

INSTITUTIONAL INNOVATIONS FOR A LOW-CARBON ECONOMY IN THE AMAZON
PART 1 | THE NEW INDUSTRIES OF ACRE STATE

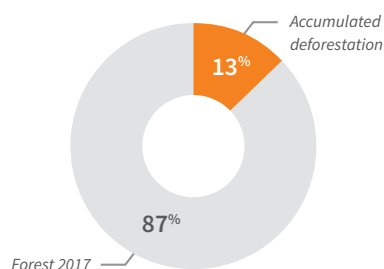
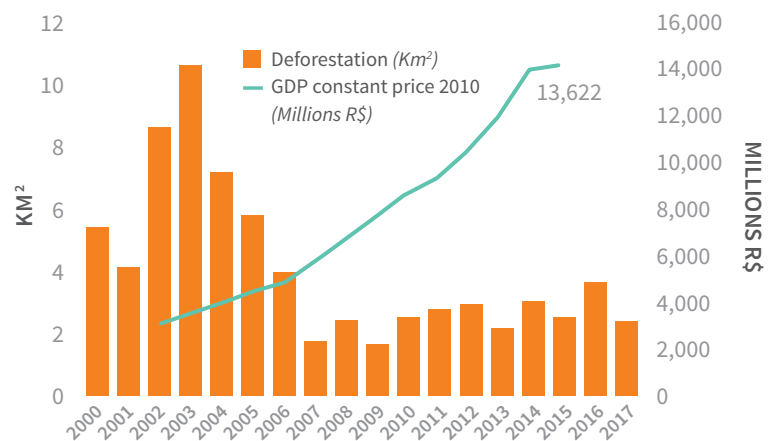
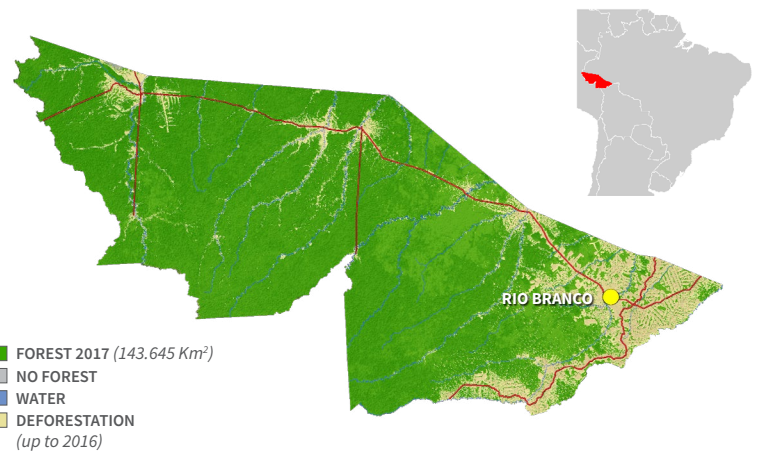
EXECUTIVE SUMMARY | Full report available October 2018

Acre demonstrates the potential of subnational governments to lead in the creation of new industries and to support producer organizations as pillars of low-carbon, socially-inclusive economies in the tropical forest regions. Through a spirit of “can do” experimentalism, several models are being tested.

BACKGROUND

The State of Acre, Brazil, has been building a low-carbon, socially-inclusive economy for twenty years. New institutions and industries have been created to foster economic growth that increases the value of standing forests and the productivity of already cleared land with a focus on diversifying and increasing the income of smallholders, and traditional and indigenous communities. This heavily-forested state (87% forest remaining) has reduced deforestation 60% as the economy has grown; literacy, health care, and the well-being of forest communities have all improved. This report describes the main institutional and industrial innovations of this period, to be followed in a subsequent report by an in-depth evaluation of their impacts.

There are two general categories of innovation. First is the legal framework and agencies for facilitating low-carbon development. Second are innovations in production—both new industries and a state-wide cooperative system for forest products. An important feature of the Acre strategy is the “Public-Private-Community” partnership (PPCP, see Box).



PUBLIC-PRIVATE-COMMUNITY PARTNERSHIPS (PPCP)

One of the hallmarks of Acre's institutional innovations is the concept of the PPCP. The government has positioned itself as the proponent of new commercial enterprises that deliver products with a triple-bottom-line: economic, social and environmental. These new enterprises are one of the ways in which the state's socio-environmental development vision is implemented, supported by the SISA legal framework and two state agencies: ANAC and CDSA.

THE SISA LAW, ENVIRONMENTAL SERVICE COMPANY AND BUSINESS AGENCY

The **Incentives for Environmental Services System Law** (SISA) of 2010 establishes the legal framework for creating value for ecosystem services, implemented by the Climate Change Institute (IMC), which executed the first "pay-for-performance" contract received directly by a subnational government.

The **Company for Developing Ecosystem Services** (CDSA), created through SISA, is responsible for brokering deals around the state's environmental assets—focused thus far on verified carbon emissions reductions.

The **Acre Business Agency** (ANAC) carries out market research, incubates new industries and investments, attracts investments, and supports new production systems. ANAC plays a pivotal role in creating new industries through public-private partnerships, subsequently transferring its shares of these industries to their smallholder producers.

FOREST PRODUCTS COOPERATIVE, CONDOM FACTORY AND LOW-CARBON PROTEIN INDUSTRIES

COOPERACRE is a forest product processing and marketing cooperative organized and run by rubber tappers and other forest community leaders that was created with infrastructure

and financial support from the State Government. It has helped the state increase the economic viability of its extractive reserves, driving the shift from the export of raw Brazil nuts to processed, vacuum-packed nuts; it has improved the quality of its native rubber exports as it has supported the production and marketing of new products, such as açai and other tropical fruits.

NATEX is a state-owned industry established in 2004 that produces condoms for the national health program from native rubber harvested by independent rubber tappers of Acre's extractive reserves through a partnership between the Brazilian Ministry of Health and the Government of Acre.

Acreaves, a vertically integrated poultry production system established in 2004 with capital from the Government of Acre and private investors, is now being transformed into a PPCP, with part ownership by its 135 smallscale farmers. Acreaves was established as a mechanism for diversifying smallholder income and providing a low-carbon, low-land area alternative to cattle production, which is the land-use of choice for producers large and small in Acre. It was the State's first PPCP.

Peixes da Amazônia was established with capital from Kaete Investimentos, the Government of Acre, and private investors to produce native fish through sustainable aquaculture. This low-carbon protein industry features state-of-the art breeding/fry production, fish feed factory and processing plant and has the goal of shifting production and regional consumption patterns towards low-carbon fish, whose carbon footprint is 20 times smaller than beef. Created in 2011, Peixes da Amazônia also provides technical assistance to small-scale farmers to produce fish on their farms. Currently, most of the fish supplying the industry comes from medium- to large-scale farms.

Dom Porquito, a vertically integrated pig production system, is the latest low-carbon protein PPCP, established in 2012 with capital invested by the state government and the private sector with the goal of transferring partial ownership to member producers. Currently, forty-three small scale farmers participate in Dom Porquito.

Earth Innovation conducted a two-part study of institutional innovations arrangements to promote the development of the green economy model in the State of Acre. First, a study describing the arrangements in each of these innovations, as well as their strengths, challenges, and opportunities (available here). The second part of the study will be released in November, 2018.

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