Rios were members of the California "REDD Offset Working Group" (2010-2012) that created the recommendations that are the basis of the TFS (A28). EII was presenter and participant in virtually all public hearings on the Standard. EII explained the importance of the Standard to several IP groups and brought Indigenous leaders to participate in several public hearings and meet with opponents. EII co-convened the process that culminated in the "Guiding Principles for Collaboration with IP/LC" (A29) that are incorporated in the TFS. EII established a dialogue with some of the groups opposing the offset provision. Since 2018, working with Stanford University, the GCF Task Force and a coalition of NGO partners (e.g. EDF, TNC, CI), EII successfully organized a scientist letter (A30), blog posts (A31), op-eds (A32), meetings with legislators, and a day-of presence at CARB in support of the

Standard.

HOW MUCH: From the current Norad grant, a total of \$400k (3.4M NOK), funded solely by Norad.

RESULTS: In September 2019, the California Air Resources Board voted to endorse the Tropical Forest Standard (A27), confirming their commitment towards the protection of Tropical Forests. Policy decisions are made on the basis of many factors of which the EII-led Project is just one, making direct attribution challenging. Given the large potential impact of the TFS in facilitating the creation of a market focused on jurisdictional verified emissions reductions, the investment had a very high cost:impact ratio.

LESSONS LEARNED / ASSESSMENTS: Back in 2012, we had no idea that approval of the TFS would take 7 years; we underestimated the power of the opposition and their resistance to any dialogue that did not result in EII ceding to their position. After initiating two discussions with opposing environmental justice groups about the merits and risks of the market, including one dialogue with IP proponents of the measure, these groups suspended all further dialogue. Endorsement was ultimately achieved despite this opposition, winning some ARB members over by defending the science of the CA forest program, and through a targeted campaign designed and implemented by an NGO coalition including EII, Environmental Defense Fund, and Conservation International.

SOURCES: See A27-A37 **PHOTOS:** See A37 - photos from the passage of the TFS

PARTNERS: Secretariat of the Governors' Climate and Forests Task Force, Stanford University, Environmental Defense Fund, Conservation International, The Nature Conservancy.

2.2.4. HEADING: Governments and IP/LC endorse collaboration principles

Results Framework Table: *Outcome 2, advancement of Cancun Safeguards 2.2.3: respect for the knowledge and rights of indigenous peoples and members of local communities and 2.2.4: The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities*

INTRODUCTION: The Guiding Principles for Collaboration and Partnership between Subnational Governments, Indigenous Peoples (IP) and Local Communities (LC) (A29), co-designed by IP and LC representatives, Governors' Climate and Forests (GCF) Task Force members and civil society representatives, plug an important gap in jurisdictional strategies: the paucity of tools for effectively engaging IP and LC in the design and implementation of policies and programs for forest conservation.

WHY: The Project addressed two critical gaps related to IP/LC rights, participation, and benefit sharing. First, many subnational governments of the GCF Task Force had committed to greater inclusion of IP and LC in forest conservation strategies but lacked sufficient capacity and tools to do so effectively. Simultaneously, IP and LC lacked mechanisms for participating in development of policy and agendas

that affect them directly and indirectly. This was particularly problematic given the large role of IP and LC forest stewardship in tropical forest regions and essential role in subnational governments' LED-R strategies. In addition, donors wisely began to require evidence of effective engagement of IP and LC groups in the design of subnational pay-for-performance programs, such as Germany's REDD Early Movers (REM) program.

WHAT: The core assumption of the Project was that a facilitated dialogue between subnational governments and IP and LC representatives could make progress to rectify extant power imbalances and marginalization of IP and LC. The theory of change posited that jurisdictional development agendas will fall short if they fail to address the full suite of actors involved in land use change.

HOW MUCH: The total cost of this Project was \$1.7M (13.8M NOK); 35% of this cost was covered by Norad; the remainder was covered by an IKI Project to EII, a USAID Project, and the Moore Foundation.

RESULTS: In September 2018, 34 subnational governments endorsed the Principles, thereby committing to include IP and LC in their jurisdictional development agendas and taking an important step towards advancing the goals of the 2014 Rio Branco Declaration (RBD, A9). This ensures a strong voice and power to IP and LC to actively participate in the development and implementation of LED-R strategies in 34 tropical subnational governments . With direct support from the Project, the Principles provided the basis for the social safeguards of California's Tropical Forest Standard, and were formally included in the standard (TFS, A27), paving the way to its passage and advancing a critical next step for tropical states, like Acre, to access finance through California's offset program, through the voluntary market, or through other ways of recognizing/rewarding jurisdictions verified under the standard (see 2.2.3). The multistakeholder process also : 1) coalesced a global coalition of civil society organizations, IP and LC regional and global organizations, and governments as advocates of inclusive, jurisdictional development agendas at global, national and regional scales; 2) formalized IP and LC participation in the GCF Task Force through the creation of the Global Committee for Indigenous Peoples and Local Communities; 3) created regional committees (established in Brazil in 2017, Mexico 2018, Peru 2019) with representatives from IP and LC groups, subnational governments and civil society to operationalize the Principles and exchange lessons; 4) created a plan for implementing the collaboration principles, now mandatory for Tropical Forest Champion governments (see "TFC" Result).

LESSONS LEARNED / ASSESSMENTS:

- The committee served as an important platform for dialogue, collective action and advocacy across sectors and regions—all of which informed the design of the Principles and helped secure their endorsement.
- Multistakeholder processes require significant investment in building trust through face to face meetings. Dedicated and charismatic leaders foster trust, confidence in the process and can help maintain momentum.
- Conversely, changes in leadership, especially within subnational governments as experienced in 2018, posed a challenge to maintain continuity, and risk loss of institutional memory. Changes

in individual representatives attending successive meetings also posed risks to the efficiency and efficacy of the process.

- Clarity around the specific objectives for global vs. regional actions would have created more efficiencies and reduced tension between need for global action and advocacy on the one hand, and need for regional specificity to actions on the other.
- Transparency is key—formalization of governance, with mechanisms to insure participation and fair representation in decision-making.
- Dedicated funding for the governance of the multistakeholder process, including convening and communications functions, is critical.

SOURCES: See A9; A27; A33-A36; A38-A8 **PHOTOS:** See A49 and A83 for videos and photos

PARTNERS: Main partners: GCF TF, Association of Indigenous Agroforestry Agents of Acre (AMAIAC; Brazil), Coordinator of Indigenous Peoples Organizations of the Amazon Basin (COICA), Indigenous Alliance of the Archipelago (AMAN; Indonesia), Mesoamerican Alliance of Peoples and Forests (AMPB; Central America), Amazon Environmental Research Institute (IPAM; Brazil), Comissão Pro-Índio do Acre (CPI; Brazil), Environmental Defense Fund (EDF), Forest Trends, Instituto Centro da Vida (ICV; Brazil), PRISMA (El Salvador), ProNatura Sur (Mexico).

2.2.5 Scaling low emission development across the Peruvian Amazon

Results Framework Table: *relates to Outcome 2.4*

INTRODUCTION: Peru's formal recognition of the Amazon Commonwealth (*Mancomunidad*) in April 2020 was a milestone in efforts to scale jurisdictional low emission rural development (LED-R) strategies across the Peruvian Amazon and an affirmation of EII's work in building strong subnational (regional) jurisdictions that are more inclusive, and environmentally and financially resilient.

WHY: Peru's national commitments to reducing deforestation need to be supported by coordinated subnational plans for implementation. Inclusive, resilient jurisdictions and increased investment are key for regional governments to effectively support the sustainability policies needed to reduce deforestation while increasing the wellbeing of rural populations including traditional farming communities, fishers, and indigenous peoples.

WHAT: The formation of an Amazon regional *Mancomunidad* allows coordination and implementation of low-emission rural development (LED-R) strategies of each regional government in the Peruvian Amazon; providing a framework to translate the pledges of nearly 50 federations, companies, NGOs and regional governments that comprise the "Coalition for Sustainable Production" into concrete partnerships, while building the capacity of regional governments to attract more investment and public-private-community partnerships. The bottom-up approach to developing regional LED-R strategies drives the institutional change needed to successfully reduce deforestation by addressing its main causes while identifying and pursuing the most promising development pathways.

HOW MUCH: Total 12.2M NOK: 6M NOK (this Project) plus USD \$780k (6.2M NOK) UNDP Window

A grants for San Martin and Ucayali.

RESULTS: The establishment of the Amazon Regional Commonwealth (*Mancomunidad Regional Amazonica*, formalized through Regional Ordinance No 017-2019-GRSM/CR) evolved out of the Amazon Interregional Council (CIAM, created in 2008). CIAM, and the new *Mancomunidad* receive ongoing technical and coordinating support from the 3FI project. The Commonwealth includes all six Amazonian regions (A90-A95), and aims to promote the sustainable development of the Amazon with an intercultural approach. This new legal framework will allow regions to attract and distribute financial resources in a more efficient way, and promote public policies and proposals designed and applied at the Amazon level. The 3FI Project was instrumental in providing technical assistance and coordinating *Mancomunidad* regional governments to reach a shared vision of sustainable development and an overarching LED-R strategy for Amazon. The 3FI project introduced regional administrations to the need for comprehensive, multi-sectoral strategies to confront the complex challenges tied to deforestation, and the importance of consolidating individual regional strategies into the *Mancomunidad* framework to optimize political and financial leverage. Through the 3FI project, EII provided technical support to two successive regional administrations (2014-2018, 2019-2022) in San Martin and Ucayali, important regions for rainforest conservation that are experiencing increased deforestation pressure. Both recently completed LED-R strategies that address issues ranging from the formalization of smallholder production, to enhanced environmental standards and improved spatial planning. EII's success in advancing these processes prompted five regional governments of the Peruvian Amazon to select EII as Responsible Party for the GCF-TF Window A program, resulting in a coordinated approach to develop LED-R strategies and finance plans (A96-A100), to be finalized in 2020. The success of the 3FI project in San Martin and Ucayali was fundamental to inspire the Huanuco, Loreto, and Amazonas Regional governments to make similar advancements with support from the UNDP Window A program, and these individual Regional LED-R strategies and finance plans are being harmonized and advanced by the *Mancomunidad* with support from 3FI. **LESSONS LEARNED / ASSESSMENTS:** This type of Project is strongly influenced by the political context at regional and national scales, and the interventions and interests of other key stakeholders. The capacity to adapt to changing political trends and build consensus among diverse stakeholders are key to success. We believe these costs for achieving this progress were modest. By the end of the project, we anticipate the LED-R strategies and finance plans to be fully developed, and governance structures will be in place to receive the injection of financial investment necessary to implement LED-R strategies through private sector investments, public-private partnerships, forest carbon compensation, and other mechanisms.

SOURCES: See A90-A101 **PHOTOS:** See A101 **PARTNERS:** A key partner for EII's 3FI program in Peru was Mecanismos de Desarrollo Alternos (MDA), a Peruvian NGO that has a long history working with the Amazon Governors' Council (CIAM), and is the National Coordinator of the GCF-TF. Along with Forest Trends, EII and MDA developed three publications related to the Production-Protection-Inclusion approach to rural development and its application in Peru.

2.2.6 HEADING: Climate finance unlocked for State of Mato Grosso

Results Framework Table: relates to Outcome 2.1 (and support goals of Outcome 1)

INTRODUCTION: Mato Grosso is Brazil's largest agricultural and cattle producing state and in the early 2000's was the leading deforester in Brazil. Since 2005, it became the state with the greatest reduction in deforestation and that progress is now recognized and reinforced by a \$50M results-based payment contract with Germany/UK.

WHY: Mato Grosso has made more progress towards forest-friendly development, including an 88% reduction in deforestation as of 2012, than any other subnational government. It created a state-wide REDD+ law in 2012, and a multi-sector Produce, Conserve, Include (PCI) Strategy in 2015 that, if successful, would keep 4 billion tons of forest carbon out of the atmosphere by 2030, keeping Mato Grosso on track to achieve zero net forest carbon emissions and zero net deforestation state-wide. The dearth of recognition through climate finance or corporate partnerships for this success at the outset of the Project threatened the PCI's survival.

WHAT: The objective of the Project was to remove two barriers to results-based climate finance in Mato Grosso: the lack of an effective system for consulting with the State's 45 Indigenous Peoples (IP) groups and the lack of a plan for implementing the State's REDD+ law and PCI strategy. An important challenge in Mato Grosso is the historically polarized relationship between the farm and livestock sectors on one side, and environmental groups, IP and smallholders on the other. In the process, a methodology for state-wide IP consultation was developed (A107-108), refined, and implemented to develop the IP subprogram of the REM program. EII also carried out a viability study for KfW on behalf of the German/UK REM to establish a contract with Mato Grosso completed (A6), including a plan for implementing the PCI strategy and REDD+ law (A148). The prospect of a REDD Early Movers (REM) results-based contract with Germany/UK made this work particularly relevant.

HOW MUCH: IP consultation methodology: \$140k (1.1M NOK), no co-funding. Viability plan for German/UK REM contract: \$210k (1.7M NOK), 75% from KfW.

RESULTS: 1. The state-wide IP consultation methodology and the viability study for the implementation of the PCI Strategy positively influenced the decision of the German government KfW to move forward with a results-based-payment contract with Mato Grosso in the amount of 44 million Euros, which brought needed resources to implement its PCI and REDD+ Law. EII's Norad-funded work contributed to (a) a robust consultation process for the participation of Mato Grosso's 45 indigenous peoples and (b) finalization of the REM contract, with money now flowing to programs that support agrarian reform smallholder settlements, indigenous peoples, medium-scale farmers (enabling conditions) and government agencies. d.

LESSONS LEARNED / ASSESSMENTS (1) Indigenous People have different cultures but all of them share a demand for greater dialogue with national and state governments and greater participation in policy processes; (2) even with an IP Federation such as the FEPOIMT, the dialogue needs to include tribal leaders and needs support from NGOs and Brazil's National Indian Foundation (FUNAI); (3) medium- and large-scale producers (both family farmers and businesses) were not adequately addressed through the REM strategy, missing an opportunity to recognize and reward important potential allies in the fight against deforestation.

SOURCES: See A6; A102-110 **PHOTOS:** See A109

PARTNERS: State Secretary of Environment, Mato Grosso (SEMA-MT), Coordenação de Mudanças Climáticas; Produce, Conserve, Include Strategy; Mato Grosso Federation of Indigenous People and organizations (FEPOIMT); German Development Bank - KFW; German Agency for International Cooperation - GIZ

2.3 Reasons objectives were not achieved

In general, factors beyond the control of the Project are the reasons some objectives will be reached later than anticipated, or not at all (see Results Framework Table). The Territorial Performance Fund (Mato Grosso, Brazil) will not be established as proposed because of the dismantling of the Amazon Fund by the current national government. The Project achieved fewer corporate-jurisdiction sourcing agreements because of systemic barriers to these collaborations, as described above.

In general, the “case” for regional societies in the tropics to move down the pathway to forest-friendly development has not improved since the bold “Rio Branco Declaration” (A9) was launched in 2014, committing signatory jurisdictions that encompass one third of the world’s tropical forests to an 80% reduction in deforestation by 2020 *if adequate finance and partnerships with companies were in place*. The low-emission development strategies and investment plans being finalized this year by RBD signatories with support from UNDP/Norway could be the beginning of an increase in partnerships and finance, especially if the zero deforestation is optimized to “push” companies and investors/donors to engage in aspiring jurisdictions through a “safe haven” mechanism as promoted through the Tropical Forest Champions initiative.

The mitigation measures described in the Project were, in general, effective. Interventions early in the mandates of newly elected governments were successful in sustaining interest in the low-emissions development strategies, helping elected officials see the connections to their political platforms of maintaining these strategies. The Tropical Forest Champions initiative to implement the principles and definitions for successful partnerships created by GCF Task Force members was our mitigation response to the global dearth of corporate-jurisdiction partnerships. We are unaware of unintended negative consequences of the Project for cross-cutting issues (point 3.2).

2.4 Unanticipated positive and/or negative consequences

The “Guiding Principles for Collaboration and Partnership between Subnational Governments and IP/LC’s” agreement is a major, unexpected, positive result of the Project (2.2.4). It began with EII’s suggestion to the GCF Task Force in 2014 to invite indigenous leaders to the annual meeting of the GCF, held in Acre State. EII has pivoted from its role in facilitating the dialogues that culminated in the Principles to implementation of the Principles through the Brazil committee; also, a government plan to implement the Principles is a requirement of all Tropical Forest Champion jurisdictions.

The Project also saw jurisdictions that were not targeted in the Project decide to move down the pathway to forest-friendly development, inspired by their neighboring jurisdictions. These

include Putumayo in Colombia and Tocantins in Brazil. Extension and expansion of India's ecological fiscal transfers has given additional weight to policy innovators in other countries that are considering EFTs. Most notably, Indonesia, where Minister of Finance Sri Mulyani recently proposed EFTs.

2.5 Grant recipient's added value

Central to EII's mission is a commitment to collaboration to foster dialog, learning, respect, and understanding; strengthening the capacity of the organizations with whom we work is a key element of this commitment. When we partner with local organizations, we aim to create equal-status relationships, while supporting them in several ways. Depending on the needs of the partner, this may include supporting the growth of their technical skills, strengthening their administrative capacity, and fostering partnerships which will be central to their growth outside of this grant. Especially since instituting formal evaluations of partners (at the suggestion of Norad's Partner Assessment in 2017), we have been able to identify specific areas to help them build capacity. For example, we work closely with partners to ensure that the implementation plans they submit to us each year are aligned with our joint results framework. We also work with them on developing quarterly narrative and financial progress reports, and we help them understand funder requirements, for example, the differences between an output and outcome – critical knowledge to help them build capacity for later fundraising efforts. We've also helped local partners in Acre and Mato Grosso raise funding.

Our partnerships with local organizations also support their programmatic development. We always include partners in the program planning process before any grant is funded; this supports their program development skills and empowers partners to have real ownership over Project outcomes. For example, with support from EII, Sapopema was able to develop, complete, and implement its Plan for the Sustainable Development of Fisheries and Aquaculture in the Lower Amazon, and INOBU drove the creation of the PELITA Seruyan Agricultural Facility and piloted jurisdictional RSPO certification with district governments in Kotawaringin Barat and Seruyan. We also continually support all of our partners in developing their understanding of the jurisdictional approach.

More generally, EII has managed the 3FI consortium to be a forum for discussion on how best to integrate supply chain and government policy approaches to tropical deforestation. The consortium has been an incubator for new ideas, including the jurisdictional approach to deforestation, with individual members (including local NGOs, national NGOs and international groups and companies) all incorporating the jurisdictional approach into their institutional/corporate programs at some level. Several consortium members acted on the international steering committee of the Balikpapan Challenge--Proforest, Unilever, RSPO, GRSB, Denofa, Grupo Amaggi--and on the global advisory committee of the Tropical Forest Champions initiative. During the last 3 years of the Project, this active engagement in the task of developing a stronger framework for fostering corporate partnerships in jurisdictions replaced in-person meetings of the full Consortium.

Please see EII's Partnership Philosophy and Guidelines (A110) for further detail on how we work to strengthen local partners.

2.6 Project contributions to strengthening civil society

The Project supported indigenous peoples, traditional communities, and their representative

organizations to participate in and draft the “Guiding Principles” for collaboration with subnational governments and is now supporting the implementation of these Principles in Brazil and, more specifically, in the States of Acre and Mato Grosso.

EII, with Project support, has been integral to the creation of civil society institutions, such as the “Produce, Conserve, Include” Institute in Mato Grosso in collaboration with consortium partner IPAM. This institute promotes a set of state-wide targets through multi-sector dialogue and consensus, aiming to increase soy and beef production while achieving state-wide reductions in deforestation. In 2016, EII, with Project support, created INOBU in Indonesia.

EII has worked with Cooperacre, a non-timber forest products cooperative with more than 2500 agro-extractivist member families, to connect them with potential buyers and investors and with rural women farmers in Brazil to support their market access in the COVID-19 era, and with the Acre state government to create an electronic platform to support the development of their sustainable products agenda and connect them with potential investors and donors during a trip to California.

We also partner with universities to support research and leverage local expertise. For example, we worked with the Federal University of Western Pará (UFOPA) on sustainable fisheries and aquaculture and evolved a pilot program to support universities to provide technical assistance to civil society in Pará. We have worked with Pontificia Universidad Católica del Perú, ICRAF, and other local NGOs to develop an in-person and online training course for government officials to support their understanding of LED-R planning.

2.7 Cost efficiency

Looking back at the last four years, there have been many cost-effective interventions made by the 3FI consortium and EII. For example, a small amount of investment in targeted policy research (USD 10 thousands) has influenced an enormous financial mechanism in support of India’s forests (USD10 billions). Even with the Project only marginally contributing to the outcome, this is excellent value for money. Likewise, a small amount spent by EII and partners (hundreds of thousands) contributed to the passage of the California Tropical Forest Standard (TFS), potentially catalyzing billions in investments in tropical forest conservation from voluntary and compliance markets over the next decade in Brazil or elsewhere. In Mato Grosso, the development of a jurisdiction-wide IP consultation protocol allied to study with recommendations to the development of the PCI Strategy (~USD 180 thousands) removed a critical barrier to the results-based contract of € 43.8 million from the German government and UK to support Mato Grosso state’s forest-friendly development strategy which, if successful, would keep 4 billion tons of carbon out of the atmosphere and in trees. Below we highlight some concrete examples of how we strive to be cost efficiency on regular basis:

- Collaborating with local stakeholders and partners to cut down on costs:
 - Geospatial and web work done in house with versatile team based in Colombia and Finland that has forgone opportunities to work in private sector (for higher salaries) because of commitment of these team members.
 - EII has made a deliberate institutional decision to work via small teams of well-established experts who reside in--and are native to--the regions we are focused on. We employ people who are trusted by key stakeholders and seek partnerships

wherever possible so that we accomplish project goals without adding new people to our staff and strengthening/engaging local NGOs in the process. This is our current arrangement in Brazil, Peru and Colombia.

--Acre, to conduct field visits and interviews with producers we took advantage of transportation and technical support from local industry and Cooperacre. We also combined forces with Forest Trends to sponsor a visit from Acre's governor to California to meet with high-level officials as part of the development of the California TFS in 2016 (see 2.2.3), and partnered with local Universities to share the costs of field visits in 2019.

- In Mato Grosso, EII's team and local partners organized multiple meetings around single trips and took advantage of co-promotion of events to save on costs. For example, at EII's request, PCI promoted both the Sustainable Municipalities Program roadshow simultaneously with other state initiatives that they were already promoting. We also organized a meeting between MT government officials and the China delegation with support from partner Amaggi Group.

- In Peru, we worked in coordination with WWF-Peru's NICFI-supported Production-Protection project, which cut down on our costs to advance the LED-R strategy discussions with Amazon regional political leaders in San Martin and Ucayali (Outcome 2.4.i). We have also continued to share an office space with our partner MDA instead of renting our own space since 2016.

- In Colombia, we worked closely with local partners (e.g. Fondo Acción, Biocomercio, and SINCHI) and government agencies (MAE, Finagro, the Department of Caquetá) to determine where we could be most effective and fill needed gaps, rather than duplicate peers' efforts. We determined that the best strategy was to contribute our expertise to local and national processes already underway, as opposed to initiating new ones.

- Organizing meetings around major events to reduce the amount of travel and maximize stakeholder participation.

- We organized key meetings around the Oslo REDD Exchange, the California Summit, the GCF-TF annual meetings in Guadalajara, Mexico (2016), Balikpapan, Indonesia (2017) San Francisco, USA (2018), Florencia, and Caquetá (2019), as well as during the COPs from 2016-2019 (the list of meetings can be provided upon request).

- EII and partners coordinated interventions with other projects with synergetic goals

- For example, Solidaridad worked with the China-South America Sustainable Soy Trade Platform project as part of the implementation of Outcome 3 from the Norad funded project to support visit exchanges between producers in Mato Grosso and buyers from China, as well as the establishment of the China Roundtable for Sustainable Beef (Output 3.1.3);

- Sapopema worked with the Tinker-supported project on Sustainable Fisheries in the Lower Amazon, Brazil to implement activities that were related to Outcome 2.1, Output 2.1.5. There is, the Thinker project provided support for capacity building of fishermen, which was essential for them to effectively participate in the development of the regional fish-based LED-R strategy for the Lower Amazon developed with the Norad project support;

- To support the TFS process we coordinated with partners EDF, Forest Trends, TNC, among others to share events and participant support costs to maximize the participation of representatives from IPs from South and Central America, Indonesia and California (e.g. to attend the four-day inaugural meeting of the IPLC Working Group of the GCF-TF in Klamath, California in 2017, ensure attendance of IP / LC, and government representatives to public hearings in Sacramento at the Air Resources Board from 2016 to 2019).

3 Cooperation – Sustainability – Lessons Learned

3.1 Cooperation with other donors and regional authorities The Project was deliberately orchestrated with the German IKI through a grant to EII. The two Projects had some geographical overlap, including the same jurisdictions in the Peruvian Amazon, Colombia (Caquetá), and Indonesia (Central Kalimantan and West Papua).

Since the Project's Theory of Change is focused on supporting the forest/climate agenda of government authorities, the Project has been closely aligned with the plans of subnational governments. The Project has often been faced with situations in which an authority--either subnational or national--does not see the value of forest-friendly development, and has made interventions to try to make a stronger case for authorities to choose the forest-friendly pathway.

3.2 Safeguarding cross-cutting issues

Anti-corruption: The Project has contributed to efforts to reduce corruption in target regions through innovative mechanisms for participatory governance (Outcomes 2.1-2.4 and transparent monitoring platforms (e.g. Output 1.1.6) and by supporting national and regional policies that improve environmental governance (Outcome 2). We continue to seek the establishment of transparent, neutral mechanisms for channeling climate finance to actors making verifiable progress towards reducing deforestation, including producers and governments (e.g. ITPS mechanism in Colombia and Jurisdictional Sourcing agreements).

Human rights, including the rights of people with disabilities: Jurisdiction-wide dialogues that facilitate agreements among producers, communities, companies and local governments regarding environmental and social performance indicators are encapsulated into our approach in this Project. For example, in the L.A., the Project supports local (and often marginalized) communities to better manage their fisheries, and has supported the capacity development of thousands of fishers and communities in 2018 (see Output 1 indicators). This work has also involved participation in and support for broader regional movement of smallholders and traditional peoples including quilombolas and IP groups. In 2017 EII sponsored a successful visit of Latin American and Indonesian local community and IP leaders to share their perspectives on and in support of the jurisdictional REDD offset mechanism under CA cap-and-trade system (A67-69). In 2018, the collaboration formed during the visit resulted in the launch of the Principles for Collaboration & Partnership Between Subnational Governments, Indigenous Peoples & Local Communities (under Output 1.1.7). In 2019, California approved the Tropical Forest Standard, which is the first step to allow the purchasing of jurisdictional carbon offsets under California's cap-and-trade system.

Women's rights and gender equality: Social equity, which includes gender equality, is a key component of the sustainable development model promoted by our Project. We are promoting gender

equality by incentivizing direct participation of women, and inclusion of women's interests and concerns, in territorial planning processes (Output 2.1.1, 2.2.3, 2.2.4). Project implementing partners are required to track participation of women in multi-stakeholder dialogues (Activity 1.1, 2.1, 2.3, 2.5, 2.7) within jurisdictions. Further, we are looking at how the activities to align government policies and programs with climate finance (Outcome 2) can support ongoing efforts to improve the situation of women in target regions, including agricultural finance programs (e.g. Colombia and Peru) and efforts to secure land tenure (e.g. in Indonesia). Reporting from the consortium highlights that in AC, the participation of women has been valued, guaranteeing gender equality in all sectors and levels of society. In the LA, PA, women also have important leadership roles in community and regional organizations including municipal Fishers' Unions and rural labor unions (STTR). In Indonesia, we promoted a Women's Empowerment Program in 2018 starting with the nutmeg farmers in West Papua. In San Martin, Peru, EII has encouraged the government to include specific targets to ensure that a percentage of the incentives, land-tenure recognition, and access to financing is focused on women, due to the great inequalities women face in rural areas in Peru. Additionally, we are proposing greater participation of women, especially from rural areas and indigenous communities, to vet the regional strategies developed for 6 regional governments in Peru. In addition, AC, PE, and CO EII teams hired gender specialists to review all the activities proposed under UNDP-GCF Window A (these Projects are supporting the development and implementation of LED-R plans in the target regions of the 3FI Project) and proposed methods to ensure that issues related to gender were prioritized. This process is helping us to integrate gender considerations in all activities being carried out across the regions, from meetings and workshops for the LED-R strategies to selections of households to pilot activities. Finally, in India, the ecological fiscal transfers are determined solely on the basis of forest area, with no other indicators, such as fiduciary or human rights safeguards. This provides a test case for whether such a mechanism will result in aberrations, or not. See Busch and Mukherjee (2017; A113).

EII has also recently revised our institutional Safeguards Policy and Ethical Guidelines (A116 & A117), which further outline steps we take to ensure that all project activities take active measures to implement social and environmental safeguards; protect human rights; reduce risks related to any potential corruption, avoid unintended impacts on marginalized groups, the environment, and the climate; and support the participation of women, indigenous peoples, and other marginalized groups.

3.3 Long-term results sustainability The Project is designed to achieve systemic changes in land-use systems through public policies and programs that are aligned with forest-friendly development and reinforced by finance programs and corporate partnerships. We believe that the jurisdictional low-emission development strategies that are coming to fruition through the Project are a good step in that direction, although most of them will need further corporate partnerships and finance for the strategies to be fully implemented and sustained across election cycles. The role of the results-based-payment contracts *directly* with subnational jurisdictions (i.e. Acre and Mato Grosso) is potentially quite large, if these programs are expanded. In the absence of RBP contracts, the voluntary forest carbon market could also provide a long term source of positive financial incentives for progress towards forest-friendly development. In California, continued policy engagement is needed to encourage the Air Resources Board to regulate the international offset provision.

In general, the global tropical forest "community of practice" is at a pivotal moment for determining the longevity of the results achieved through the Project. Will some of the jurisdictions supported by the Project become influential "proof-of-concept" success stories that inspire other jurisdictions to follow suit? Will the tropical forest nations--most notably, Brazil, Indonesia, Peru, Colombia, and a small group of other nations--continue to invest in their forests and climate programs through public policies and market mechanisms that tip the balance towards forest friendly development? Recent events suggest that

the commitment of these nations (especially Brazil) to this agenda is by no means certain. Our initial assessments (A1) suggest that the likelihood of continued support will be increased through an “optimization” of the zero deforestation movement to promote corporate-jurisdictional partnerships and the translation of the corporate “climate neutral” movement into finance for low-carbon jurisdictions and farm systems.

3.4 Lessons learned

The Project has generated several lessons in the past four years, many of which are highlighted in section 2.2 “representative example(s) of results at outcome level”. Here we highlight those that we feel are most important.

The zero-deforestation movement (zdm) and jurisdictional commitments to forests are not operating synergistically: At the beginning of the project we assumed that the zdm and commitments of subnational governments to address deforestation (e.g. Rio Branco Declaration, citing Stickler et al. 2020 and 2018) were aligned. In fact, the zdm is inhibiting companies from participating in jurisdictional initiatives. We now understand that progress in slowing deforestation could be enhanced by optimizing the ZDM. *Thinking ahead:* instead of just pushing companies and investors away from actors engaged in deforestation, advocacy campaigns of the ZDM could push companies and investors towards jurisdictional initiatives. We are in dialogues with Greenpeace currently on this topic.

Forging agreements between groups with little or no history of dialogue take time and multiple face-to-face dialogues: in our role as facilitator (with the GCF Secretariat) of the process that culminated in the Guiding Principles of Collaboration between GCF government members and IP/LC, working groups were created, and multiple in-person meetings and field visits were organized with the participation of IP / LC and local government officials. The time spent together allowed IP leaders and government leaders to overcome their often antagonistic relationship in the past. To maximize stakeholder participation, we partnered with GCF, EDF, and FT and sought additional supporting grants (e.g. with Moore Foundation). *Thinking ahead:* Dedicated funding is needed in advance for the governance of the multi-stakeholder process, including convening and communications functions must be set aside to carry out these processes over the long-term and are planned for in the NICFI 2021-2025 proposal.

Elections--both political and in collaborating organizations--can demand an adaptive decision, stressing partnerships: Between 2016-2019, the project experienced drastic political changes, especially in Brazil, with the election of President Bolsonaro and a flurry of governors on a pro-agribusiness, anti-environmental platform. The new leadership of Aprosoja (soy farmers’ association in Mato Grosso), elected in 2017, was also anti-environment. Aprosoja’s previous leadership had invited us to support their negotiations of a trade agreement for sustainably produced soy between Brazil and China, and in negotiating an agreement around trade of carbon-neutral soybeans and the EU federation of animal rations industries (FEFAC). The new leadership of Aprosoja decided to end these initiatives. Meanwhile, the Bolsonaro Administration started to dismantle the Amazon Fund, postponing the prospect of the “territorial performance fund”.

EII made a critical decision at this point: to remove ourselves as signatory of the “Cerrado Manifest” even as we remained in the Cerrado Working Group. We realized that the polarization that had taken place between environmental groups on one side and the farm sector (reinforced by the Bolsonaro administration) on the other had left the “center” empty. And the Cerrado Manifesto--seen by farmers as an attempt to impose a moratorium on soy grown in the Cerrado similar to the Amazon moratorium--was one important cause of this polarization. Very few groups were able to talk with both the environmental and farm sector

leaders. After stepping down from the Manifesto, we established a dialogue with Aprosoja, with Governors Mauro Mendes and Gladson Cameli, with the Minister of Agriculture (Tereza Cristina) and Minister of Environment (Ricardo Salles). The Minister of Agriculture Cristina liked the idea of bringing carbon neutral soy into her negotiations with China (which we are supporting her team to create), and we have established a dialogue with Salles' team (Joaquim Leite) on the importance of recognizing state governments' rights to sell jurisdictional offsets (which they do not currently recognize).

Another strategic decision we made was to develop an alternative finance model for the territorial performance fund, when the Amazon Fund was stopped. The design for that new plan will be ready by October 2020.

Our strategic decision to leave the Cerrado Manifesto did not come without costs, however. Partner IPAM was one of the lead organizations of the Cerrado Manifesto process, and our decision inhibited our working relationship.

Linking the forest agenda with the priorities of new political leaders can help secure their support: Governor Mauro Mendes, elected in 2018 and taking office in 2019, was not initially inclined to continue the forest agenda of his predecessors, including the Produce, Conserve, Include strategy. An important factor in convincing him to maintain the PCI was when he began negotiating a loan from the World Bank to plug the large gap in the state's budget that he inherited. The World Bank established continuity of the PCI as a condition of the loan. We were then able to reinforce the importance of the PCI through face-to-face meetings with the Governor, explaining how it would help him attract other new investments to the state--a high priority for his administration.

Similarly, Gladson Cameli became Governor of Acre on a platform of agribusiness and was not keen to support the System for Incentives for Environmental Services (SISA+) program in Acre. After meetings with EII's Executive Director (Nepstad), its Agribusiness Expert (Shimada), and Acre's Coordinator (Mendoza) the Governor was convinced to change directions and to establish a "Green Agribusiness" agenda. This process of re-engagement and capacity building in Acre took one plus year, which unfortunately set the project back.

Soon after elections in December 2018, the new Governors of five regional governments in Peru (Loreto, Ucayali, Huanuco, San Martin, Amazonas) and, soon thereafter, Madre de Dios were convinced, through meetings with partner MDA (GCF TF Peruvian Coordinator Victor Galarreta) and through EII coordinator Gustavo Suarez de Freitas, to continue the work on low-emission development strategies started by their successors because of the direct links that were established between LED strategies and poverty alleviation and food security, plus the unity of these governors fostered by their organization, CIAM (which later became a Mancomunidad).

The central role of communications and marketing. We learned the importance of having a sophisticated, targeted communication strategy to deepen political support and understanding of the Tropical Forest Champions initiative. We secured interest (companies) and support (governments) for the TFC initiative, but the initiative is still unknown to a broad audience and consumers that can influence its impact. In 2018, following the advice of our MTR we hired a Communications Coordinator (Schurman), and in 2020 a Director of Global Forest Strategies with proven success in building multi-stakeholder initiatives (former RSPO CEO, Webber) to more effectively disseminate and win support for the initiative.

Act quickly and decisively when partners do not perform: in this project we also re-evaluated some partnerships based on performance, willingness to collaborate, capacity to drive change, and transparency. Our lesson from this experience is that we need to act more rapidly and decisively when we detect issues with partners; in some cases, problems can be addressed and collaboration re-established (e.g. with Forest Trends). *Thinking ahead:* We need to professionalize our approach to partners, doing more thorough due diligence prior to engagement, and establishing partnership agreements.

4. Results monitoring and evaluations

Reviews conducted

- 3FI Mid-term Evaluation (MTE), Nov. 2018-Jan 2019 (conducted by Bright Impact)

External/independent

- EII Partner assessment, March 2017 (conducted by evaluators from Norad's Aid Management Section and Civil Society Department). ***External/independent***

- UNDP -Harmonized Approach to Cash Transfers (HACT) Framework Micro Assessment, Sept. 2018 (Score: Low Risk – out of Low, Medium, Significant, or High) (Conducted by Moore Stephens)

External/independent (See A119)

Contributions to the Project

3FI MTE (non-exhaustive list of recommendations and our responses):

Recommendation: develop a clear conceptual framework for how specific activities within each target region support our jurisdictional approach, in the form of a customizable infographic to visualize progress.

Our response: we revised and refined our Theory of Change customizable tool for each of our target jurisdictions. This visual representation of our strategy for each region has proven a useful tool to ensure that our jurisdictional activities and approaches are aligned with each region's agreed-upon strategy. In addition, we are currently in the process of developing our 5-year Strategy with the help of a pro bono strategy consultant (See A120 for an overview of this process). The strategy will help us to refine and sharpen our actions over the next five years to be more impactful, cost-effective, and leverage our greatest strengths.

Recommendations: revisit 3FI priorities; specifically, to determine the jurisdictions and activities that would result in the most cost-effective and impactful results and ensure that EII and partners were not over-extended.

Our response: we reviewed and amended some of the outputs in our 3FI Results Framework Table (through close consultation with partners and our Norad desk manager). This enabled us to refocus our Project activities on measurable, achievable, and time-bound goals.

Recommendation: strengthen our communications strategies related to the social dimensions of the jurisdictional approach -- specifically with regard to land-use conflicts -- and to ensure perspectives from the field are highlighted, the development of locally-oriented communications about climate change in the face of rising global populism, among others.

Our response: we ramped-up our Communications Team with the hire of a full-time Communications Coordinator (CC) in July 2019. Our new CC is a seasoned journalist with extensive experience highlighting the human side of environmental and social challenges. Since then, we've published and widely disseminated several pieces through many media channels related to the social dimensions of our work. Examples include: a) *From Principles to Practice: Implementing a landmark agreement for Tropical Forest Guardians is now more important than ever before* (June 2020); b) *How to help Brazilian farmers save the Amazon* (New York Times, December 2019) (A123); and c) *Feed your neighbor, solve big problems* (on EII's website [En, In, Port, Sp] as well as in Mongabay). Other efforts to shift media narratives around the importance of social inclusion in the forest agenda and climate mitigation efforts include EII Executive Director Dan Nepstad's official testimony to the US Congress *Preserving the Amazon: A Shared Moral*

Imperative (September 2019, A124), interviews with CNN (July 2019), NPR, BBC, and multiple podcasts, highlighting the importance of pragmatic economic incentives for rural farmers and land rights for IP.

Recommendation: expand our capacity to partner with others to more effectively make the business case for sustainable forest products, and scale this work to attract companies and investors to jurisdictions successfully producing these products.

Our response: this is one of the key tenets upon which our new Tropical Forest Champions (TFC) initiative was built. The TFC aims to promote forest-friendly economic development in tropical regions through a jurisdictional approach to sustainable investment and subnational governance. The TFC initiative is central to our 5-year organizational strategy. We are continuing to fundraise and gain support for this initiative; in addition to Norad's existing support, we have recently secured support from the Packard Foundation, and we are actively fundraising to continue its development, including through our NICFI proposal for the period of 2021-2025.

EII Partner Assessment (non-exhaustive list of examples of recommendations and our responses):

Recommendation: that we formalize our follow-up with sub-grantees. *Our response:* we instituted requirements for partners to provide quarterly progress reports and increased close partner monitoring and communications. Since then, we also evaluated one of our largest partners, INOBU. The combination of these measures has enabled us to track progress more closely and adapt to changes more quickly.

Recommendation: that we further develop our results tracking system and documentation of risk management.

Our response: we improved our results tracking system through the development and implementation of two tools:

- **Integrated Project Management Tool (IPMT):** this is an internal program management tool applied to programs for many purposes, including program and Project management, results tracking, M&E, risk analysis, and identifying synergies between programs (available upon request).
- **Smartsheet EII Project Management Tool:** this is an interactive Project management platform that we began to use in complement with the IPMT to collaboratively manage Projects and other work. This system is used to assign tasks to gather input, automate reminders, track results, and ensure tasks and Project deliverables stay on track. See A125 for an example of one Project for which we used Smartsheet, intended to demonstrate some of its different functionalities. As for risk management, besides the IPMT, we have also developed and implemented a *Risk Management Framework Tool*, which identifies many risks categorized from current and previous Projects and is used to help Project teams identify potential risks for new Projects. (See A126)

Recommendation: that EII moves towards full separation from the Board and Executive Management (i.e., our Executive Director (ED) should not be on the Board of Directors).

Our response: after significant research into NGO best practices and norms, and discussion with the Board of Directors, ED Daniel Nepstad resigned from the Board of Directors, thus increasing the separation of EII's governance and management structures. The reviews have been previously shared with Norad. Nonetheless, they are also attached. (See A127, A128)

5. Overview of finances

5.1 Table A – Overarching financial overview

Table A – Overarching financial overview

	(1)	(2)	(3)	(4)	(5)	(6)
	Approved total budget for agreement period	Total expenditure to date	Approved budget for reporting year	Total expenditure in reporting year	Deviation (3) - (4)	Deviation % (5) as % of (3)
	(2016 – 2020)	31-Dec-19	2019	2019		
Project costs – grant recipient*)	NOK 59,137,971	NOK 51,402,423	NOK 13,057,595	NOK 14,521,540	(NOK 1,463,945)	-11%
Project costs – country office, if relevant	NOK 34,555,078	NOK 25,885,852	NOK 7,514,183	NOK 5,078,097	NOK 2,436,086	32%
Project costs – regional/multilateral office, if relevant						
Project costs – local partners	NOK 41,138,486	NOK 28,723,471	NOK 5,747,739	NOK 3,642,856	NOK 2,104,884	37%
= Total Project costs	NOK 134,831,535	NOK 106,011,745	NOK 26,319,517	NOK 23,242,492	NOK 3,077,024	12%
minus other external funding	(NOK 47,447,494)	(NOK 39,340,317)	(NOK 6,126,473)	(NOK 4,309,558)	(NOK 1,816,915)	30%
= Project costs, basis for calculation of grant recipient's own contribution	NOK 87,384,041	NOK 66,671,428	NOK 20,193,044	NOK 18,932,934	NOK 1,260,110	6%
minus grant recipient's own contribution (min. 10%)						
= Norad share of Project costs	NOK 87,384,041	NOK 66,671,428	NOK 20,193,044	NOK 18,932,934	NOK 1,260,110	6%
plus Norad contribution to adm. costs (up to 7% of Norad share of Project costs)	NOK 6,116,883	NOK 4,667,000	NOK 1,413,513	NOK 1,325,305	NOK 88,208	6%
= Total Norad grant	NOK 93,500,924	NOK 71,338,428	NOK 21,606,557	NOK 20,258,239	NOK 1,348,318	6%

*) For Norwegian organisations this will correspond to expenditures in Norway

Table B – Overview of Project expenditure for reporting year, distributed by Project, country, region and programme/thematic areas**)

Table B

	-1	-2	-3	-4	-5	-6
<i>The columns refer to the reporting year. The totals in Table B will correspond to some rows in columns (3) and (4) in Table A above. The rows refer to country/region or thematic area</i>	Approved Project budget	Total Project expenditure	Total Norad grant	Total expenditure of Norad grant	Deviation in expenditure of Norad grant (3) - (4)	Deviation % (5) as % of (3)
Africa						
Asia	NOK 6,051,384	NOK 2,945,259	NOK 2,930,939	NOK 1,883,277	NOK 1,047,662	36%
Latin America	NOK 16,554,944	NOK 17,785,310	NOK 13,120,063	NOK 14,236,064	(NOK 1,116,001)	-9%
Global initiatives	NOK 5,555,555	NOK 4,138,898	NOK 5,555,555	NOK 4,138,898	NOK 1,416,657	25%
Thematic area						
Total	NOK 28,161,883	NOK 24,869,467	NOK 21,606,557	NOK 20,258,239	NOK 1,348,318	6%

**) Organisations with agreements without subunits (generally smaller agreements) complete the table per Project per country , Please use short Project names.

Organisations with agreements with subunits either complete total input per country and region or total input per programme/thematic area, but not both

5.2 Please see below a list of substantial deviations (i.e., above or 20%). For a full list of deviations above or below 10%, please consult the financial report attached (A144).

Solidaridad Asia (41%): Solidaridad Asia assumed responsibilities for the project activities in China with the closure of the Solidaridad China branch. During this process, Solidaridad went through an internal transition in personnel and operations (including the project's coordinator and Executive Director), which significantly slowed their capacity to execute

activities in 2019.

IPAM (76%): IPAM's ability to perform activities under the project were severely impacted by the project coordinator and a researcher being involved in an accident on their way to execute Project activities in Querencia, Mato Grosso. Both individuals were incapacitated for a few months, then the coordinator returned briefly, only to leave IPAM shortly thereafter. Late in 2019, a senior researcher assumed the coordination of the project, and IPAM was also able to hire a local coordinator who was very effective in carrying out activities in the remaining time in 2019.

Sapopema (70%): Sapopema postponed some capacity building and workshops for 2020, due to the political transition in Pará (i.e. a new Governor in Jan 2019).

GRSB (22%): GRSB faced some internal transitions in 2019 with the move of its CEO from the Netherlands to New Zealand, which slowed the negotiation of the agreement with GRSB (the agreement was signed only in October). In addition, GRSB's focus is on activities related to the Sustainable Beef Working Group in China, but this process faced some challenges because Chinese actors felt cautious of demanding sustainable beef from key trading partners such as Brazil. The Chinese actors wanted to secure a strong trading relationship with Brazil to access commodities including beef, and were acutely aware of the public pressure that Brazil was facing due to uncontrolled fires and rise in deforestation. This situation has affected GRSB's capacity to advance actions in the ground as originally planned.

Workshops (81%): In 2019, we once again were able to take advantage of large meetings such as the GCF Annual meeting in Colombia, which coincided with the TFA Annual meeting in Colombia, the New York Climate Week, and COP-Madrid to hold parallel smaller, strategic meetings, which saved costs on venues and participant support.

Office Costs (71%): EII was able to cover some of the costs of in-country regional offices from additional grants (e.g. rental costs for offices in Peru and Acre were partially covered with funds from the UNDP-Window A projects)

Co-funding under Outcome 2 (63%): This was less than expected as some grants did not materialize (TNC-Moore subgrant) , and the new Packard grant that was obtained was transferred in its entirety to INOBU.

Outcome 4 (74%): Outcome 4 was underspent because much of the research, communication and convening done for this Outcome was also contributing to Outcomes 1, 2 and 3. Thus, some of these costs were fully or partially allocated to those Outcomes. (For example, efforts towards the approval of the California Tropical Forest Standard (TFS), and efforts to cover the 2019 Brazil Amazon fires, among others.)

Output 1.1.1-1.1.5 (85%): EII spent fewer resources than anticipated under this Output mostly because we were expecting to continue to advance negotiations to secure funding to launch the Territorial Performance Fund (1.1.1) and a pilot of Green Bonds (1.1.2) with the Amazon Fund. However, their activities stalled in 2019. We expected the situation to be resolved and their activities to resume, but this, unfortunately, did not occur.

Output 1.1.6-1.1.8 (138%): Funds were overspent due to an intense mobilization of efforts required to ensure the approval of the Tropical Forest Standard in California: more meetings, analyses, time to organize meetings and prepare materials for meetings, visits to Sacramento, support to local community leaders from the project countries to attend the hearings, and so on.

Outputs 2.2.1-2.2.4 (75%): EII spent fewer resources in Indonesia than anticipated because we expected to hire an Indonesia Regional Coordinator in 2019, however, this only happened in early 2020.

Brazil (123%): More funds were spent in Brazil due to the need for intense engagement with the newly elected governments at the subnational and national levels. More travel and time were needed to build rapport and trust with new officials.

Indonesia (64%): As mentioned in Note O, with the departure of INOBU in 2019 as the main implementing partner in Indonesia, EII sought to hire an Indonesia Coordinator in 2019; however, this search process only concluded with a successful outcome in February 2020.

Colombia (68%): Costs in Colombia were reduced since the team there was deeply engaged in accomplishing another synergistically linked project in Caquetá, financed under the UNDP-GCF Window A; thus, most project expenses were charged to this other project. In addition, we were able to hire a local supporting team in Caquetá at lower rates than anticipated (due to the low cost of living in that region), and thereby necessitating less travel from the Colombian Coordinator (based in Bogotá.)

In-Country Program (71%): In-Country regional costs were realized at a lower rate than expected for multiple reasons: a) EII HQ personnel, and especially senior-level personnel, were more involved in carrying out activities on the ground, especially to engage newly elected governments in Brazil; b) we were lacking a Coordinator for Indonesia, which in turn also resulted in more work to be carried by the HQ team, and c) some of the regions, more notably Colombia, but also Peru, were able to support some of their activities with funds from other grants.

Partners (74%): There were fewer resources spent in 2019 on local partner participation in workshops and associated costs. This is because 2019 was a year of transition with newly elected governments in Brazil and Peru; thus, many workshops and activities initially planned were postponed to focus efforts on engaging these newly elected officials. Also, we were able to secure support for participants via additional grants (especially under the UNDP-GCF Window A for six regions in Peru, Caquetá, Colombia, and Acre, Brazil). Finally, partner Sapopema was lower on spending because they postponed some capacity building and workshops for 2020, due to the political transition in Pará in 2019.

6 Date and attestation

I am authorized to enter into legally binding agreements on behalf of the grant recipient and attest that to the best of my knowledge and belief the information given in this report is correct.

Date: June 16, 2020 (with revisions submitted on September 7, 2020)



Daniel Nepstad, PhD
President and Executive Director

Please see all attachments, **146** total, including: a) the approved Results Framework Table (A141), b) a Consolidated table of Results achieved from 2016-2019 (A143); a proposed revision to the Results Framework Table (A142), a List of annexes (A146), a table of acronyms (A145), and much more at this link: <https://drive.google.com/drive/folders/150biUf74hk7gpuXSDbnstR2SIA-rPWVg?usp=sharing>