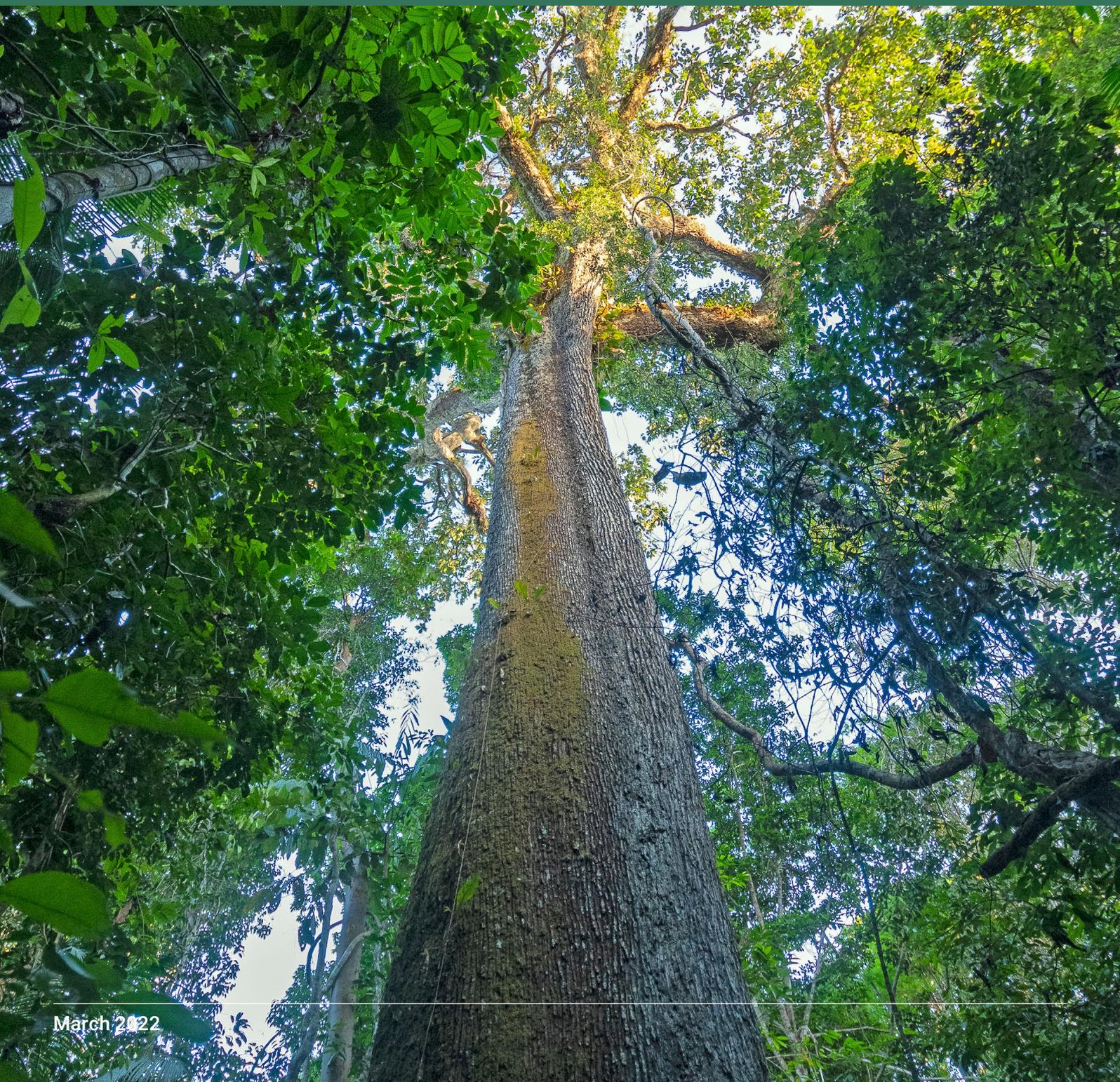




PRODUCE, CONSERVE AND INCLUDE INITIATIVE IN MATO GROSSO

A Brazilian case study on jurisdictional approaches



FOREWORD



Rebeca Lima

Rebeca Lima
Executive Director,
CDP Latin America



Thomas Maddox

Thomas Maddox
Global Director Forests
and Land, CDP

Deforestation is a problem with ecological, social, and economic consequences and there is no silver-bullet. The conservation of tropical forests and restoration of degraded areas requires an all-hands-on-deck approach. Investors, businesses, national and subnational governments have a role to play in the collective action needed to fight against deforestation.

At an international level, there are some movements to tackle deforestation, such as the 2021 Glasgow Leaders Declaration on Forest and Land Use. Advancements are also occurring at a regional level thanks to the leadership of subnational governments. Coordinated landscape or jurisdictional level approaches (LA/JA) are fast becoming recognized as one of the most effective responses to deforestation. Since 2015, the Produce, Conserve and Include (PCI) Initiative – led by the state government of Mato Grosso– has been successfully engaging the corporate sector and civil society to achieve a shared goal of a sustainable jurisdiction.

There is not a one-size-fits-all approach for implementing LA/JA, but there are lessons to be learned from those further ahead in the process of using such approaches as a governance model. This PCI case study allows us to shed light and provide insights on the challenges, needs and opportunities faced by the Mato Grosso State when designing and implementing a jurisdictional approach.

The importance of achieving a sustainable relationship with our environment and particularly forests is becoming clearer by the day. Five of the most severe risks over the next 10 years, as reported by the Global Risk Report¹ from the World Economic Forum are linked to deforestation, including climate

change, biodiversity loss and access to natural resources. However, there is a gap between what we know and action on the ground. Cattle and soy are two of the biggest drivers of deforestation in Latin America, but CDP's corporate data² shows these are two of the sectors with the least corporate engagement with LA/JA especially when considering that as of 2020, only 29% of companies reporting on cattle reported actions to address deforestation in their supply chains and 43% of companies reported taking no action to address their exposure to deforestation risks in their soy supply chains. Alignment of actions by state and corporate actors through engagement in LA/JA is an essential component for accelerating stakeholder commitments in these key sectors

In 2022, CDP will introduce a new set of questions for companies, states and regions on LA/JA engagement. These questions will explore the overall initiatives, investments, type of engagement, goals, actions, responsibilities and results companies, states and regions have on LA/JA. CDP is confident that its disclosure platform will be a key asset for the PCI Institute implementing and transparently monitoring its goals and those of the 'companies' part of the initiative. The PCI Institute, in turn, can become a model for governments looking to apply effective solutions to deforestation.

1 Source: https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2022.pdf

2 Source: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/971/original/CDP_Global_Corporate_Report_on_Forest_Jurisdictional_Approaches.pdf?1638207724

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Authors

Fernando Sampaio

Miriam Garcia

Norma M. Pedroza-Arceo

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EXECUTIVE SUMMARY

In 2015, the state of Mato Grosso in Brazil, established the Produce, Conserve and Include (PCI) Institute - one of the most well-known jurisdictional approaches in the world. The PCI Institute is an independent non-profit institution that aims to ensure the effectiveness of the Mato Grosso sustainable development strategy. The PCI Institute has engaged multiple stakeholders to achieve the collective goals of the environmental and rural agenda. Mato Grosso is a valuable case study as it has promoted responsible sourcing from companies connecting their supply chain efforts to the PCI strategy.

CDP has worked with the PCI Institute to present the key factors needed to implement a jurisdictional approach that engages with private sector investments and REDD+. This case study highlights how to implement a Jurisdictional Approach (JA) by sharing four main learnings from Mato Grosso.



1

Establishing a decentralized governance structure – such as the PCI Institute – is key to guaranteeing the medium and long-term JA goals from political cycles changes.



2

Multiple funding streams from public and private sector investments, including international cooperation, can enable the establishment and implementation of these initiatives. Moreover, blended finance for JA's allows different interest and objectives to be harmonized and help guarantee the long-term stability of the JA.



3

An open and recurrent multi-stakeholder dialogue with the government, producers, and traders is key to ensuring government targets and the production of deforestation-free commodities and supply chains. In the case of the PCI Institute, the establishment of the Corporate Working Group provides a safe space for the concertation of those collective goals.



4

Tracking and transparently disclosing information on progress towards the collective goals is essential to the credibility of JA. Therefore, the PCI Institute has established monitoring tools and partnered with several worldwide organizations, such as CDP, to improve and adapt its monitoring systems.

The PCI case study captures the uniqueness of Mato Grosso's conditions, stakeholders, and the learnings on JA. These are of value to other states and subnational authorities interested to or already implementing a JA. This report should also prove useful to organizations, investors and corporates engaging in JA. Mato Grosso is a real example of a bottom-up successful JA, there are many key learnings, data and insights that we have distilled throughout the text, that should be used to encourage more JAs.

SECTION 1

INTRODUCTION



LANDSCAPE AND JURISDICTIONAL APPROACHES

AN EMERGING TOPIC TO HALT DEFORESTATION

Forest conservation is one of the most cost-effective approaches to mitigating climate change³ and ensuring the preservation of nature and livelihoods. Despite this, deforestation is the leading cause of GHG emissions in Brazil⁴. This report, using the Mato Grosso case study, evaluates the role that JA can play in halting deforestation and mitigating climate change. It explores the value of collaboration and multi-stakeholder partnerships within jurisdictions.

Landscape Approaches (LA)

involve a collaboration of stakeholders across a landscape to advance shared sustainability goals and reconcile and optimize multiple social, economic, and environmental objectives across multiple economic sectors and land uses. They are implemented through processes of integrated landscape management, convening diverse stakeholders to develop and implement land-use plans, policies, investments, and other interventions.

Jurisdictional Approaches (JA)

are a type of landscape approach where the landscape is defined by administrative boundaries and local government takes a central role in implementation.

Deforestation is a complex issue; however, there is an emerging consensus that companies working alone will struggle to deliver 'no deforestation' and 'no conversion' ambitions at the required pace and scale. Multi-stakeholder involvement with government leadership is increasingly recognized as an important catalyst to drive positive local impacts while also contributing to national and global commitments. Through the 'Enabling Jurisdictional Approaches to Halt Deforestation' project⁵, funded by the Walmart Foundation, CDP has been promoting the value of JA to stakeholders such as states, regions, companies, and investors.

However, according to CDP data, there is room for improvement. In 2021, 865 companies disclosed information on their impacts, risks and opportunities related to forests by responding to 'CDP's Forests questionnaire'. Only 47 companies worldwide reported engaging on LA/JA initiatives, of which only three different companies showed clear support for LA/JA through the PCI initiative in Mato Grosso. LA/JA are

gaining momentum, therefore there is still a need to promote them, for example we know there are more companies engaging with LA/JA initiatives than those captured in CDP's 2021 disclosure cycle⁶. One of PCI's current goals is to demonstrate that LA/JA creates multiple opportunities including collaboration, scale-up of deforestation free corporate supply chains, exchange of information among key stakeholders and an integrated monitoring framework within the jurisdiction.

To increase engagement CDP and ISEAL⁷ will work together to accomplish the collective goal of providing companies with a clear pathway to support and invest in credible JA initiatives that will help address critical sustainability issues. By working together, both organizations aim to ensure that jurisdictions and the companies that source from them can report on progress using a consistent, credible, and clear framework. CDP and ISEAL have worked together with the PCI Initiative to better understand the challenges and opportunities faced by jurisdictional approaches initiatives.

3 Source: <https://www.globalforestwatch.org/topics/climate/#intro>

4 Observatório do Clima (2020). Greenhouse Gas Emission and Removal Estimating System (SEEG) 2020. Retrieved from <http://plataforma.seeg.eco.br/map>

5 For more information about 'Enabling JA to halt deforestation' project follow: <https://www.cdp.net/en/forests/projects#EJA>

6 The number of companies disclosing their engagement on LA/JA through CDP increased 74% between 2020 and 2021. However, understanding and clear engagement in LA/JA remain low and highly focused on a few geographic areas. For more information see: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/971/original/CDP_Global_Corporate_Report_on_Forest_Jurisdictional_Approaches.pdf?1638207724

7 ISEAL supports ambitious sustainability systems and their partners to tackle the world's most pressing challenges. With a focus on credible practices, they advance scalable and effective solutions that make a lasting impact. Through our work to drive collective efforts, they make markets a force for good. For more information: <https://www.isealliance.org>

PRODUCE, CONSERVE AND INCLUDE (PCI) IN CONTEXT

Mato Grosso state:

Mato Grosso is a Brazilian state producing the largest volumes of soy and corn. Together, soybeans (32.4 million tons) and corn (31.3 million tons) account for more than 90% of the country's total production and cover an area of more than 15 million hectares in 2019/2020⁸. The state also has the largest cattle herd in Brazil, with over 32 million cattle⁹. These numbers contribute to the state being the leading exporter in the Brazilian agribusiness, (USD 16.6 billion in 2019 MDIC, 2019), accounting for 17.3% of the national total¹⁰. Although over 60% of the land is occupied by native vegetation, controlling illegal deforestation remains a challenge as demand for certain commodities grows. From August 2019 to July 2020, Mato Grosso lost 2.4 mil km² of native vegetation on the Amazon and Cerrado biomes, the state with the second-highest deforestation rate in the Amazon.



Mato Grosso agricultural area

**15 million
hectares**

Why is Mato Grosso a relevant state for jurisdictional approach implementation?

Three Brazilian biomes are present in the Mato Grosso state: Amazon, Cerrado and Pantanal, within a territory of 903,366km² – approximately the size of Germany. Native vegetation covers 62% of the territory. Besides its environmental features, Mato Grosso is a key jurisdiction for commodities production at the national and international levels. It has the biggest soy, corn and cotton production and the largest cattle herd in the country. The adoption of low-carbon agriculture practices at a large scale and the fight against illegal deforestation are key issues on the State agenda.

Source: <https://www.pcimt.org/index.php/pt/institucional-pt/estrategia-pci-pt/11-departamentos-pci/institucional/88-porque-mato-grosso>

Background on the PCI Institute:

The PCI Institute was launched in 2015 during the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties 21 (COP21). The PCI Institute brings together government agencies, civil society organizations, rural producer organizations, and companies to help respond to Mato Grosso's multi-faceted challenge of maximizing commodity production and reducing deforestation rates.

Despite the PCI Institute being a relatively new initiative, it can already demonstrate the impact of JA. For example, the [PCI monitor website](#) (more information chapter 2e) tracks the deforestation rates in the Amazon Biome, among others. According to the PCI Strategy, Mato Grosso is expected to reduce deforestation from 5,714 km² per year (average rate between 2001-2010) to a maximum of 571 km² per year in 2030. This would be a 90% reduction in deforestation. In 2018, deforestation was already 74% lower than the 2001-2010 baseline.

⁸ Source: <https://www.pcimt.org/index.php/en/institutional-en/the-pci-strategy/16-institutional/118-why-mato-grosso>

⁹ Source: <https://sba1.com/noticias/noticia/15523/Mato-Grosso-continua-na-lideranca-com-o-maior-rebanho-bovino-do-pais>

¹⁰ Source: <https://www.pcimt.org/index.php/en/institutional-en/the-pci-strategy/16-institutional/118-why-mato-grosso>

Produce, Conserve and Include (PCI) goals

The shared vision established between the PCI stakeholders is based on three principles with specific key performance indicators (KPI).

1. **Produce:** Expansion and efficiency increase from cattle, agriculture, timber, and biofuels production. Productivity increase is a key target as will allow the expansion of agricultural production without no further deforestation in MT.

Examples of KPI: Recover 2,5 million hectares of low productivity pasture areas until 2030; increase cattle productivity from 57 to 116 kg/ha/yr; increase grain production from 50 to 125M tons by 2030.

2. **Conserve:** Conservation of native vegetation and restoration of degraded areas.

Examples of KPIs: Reduce deforestation in the Amazon biome by 90% by 2030; eliminate illegal deforestation by 2030.

3. **Include:** Socio-economic inclusion of family farming and traditional population.

Examples of KPIs: Land-tenure regularization of 70% of family-farming producers by 2030; increase the participation of family farming products in the National School Feeding Program (PNAE) to 30% by 2030.

Source: <https://pcimt.org/index.php/en/institutional-en/the-pci-institute>



Mato Grosso and the PCI Institute in an international context:

Mato Grosso is a trifecta jurisdiction¹¹ a term coined to designate cases of overlap between JA, REDD+¹², and private sector commitments such as certifications and zero deforestation initiatives for commodities (soy, cattle, cocoa, palm oil, wood, and cellulose). Funding provided by international cooperation, through REDD+, was essential for establishing the PCI Institute and implementing its first activities such as meetings and workshops with multiple stakeholders for defining collective goals. At the same time, several companies operating in Mato Grosso joined the Soy Moratorium and aligned with the JA strategy of the PCI Institute. Trifecta strategies provide several benefits:

- ▼ Coordinated and integrated strategies for free-deforestation commodities.
- ▼ Multistakeholder partnerships.
- ▼ Cooperation at the jurisdictional level among public and private actors.
- ▼ Coordination of local actors and private sector entities that can help strengthen governance and efforts to find long-term solutions for deforestation.
- ▼ Alignment of the benefits and objectives of the different stakeholders for JA and REDD+ programs.

In October 2021, Mato Grosso announced its commitment to climate neutrality, based on the recently launched Decarbonization Trajectories for Mato Grosso. This allowed the state to formalize its commitment to the 'Race to Zero' campaign. The state's emissions reduction target has now been incorporated into the PCI Strategy's set of goals. The achievement of PCI goals and Mato Grosso's net-zero target is intrinsically connected to the state forest conservation goals and the scalability of corporate climate action, especially from the agribusiness companies.



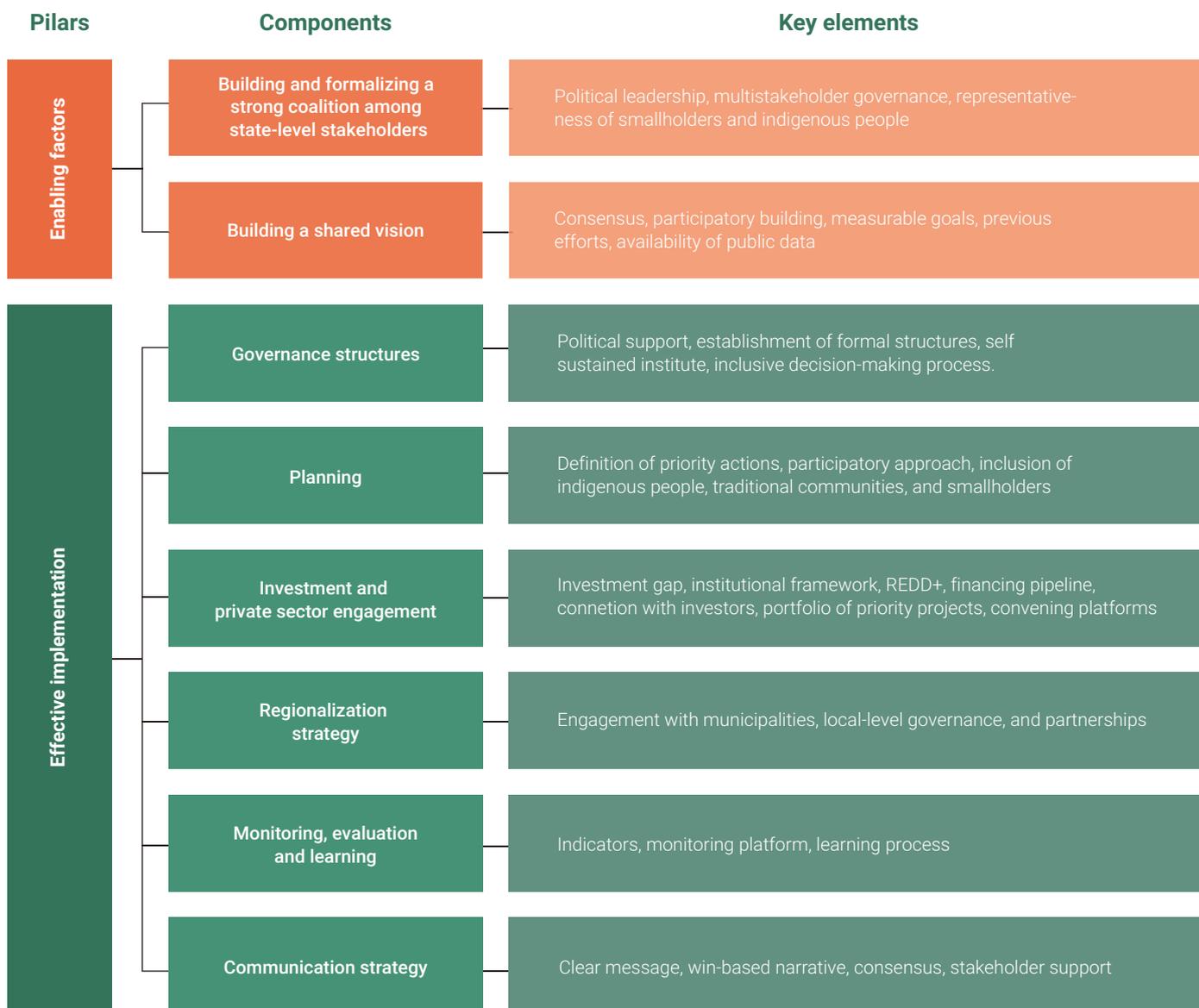
¹¹ Umunay et al. (2018, October 02). Trifecta of Success for Reducing Commodity-Driven Deforestation: Assessing the Intersection of REDD+ Programs, Jurisdictional Approaches, and Private Sector Commitments.

¹² For more information: <https://redd.unfccc.int/>

SECTION 2
HOW MATO
GROSSO
SUCCESSFULLY
IMPLEMENTED A
JURISDICTIONAL
APPROACH

Mato Grosso's JA has been in operation for six years and as such the PCI Institute has valuable insight to share. The Mato Grosso case study can be evaluated through two lenses, one assessing the role of enabling factors and another looking at effective implementation. Breaking the case study down into these two categories allows us to share lessons learned.

Figure 1. Factors from the PCI Institute that have helped execute a Jurisdictional Approach Strategy



PILLAR 1

ENABLING FACTORS

The Mato Grosso case study demonstrates that the existence of an enabling environment created by the government and multiple stakeholders (including federal and international) is vital. The support from the Mato Grosso state facilitated the formation and maintenance of the PCI Institute. The launch of the PCI's Strategy which lead to the implementation of the JA was only possible due to the leadership of the Mato Grosso state.

The timeline below exemplifies the power of state support as well as the need for input from multiple stakeholders. Thanks to the momentum created by galvanizing multi-'stakeholders' actions in the jurisdiction and the support from the state, it was possible to convene a group of stakeholders to develop a JA with shared goals for production, conservation and inclusion of society.



State-level policies

Between 2007-2009, Mato Grosso's government reinforced state-level conservation policies, significantly reducing deforestation in the jurisdiction. However, it is important to emphasize that those conservation policies had no compensation or incentives for landowners, e.g. payment for ecosystem services programs, nor the governments – e.g. REDD+ programs.



Corporate Commitments

In 2010, the consumer goods forum (CGF) issued a resolution to achieve net-zero deforestation by 2020 in key commodity sectors, including soy and beef, sending a positive signal for the government to implement more ambitious forest policies¹³.



Laws and Regulations

Brazilian native vegetation protection law was defined (Forest Code) in 2012. In 2013 Mato Grosso approved the REDD+ system into state law¹⁴.



International community

Between 2014 and COP21 in December 2015, several multi-sector dialogues and field projects connecting production and conservation led by producers' organizations and NGOs in Mato Grosso took place. In 2014, the New York Declaration of Forests additionally spurred renewed commitments from corporates and subnational governments.



Subnational political leadership

The support and political buy-in at the highest level, meaning Governor's Office, is critical to gather the first supporters and attract the early resources and funding.



¹³ Source: <https://www.theconsumergoodsforum.com/blog/2017/04/12/implementing-and-scaling-up-the-cgf-zero-net-deforestation-commitment/>

¹⁴ Some of the most important JA initiatives have emerged thanks to financial instruments, such as the Reduced Emissions from Deforestation and Forest Degradation (REDD+) and other payment programs for environmental services, which allow the transfer of resources based on results in reducing deforestation within a given jurisdiction.



Building and formalizing a strong coalition among state-level stakeholders

Jurisdictional approaches rely on a strong coalition between the most relevant stakeholders acting within the jurisdiction and strong political leadership. JA should represent the interests of social groups with less political and economic power. These stakeholders can be brought together to implement a shared vision for the territory that provides resilience against political transitions. Despite the change of political leadership in the state, the coalition of stakeholders engaged in the PCI Institute managed to secure the support of the new state government and maintain support from the public, private sector, and civil society.

The multi-sectoral governance of the PCI initiative was formally recognized by the establishment of the PCI Institute in 2019. The Institute is autonomously managed and governed by the actors who participate in the JA. The new government – the Mauro Mendes governor administration started in 2019 – officially recognized this structure as an instrument for implementing JA and related public policies. The establishment of multi-stakeholder governance structures, such as the PCI Institute, were key to the smooth political transition (which allows for the completion of medium and long-term goals).



Building a shared vision around sustainable development

The value of a shared vision is to ensure actors in the jurisdiction reach a consensus and determine the collective goals around sustainable development. In Mato Grosso' the shared vision focused on the sustainable development of the jurisdiction; and adopting measurable and time-bound goals that represent the different views and interests of all involved stakeholders. The PCI Institute integrates existing policies, builds on previous efforts to reduce deforestation, and expands compliance with the Forest Code.

The PCI's vision for Mato Grosso is to achieve social and economic development through the sustainable use of the territory for example:

- ▼ **Implement proper agricultural practices** within existing productive areas such as pasture intensification for sustainable cattle ranching, integration systems of livestock, agriculture and timber (iLPF), integrated pest management techniques (MIPs), and others.
- ▼ **Protect remaining native forest vegetation** of the Amazon, Cerrado and Pantanal biomes of Mato Grosso, restoring native vegetation areas for environmental compliance (Brazilian Forest Code), reducing forest degradation and forest fires, and PES incentives in areas liable for legal deforestation.
- ▼ **Improve local livelihoods:** Engage with family agriculture producers, indigenous peoples, and traditional communities to demonstrate how the PCI Institute can promote better life conditions.
- ▼ **Integrate the agribusiness sector:** One of the the PCI Institute pillars is to make agribusiness a relevant actor in conserving native vegetation in private areas; this will help meet sustainability commitments in supply chains and expand markets. In addition, this will allow the creation of opportunities around REDD+ and promote economic development and social inclusion for small farmers and indigenous and traditional communities.

PILLAR 2

EFFECTIVE IMPLEMENTATION

The experience of Mato Grosso shows that the below criteria is critical to the effective implementation of a JA:

- ▼ a formalized **governance structure** that facilitates the implementation and decision-making process,
- ▼ a robust and **participatory planning process** that results in a JA strategy with the implementation actions from different sectors,
- ▼ investments and **financial capital flow** from multiple sources including the private sector,
- ▼ a plan to **regionalize the strategy** of the JA through engaging with smaller administrative levels of operations (such as municipalities or districts),
- ▼ robust **monitoring, evaluation and learning system**,
- ▼ a **communication strategy** to maximize impact by sharing outcomes.

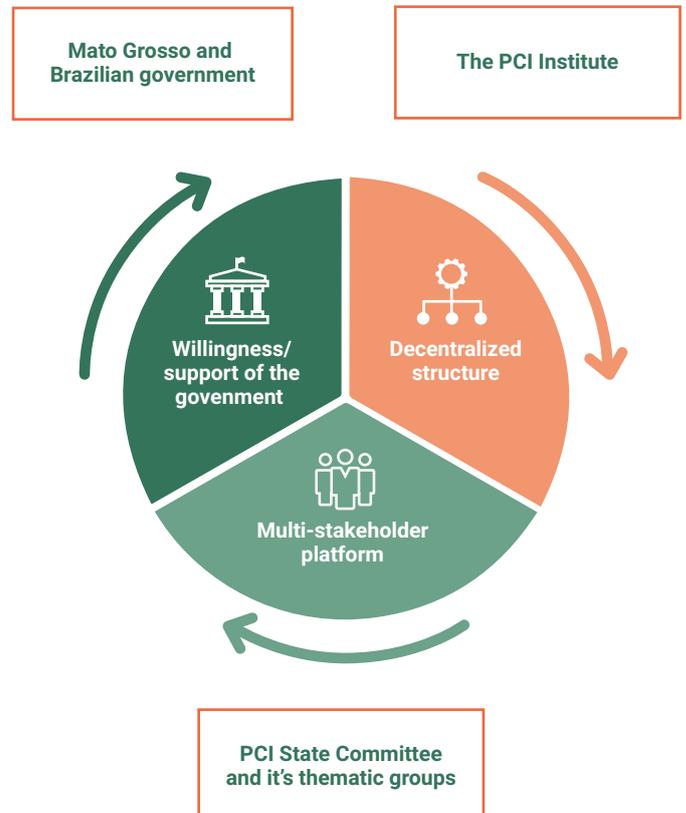


Governance structure

The first step in the PCI Institute implementation was formalizing the coalition of stakeholders, via State Decree. This created the PCI State Committee (CEEPCI – Comitê Estadual da Estratégia PCI), with four constituencies: government departments, producer organizations, private sector, and civil society. The formalization of the PCI Institute required the support of Mato Grosso's government and stakeholders. Linked to the strategic cabinet of the Mato Grosso government, the secretariat structure was financed by IDH, one of the PCI's early supporters. In addition, an executive director was hired to facilitate the implementation. This allowed the initiative to have an exclusive focal point for articulating all 'stakeholders' contributions to the PCI Initiative.

A formal governance structure is key for implementing and achieving long-term goals. JAs are usually led or co-led by subnational governments. Therefore it is important that the JA governance structure can withstand political cycles so as not to undermine the collective and long-term goals strategy. This allows for the consolidation of a long-term policy through a governance instrument that is transparent, inclusive, shielded from political preferences, and flexible enough to serve as a mechanism for financing PCI-related policies.

Figure 2. Example of good governance cycle from the Mato Grosso case study



Establishment of the PCI Institute was one of the prior actions listed by the World Bank, as part of the environmental pillar of a Development Policy Loan (DPL) project of US\$ 250 million. Establishing an insulated and decentralized multi-stakeholder governance structure is an asset for donors as it provides both institutional and legal guarantees for the funding provided. Other Brazilian states have followed the PCI Institute's example by establishing insulated funds or figures to attract international and multilateral donors.

As specified in its statute, the PCI Institute's mandate is to advise on public policies, measures, and technical and financial incentives to create an environment for Mato Grosso to attract donors and investors. Moreover, the

institute has to provide technical assistance in generating a robust monitoring, reporting, and verification (MRV) system to evaluate the programs and projects implemented under the PCI strategy. Mato Grosso's government appoints the PCI institute to perform these functions on behalf of the state.

It is also essential that the governance structure has early supporters capable of sustaining its early development. The PCI Institute has been supported by the IDH and the REDD+ Early Movers Program. Still, other partners such as CDP, ISEAL, Tropical Forest Alliance, GIZ, Instituto Centro Vida, and its members have supported the PCI Institute development processes.

Planning

An essential step for the effective implementation of a JA is planning. **Planning involves creating an action plan, through a collaborative discussion among actors and setting priorities to achieve a shared vision.**

In the planning process for Mato Grosso, the first step that the PCI Institute followed was to make an analysis of actors, projects, and existing initiatives. More than 200 initiatives from government programs, companies', producers' and NGOs existed. A road map with 25 key actions divided into 105 steps was created from more than 70 proposals and implementation alternatives from different sectors around priorities. Five cross-cutting themes were defined as cornerstones for the PCI strategy:

- ▼ **Financing mechanisms** to increase access to credit and to compensate conservation.
- ▼ **Environmental compliance and forest restoration** registry and validation of rural properties and restoration of degraded areas.
- ▼ **Land tenure regularization** as one of the enabler conditions for market stability.
- ▼ **Establishing markets** for the socio-biodiversity products as well as for commodities for both the regional and the international buyers
- ▼ **Technologies and production best practices** increase productivity and reduce negative impacts through innovation and promote a low carbon economy.

Although there has been progress around the implementation of the above actions, a key lesson learned was the need to differentiate actions based on the level of external involvement (like regulations that need to be passed, or building capacity inside the government, for instance), and actions that were needed at the landscape level (like technical assistance or recovery of private degraded areas, where the need is to gain scale).



Investments and private sector engagement

Financial capital and investment are a major challenge for every JA, and in order to solve the issue, resources must be combined and strategically applied, including governmental budget, rural credit lines, de-risking facilities, international cooperation resources, and of course, private investments. The PCI Institute was founded to coordinate the dialogue between donors and investors and raise resources necessary to transition to sustainable, low-carbon agriculture.

Mato Grosso's existing agriculture and livestock production transition to low carbon standards requires substantial investments. At the PCI launch, costs were estimated at R\$39 billion (US\$11 billion) until 2030. In the later study 'Unlocking Forest Finance', GCP and IPAM¹⁵ found that R\$46 billion (US\$13 billion) was closer to the amount needed to transition Mato Grosso's main supply chains to low carbon models and protect forests.

In 2021 the PCI Institute coordinated a study from the International Sustainability Institute (IIS) to understand the finance gap as well the available instruments to finance the PCI Institute implementation by 2030.

Initial Funding: 2016 - 2020

The results indicated that from 2016 to 2020 a total of **R\$ 16 billion** (or US\$3.2 billion) was needed and therefore raised from 135 government-funded projects and actions (including rural credit) related to the PCI Strategy goals.

Funding Gap: 2020 - 2030

The study also estimated a finance gap of **R\$150 billion** (US\$30 billion) would be required to fully finance the PCI Strategy implementation by 2030. **Roughly 80% of the finance gap in the PCI Institute needs to be filled by the private sector** (mostly for pasture restoration, planted forests, cattle productivity increase, and restoration of legal reserves and riparian areas).

The remaining 20% needs to be funded from other sectors and under the responsibility of Mato Grosso state, the main activities include: land tenure regularization, deforestation control, technical assistance for smallholders, management of protected areas, and increase compliance with the Forest Code.



¹⁵ Source: https://www.researchgate.net/publication/328562903-Instrumentos_financeiros_para_a_agricultura_sustentavel_O_estudo_de_caso_do_Mato_Grosso

Since its launch, PCI has mobilized different partnerships driving investments to support the JA Strategy. IDH was one of the early investors in the PCI Strategy, including investments to increase the government capacity and to support field projects. Additionally, Mato Grosso's legislative support, and the REDD+ system enabled the state and PCI to access certain important financial resources, such as the REDD+ Early Movers program.

The REM program, funded by the German development bank KfW, and co-financed by the United Kingdom, was designed also to support PCI goals.

The PCI Institute intends to find committed buyers and businesses in key supply chains of Mato Grosso and engage with them to promote progress at the landscape level.

In September 2018, during the Global Climate Action Summit in California, the PCI Institute launched the Corporate Action Group. The purposes of the PCI Corporate Action Group are:

- ▼ To align corporate commitments with the JA in Mato Grosso.
- ▼ To be a channel for companies to provide feedback on the PCI strategy from a corporate perspective.
- ▼ To provide a venue to facilitate corporate engagement in on-the-ground projects; or other opportunities to support the PCI goals.

The Corporate Action Group and the companies involved in the PCI Institute also help design the programs and projects that make up the PCI Institute financing pipeline. And this drives more corporate engagements on JA. For example, companies like Carrefour immediately aligned their sustainability strategy to the PCI goals. To date, JBS, Cofco, the Soft Commodities Forum, Bayer and other companies are now engaged in the PCI-related projects because of this effort. The establishment of this working group enhances the exchange of information, lessons learned, and supports the corporate stakeholders' view with the PCI Institute.

In 2022 the PCI Institute, with support of the ISEAL, will be releasing an update on the PCI Pitchbook for investors and corporations interested in investing in Mato Grosso.

The Pitchbook will contain various projects and initiatives that have the potential to scale-up, thus helping speed-up the PCI strategy implementation on the ground. The current PCI Pitchbook, published in 2019 with the support from the Environmental Defense Fund can be found here: [PCI-PitchBook-final-online.pdf \(edf.org\)](https://www.edf.org/pci-pitchbook-final-online.pdf)

Lastly, the State of Mato Grosso is a member of convening platforms such as the Tropical Forest Alliance and the Governor's Climate and Forests Task Force (GCF Task-Force). The engagement in those platforms has supported the state to connect the jurisdiction to new markets and investors. However, the main challenge remains in defining the institute's business model and financial sustainability in the long term.



The importance of a regionalized strategy

It is crucial to gain local communities and municipalities' buy-in and in a jurisdiction as large as Mato Grosso, with great socio-economic and environmental diversity that shares responsibilities with other federative entities, recognizing the diversity of issues, especially related to the social and economic agenda is of paramount importance.

The PCI Institute has been working with the State Sustainable Municipalities Program to disseminate the JA among municipalities in Mato Grosso. As a result, along with IDH, the PCI municipal compacts¹⁶ have been designed in some localities, the **municipal compacts** are an innovative way of implementing multilevel governance connecting municipal and state-level goals. However, to date, this governance structure is still not officially connected to the PCI Institute.

Currently, the PCI Initiative has compacts in the municipalities of Barra do Garças, Sorriso, and Juruena Valley; and a fourth compact is currently under construction in Tangará da Serra. Each region has its own governance and targets (derived from the PCI overall goals and specific to the region). The governance structure and the detailed goals of the PCI compacts are available at: www.pcimt.org.

JA strategies need to have compatible objectives with the overall region to which it belongs. For example, the PCI regional compacts fit into the state-level the PCI strategy as they connect local action, demands, and opportunities with the state, bringing more investment and partners. In addition, the PCI compacts are ways to accelerate change in the territory and engage with relevant stakeholders such as local communities, producers, companies, and buyers.



Monitoring, evaluation, and learning

A robust JA requires a monitoring & evaluation system. Both time (to agree with all stakeholders) and investment (to fund the platform and data analysis needed) need to be considered when developing a comprehensive monitoring & evaluation system.

Tracking information is critical to learn and understand what areas are progressing and what areas need more attention. The CDP questionnaires for corporates, states and regions, contribute to facilitating monitoring and reporting on JAs.

The PCI Initiative understood the value of measuring progress, identifying hotspots for informed action and decision-making in Mato Grosso, and the potential to demonstrate results. Information is vital for negotiating and making decisions. Stakeholders need to transform aggregated data into insight that will help support policy decisions and designs. All data gathered from monitoring tools should be transparently shared among the key stakeholders and accessible to all citizens in a public repository and through participatory processes¹⁷.

A Monitoring Committee from the PCI Institute developed indicators that aligned with their strategic goals and helped to track progress. In addition, a monitoring platform (pcimt.org), with a PCI dashboard, is in place to provide information to stakeholders interested in Mato Grosso Jurisdiction. This provides investors, companies, civil society, and government authorities confidence and transparency in the evolution and tracking on progress of the JA.

¹⁶ A compact for Mato Grosso, is a jurisdictional approach model at the municipal level that is also contributing to the achievement of the JA at the state level, through the municipal implementation.

¹⁷ <https://www.icv.org.br/2021/03/publicacao-mostra-avancos-da-estrategia-pci-em-mato-grosso/>

Table 1. Monitoring indicators for the PCI Institute

PCI	Number	Goal	Indicator
Produce	1	Recover 2.5 Mha of low-productivity pasture areas by 2030	▼ Hectares
	2	Increase livestock productivity to 116 kg/ha/year by 2030	▼ kg/ha/year
	3	Expand the grain area in degraded pasture areas to 14.69 million hectares by 2030	▼ Grain area (soybean) ▼ Agricultural area of the reference year that overlaps the pasture area of the previous year
	4	Increase grain production to 125 Mton by 2030	▼ Mton/year
	5	Expand the area under sustainable forest management to 6 Mha by 2030	▼ Area under Sustainable Forest Management Plan (PMFS)
	6	Increase planted timber production to 11.75 Mm ³ by 2030	▼ Volume of forestry production
	7	Expand the area of planted forests in areas already open to 800,000 ha by 2030	▼ Planted forest area ▼ Area planted with eucalyptus and teak in areas already open
	8	Expand the area under sustainable forest management to 6 Mha by 2030	▼ Biodiesel production from beef tallow, cottonseed oil, others (thousand cubic meters) ▼ Corn ethanol production (thousand cubic meters) ▼ Sugarcane ethanol production (thousand cubic meters)
Conserve	9	Conserve 60% of the native vegetation coverage from the State of Mato Grosso	▼ Proportion of the state area covered by natural vegetation ▼ Secondary vegetation area
	10	Reduce deforestation in the forest by 90% by 2030, being 84% by 2024 having as a reference the baseline: 2001-2010 (PRODES) of 5,714 km ² , reaching 571 km ² /year by 2030	▼ Area of deforested vegetation mapped by Prodes Floresta ▼ Reduction percentage from baseline
	11	Reduce deforestation in the Brazilian Cerrado by 95% by 2030, being 83% by 2024 based on the baseline of 3,016 km ² (SEMA), reaching 150 km ² /year by 2030	▼ Area of deforested vegetation mapped by Prodes Cerrado ▼ Reduction percentage from baseline

PCI	Number	Goal	Indicator
Conserve	12	Eliminate illegal deforestation by 2030	<ul style="list-style-type: none"> Area of Amazon deforested without authorization from the state Cerrado area deforested without authorization from the state % of unauthorized deforestation over the total
	13	Reduce spots with heating alerts by 30% compared to the reference period from 2010 to 2019 (28,300 hotspots) by 2030	<ul style="list-style-type: none"> Spots with heat alerts
	14	Eliminate illegal logging by 2030	<ul style="list-style-type: none"> Percentage of illegal logging/year without authorization in the state
	15	Conserve 1 million ha of area that can potentially be in the legal deforestation criteria	<ul style="list-style-type: none"> Preserved area subject to legal deforestation Area subject to legal deforestation receiving some economic incentive (in hectares)
	16	Register 90% of rural properties (CAR in its Portuguese acronym) by 2024	<ul style="list-style-type: none"> Registered CAR area in relation to registerable area
	17	Validate 90% of CARs by 2024	<ul style="list-style-type: none"> CAR area validated in relation to demanders
	18	Regularize 1 million ha (100%) of permanently degraded protection areas (APP in its Portuguese acronym) by 2030	<ul style="list-style-type: none"> Degraded Permanent Preservation Area with agreement signed
	19	Regularize 5.8 million ha (100%) of Legal Reserve, with 1.9 million ha for recomposition, by 2030	<ul style="list-style-type: none"> Degraded Legal Reserve Area with agreement
	Include	20	100% adhesion of municipalities in SEIAF by 2030
21		Increase the Gross Value of Family Farming Production from 1.2 billion to R\$2 billion by 2030	<ul style="list-style-type: none"> Gross Value in Brazilian Real per year
22		Increase participation of family farming products in the National School Feeding Program (PNAE) to 30% by 2030	<ul style="list-style-type: none"> Share (%) of Family Farming products sold in the PNAE / total Total value of family farming products sold in the PNAE (R\$)
23		Increase access to credit to Pronaf from R\$882 million to R\$1.3 billion/year by 2030	<ul style="list-style-type: none"> Amount of financing accessed by family farming in the state Number of PRONAF contracts Proportion of active DAP over the family farming population
24		Carry out land regularization of 70% of family farming lots by 2030	<ul style="list-style-type: none"> Proportion of titled lots in federal settlements Proportion of titled lots in state settlements



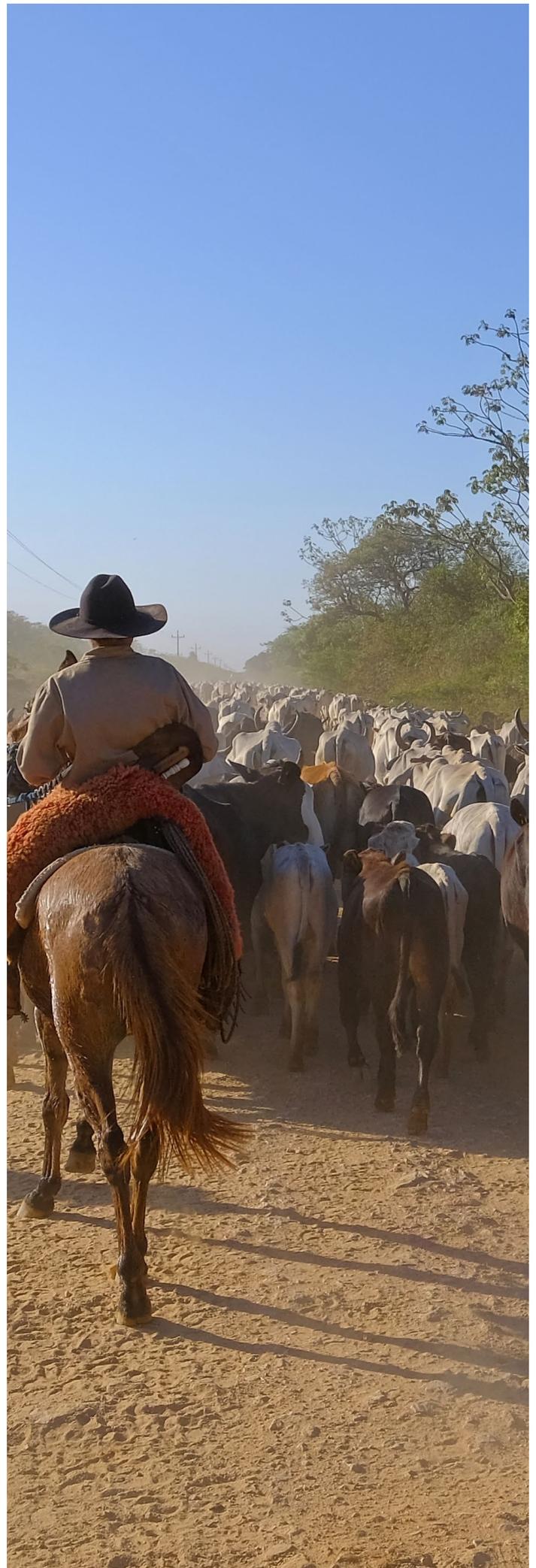
Communication strategy

Communication is critical for successful JAs it impacts governance, stakeholder engagement and monitoring.

JA objectives can be difficult to communicate, due to the tendency to work in silos and sectorize the landscape. Therefore, it is essential to have a comprehensive communication strategy. Additionally, communication and capacity building are key in negotiating and uniting the visions of different key stakeholders, by focusing on the shared goals rather than on individual stakeholders' interest.

In the case of Mato Grosso, the need for a communication strategy was overlooked, mainly due to lack of funds. However, the initiative was still able to be promoted by multiple-stakeholders, including the State Government, TFA, and GCF-task force. This gave the PCI institute more trust and visibility that helped attract local and international investors.

Despite its growth in popularity, many questions remain surrounding JA initiatives. Therefore, it is and will continue to be necessary for Mato Grosso and other JAs to define clear messages, based on what each group of stakeholders expects from the JA.



SECTION 3

CONCLUSION

The PCI Institute was created to reduce carbon emissions through the control of deforestation and promotion of a low carbon economy. The PCI Institute also aims to achieve socioeconomic and sustainable development in Mato Grosso. If the initiative can source the investment it needs, the Mato Grosso State will be able to reduce 6 gigatons of CO₂, increase environmental regulation, increase agricultural GDP by R\$5 billion and improve social inclusion for more than 100,000 family farmers, demonstrating the value of an effective JA. The learnings presented in this case study were broken down into two pillars, **enabling factors and effective implementation:**

PILLAR 1

Enabling factors

Enabling factors are the permanent conditions across the planning cycle (analysis, design, implementation, monitoring & evaluation, adaptation) needed to guarantee a subsequent successful strategy implementation. In this report, we highlight the factors that allowed for the successful implementation and establishment of the PCI Institute, such as the importance of high-level political support and formalization of the JA's establishment and the adoption of a shared vision engaging representatives from the private sector and civil society. Furthermore, the enabling factors of Mato Grosso's JA are closely linked with the establishment of the PCI Institute by providing a decentralized governance structure to coordinate several sectors and stakeholders towards the common goals.

PILLAR 2

Effective implementation

The effective implementation of a JA relies on enabling factors, and this pillar is focused on the processes and good practices that the PCI Institute followed to implement its strategy. The key components identified for an effective JA implementation include: to have a governance structure with clear definitions of roles and responsibilities for implementing the JA that includes a multi-stakeholder platform and is supported by the state government, to have a robust planning process, to regionalize the strategy by connecting with on-the-ground specificities, the need for investment and capital flow, monitoring and evaluation tools, and a communication strategy.

There is still a lot to be done to reduce deforestation rates and deliver socio-economic benefits in forest ecosystems. However, it is undeniable that the leadership of subnational governments in conjunction with commitments from the private sector is key to fighting deforestation and ensuring the sustainable development of regions in the short, medium, and long term.

To that end, in 2021 the PCI Institute partnered with ISEAL to create a pilot analysis, with the aim to develop guidance on monitoring, verification, claims and metrics to assess performance. Instituto Centro Vida (ICV), a key PCI partner, has delivered (i) an assessment of the PCI monitoring framework, (ii) a plan to strengthen the PCI's monitoring program and (iii) a map of companies operating in Mato Grosso and engaging with PCI. Those activities implementations were based on the ISEAL guidance on Credible Jurisdictional Claims¹⁸ the results of which will be published shortly.

CDP will be leveraging the work of ISEAL, ICV and the PCI Institute in its future work on the alignment of disclosure from corporates, states and regions to incentivize, support and report on efforts to frame the path towards credible jurisdictional approaches and monitoring of progress from all stakeholders. This will be building on the new metrics in questionnaires. CDP will also continue its engagement work with subnational governments, companies, and supply chains. Disclosure is the first step on a journey to better understand environmental actions that lead to accountability for investors, policy-makers, and consumers. Ultimately, actions should be compatible with a net-zero and resilient scenario.

18 <https://www.isealliance.org/about-iseal/our-work/jurisdictional-monitoring-and-claims>

Authors

Fernando Sampaio
Miriam Garcia
Norma M. Pedroza-Arceo

Acknowledgements

Thomas Maddox
Rebeca Lima
Nadia Bishai
Ricardo Woldmar
David D'Hollander
Patrick Mallet

Communications

Maddy Bravery
Brenda Couto
Henry Fogarty

CDP Worldwide

4th Floor
60 Great Tower Street
London EC3R 5AZ
Tel: +44 (0) 20 3818 3900
climate@cdp.net
www.cdp.net

Supported by: **Walmart Foundation**



ABOUT CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 590 investors with over \$110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 14,000 organizations around the world disclosed data through CDP in 2021, including more than 13,000 companies worth over 64% of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative.

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