

ANNUAL REPORT 2023





PREAMBLE

The 2023 edition of the Arapyáú Annual Report is a little different. This time we opted to imbue this project with something more artisanal and artistic. In partnership with Estúdio Arado, we undertook a beautiful journey to reveal a little of the cultural identity that makes the territories in which we operate - the Amazon and the south of Bahia - so unusual. The symbolic visual narrative is enriched with images of these two biomes. In the text produced by Pecan, our communication partner, we decided not to observe a regular reporting format. We chose instead to tell a story: our story in 2023.

Sabrina Fernandes
Communication Manager of the Instituto Arapyáú

SUMMARY



12

Our story in 2023

04

*Message from
the Board*

18

Portrait of the year

06

*Message from the
general director*

19

Balance Sheet

09

*15 years and
a legacy for Brazil*

21

Credits



Roberto Waack
Chair of the Arapyáú Board

MESSAGE FROM THE BOARD

THE ROLE OF PHILANTHROPY IN THE NEW WORLD ORDER

Roberto Waack
Chair of the Arapyáú Board

What should the role of philanthropy be in a world marked by all sorts of uncertainty, by diffuse political forces and by excessive information - and, highly important, misinformation? If the reality is difficult to interpret, it may become even more chaotic with the emergence of artificial intelligence, which is advancing at an unprecedented speed, promising to transform our relations and the way we solve problems.

In the case of Arapyaú, which is dedicated to the climate change agenda, the challenges are even more complex. Known as wicked problems, they do not have delimited boundaries and are difficult to formulate, measure and solve. They are challenges of global magnitude that demand the efforts of diverse actors in different places, demanding joint, coordinated action in pursuit of common goals.

For any organization it is tempting not to change the course of things in response to so many disperse movements, provocations and external stimuli. But it is also intelligent to make room so that choices may be decanted and may mature, leading to effective transformation.

In this respect, there were no major disruptions for Arapyaú in 2023. It was a period to consolidate our strategies and reaffirm our vocations. And this is equally important.

The Institute has evolved a major vocation over recent years: to create and foster networks, a powerful hub for dialogue and the collective construction of initiatives to address the most urgent challenges of our times.

Also worthy of note is knowledge management. In this confusing digital world, our work as a curator of knowledge is increasingly clear, to provide an objective direction amidst the proliferation of sources and misinformation.

This is not actually the production of knowledge, but rather the qualification of discussions for decision making. This is what we have done in the area of forestry reclamation and, more recently,

in science, technology and innovation, aimed at shaping proposals and projects for the sustainable development of the Amazon.

Lastly, 2023 was decisive for our understanding that, given the current context, it is crucial to move on from the model of isolated projects that has always orientated philanthropy worldwide to developmental actions mobilized by networks with a view to promoting systemic impact.

Understanding our role has never been so strategic. In this respect, funding continues to be important but, in many cases, not decisive. Philanthropy's major contribution will be mainly on another level - more qualitative than quantitative, more collaborative and less solitary -, by means of intense articulation with society and greater synergy among the philanthropic institutions themselves.

It is up to Arapyaú to foster broader discussion around the value of the natural capital (forests, oceans, and other ecosystems) that does not yet feature in countries' calculations of wealth and well-being. A country with a natural capital like Brazil's cannot simply say that this capital is worth nothing. If the value of forests were included in the calculation of GDP, Brazil would be one of the main economies in the world. This is a challenge that philanthropy, with its intelligence, resources, and innovation capacity, can address to promote the transformation that the world needs.



Renata Piazzon
General director of the Instituto Arapyaú

MESSAGE FROM THE GENERAL DIRECTOR

A BRIDGE BETWEEN TWO BIOMES

Renata Piazzon
General director of the Instituto Arapyaú

In the year in which it completed 15 years, Arapyaú reached a milestone in its history. The institute that came into being around a conversation in the town of Serra Grande, in the south of Bahia, willing to address the social and economic challenges in one of the most biodiverse territories on the planet, developed a more integrated focus on two biomes: the Atlantic Rainforest and the Amazon.

This integration is crucial because it boosts the impact of the initiatives, elevating Arapyaú's activities to a higher plane. The experience accumulated in Bahia during these years is valuable for what we are beginning to do in the Amazon. The approach of interacting with public policies that we have already fostered in this new region can leverage the actions underway in our territory of origin.

The most concrete example of this connection is the sustainable credit project for cacao producers who were previously at the margin of the financial system. In the first phase, this credit benefited over 200 producers in the south of Bahia, increasing the income of those involved by almost 40%, with a delinquency rate close to zero. The success led to the expansion of the initiative.

With our approval in the BNDES blended finance call for proposals, in 2023 we started to articulate the extension of credit to cacao producers in Pará, repeating the formula of funding allied with technical support in the field. Influence was also exerted in the opposite direction: based on what was learned in the Amazon we started to contribute to the formulation of public policies for cacao, which we understand to be a promising product for Brazil's bioeconomy, with concrete benefits for the economy and for the planet.

2023 also saw the consolidation of the institute's strategy of articulating networks, its major vocation. The Coalizão Brasil, Clima, Florestas e Agricultura (Brazilian Coalition on Climate, Forests and Agriculture) maintained its pace, with positions and contributions that made a difference in the national debate. The Amazon Concertation initiative proved to be an influential network, capable of transforming

dialogue involving over 700 leaders into concrete proposals for the sustainable development of the territory. With less than four years of existence and ahead of schedule, the network is on track to achieve institutional autonomy.

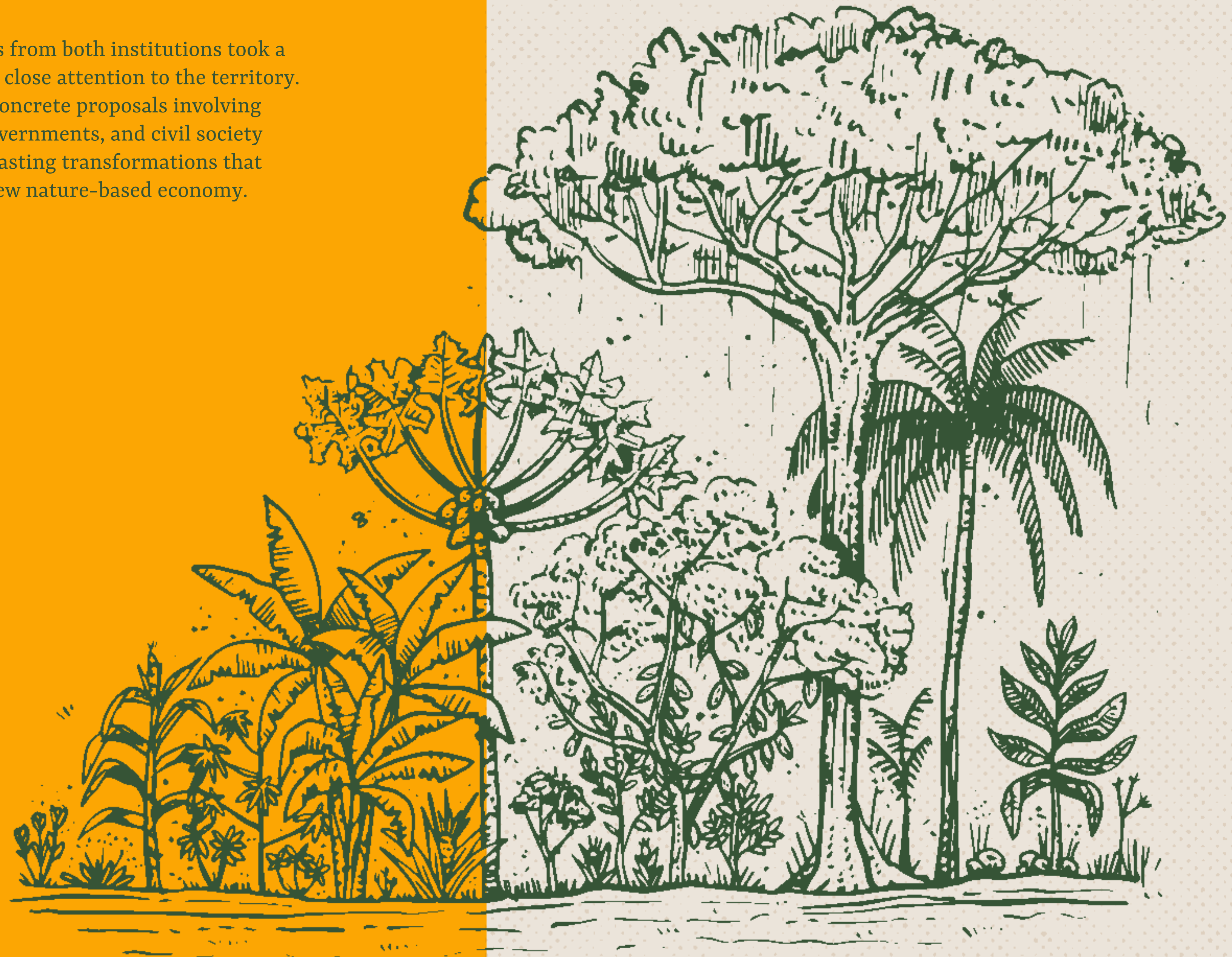
Our support boosted yet another network more rapidly than expected: Conexão Povos da Floresta (Forest Peoples Connection), which has brought rapid internet to over 550 indigenous, quilombola and extractivist communities in the Brazilian Amazon. Promoting connectivity in these territories is part of a vision of fair, inclusive low carbon development in the country. It is Arapyaú's understanding that the climate agenda involves caring for people, a dimension demanding infinite connections. In addition to incubating the project institutionally and providing financial support, Arapyaú played a key role in raising funds and developing a governance structure to enable Conexão Povos da Floresta to progress at this rate.

The networks also proved to be a powerful driver for the emergence of development projects that scale up significantly by involving the private sector, government, and philanthropy. The most emblematic of these is Itinerários Amazônicos (Amazon Itineraries), a program that was conceived in Concertation and is now promoting the Amazon in schools in eight states in the region.

There was also a pleasant surprise in the field of partnerships between philanthropic institutions, something we have always pursued. Together, Arapyaú and Agni embarked on an ambitious initiative to promote the Science, Technology, and Innovation (ST&I) agenda oriented to the forest-based bioeconomy in the Amazon.

Throughout the year, the teams from both institutions took a deep dive into this area, paying close attention to the territory. Shortly, this work will lead to concrete proposals involving academy, the private sector, governments, and civil society aimed at promoting in-depth, lasting transformations that will enable Brazil to lead in a new nature-based economy.

Enjoy reading it!



15 YEARS AND A LEGACY FOR BRAZIL

In the immensity of a forest, each tree is not only an isolated individual but an essential link in the intricate web of life, where diverse species are connected interdependently. In the same way, society has a complex structure in which multiple agents and a diversity of biomes are interrelated. To operate in the Brazilian ecosystem, the Arapyauí Institute acts as a guiding thread, promoting meaningful connections to drive a fair, inclusive, low carbon development agenda in the country.



Aware that change does not arise from isolated efforts, over the last 15 years the institute has developed an innovative approach to philanthropy. Rather than just providing financial support, it promotes connections between civil society, academia, governments, and the private sector. The goal is to achieve a balance between broader activities and the local agenda.

In the beginning in 2008, Arapyaú undertook more isolated, discrete projects. However, it soon became clear that it was necessary to create transformational networks, spaces for the exchange of knowledge, experience, and resources between different actors, resulting in the more effective implementation of larger projects and initiatives.

The networks incubated by the institute have promoted key changes in their areas of activity, examples being the Rede de Ação Política pela Sustentabilidade (RAPS or Political Action Network for Sustainability) from Coalizão Brasil Clima, Florestas e Agricultura, MapBiomass, the Agência de Desenvolvimento Regional

Sul da Bahia (ADR) and Amazon Concertation. Arapyaú participates in the governance of all these bodies.

Networking requires organizations to develop a science, with method, process, and new governance formats. This subject is at the frontier of knowledge: there is relatively little theoretical content and few empirical reports. For this reason, Arapyaú's experience over the years is invaluable.

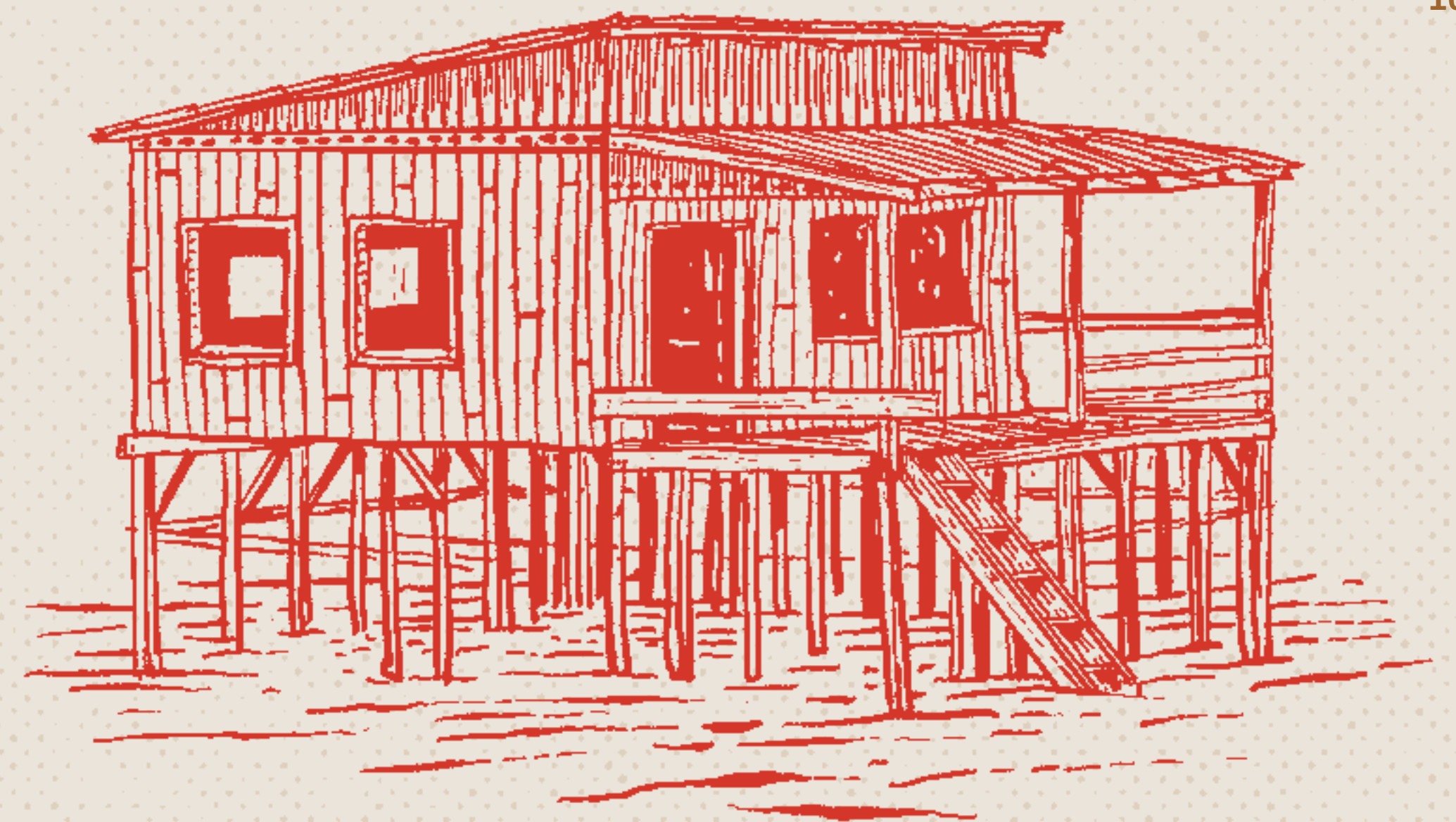
With efforts focused on two main strategies – fostering the incubation of networks and strengthening development initiatives – Arapyaú has cross cutting areas, such as knowledge, communication, incubation, international cooperation, and the mobilization of resources to ensure these fronts promote real transformations.

Another crucial aspect is the institution's impact on the formulation of public policies in diverse areas, including education, environmental conservation, territorial development, and climate change. By means of partnerships,

studies and concrete proposals presented to governments and relevant institutions, Arapyaú has significantly influenced the course of policies aimed at the country's sustainable development.

The knowledge acquired in building networks is one of Arapyaú's greatest legacies in 15 years of activity. By investing in cooperative networks, balancing activities between the national and

local levels and focusing on key questions such as fair, inclusive, and sustainable development and the bioeconomy, Arapyaú is paving the way to effective change.





THE END OF A CYCLE FOR RAPS

After 12 years of significant contributions to the enhancement of the Brazilian political process in pursuit of a fairer country, with greater quality of life for all while respecting natural capital, Rede de Ação Política pela Sustentabilidade (RAPS) announced the end of its project in 2024, the result of a decision that matured throughout 2023.

Emblematic in Arapyáú's history, RAPS was the first initiative incubated by the institute. It showed the importance of democracy for sustainable development and the transformational power of networked initiatives, which blazed the trail for so many other networks that were to come later.

With a multiple-party perspective, it formed, qualified, and encouraged a generation of politicians. The network extended to over 600 leaders nationwide, accounting for 8% of the Brazilian Congress and helping to put sustainability and the climate emergency on the government agenda, as well as promoting proposals that represented advances or prevented setbacks in diverse areas. In the last three years RAPS also received 12 national and overseas awards

for its institutional efforts, ranging from transparency to diversity in politics.

Despite the success of over a decade, the decision to end the cycle resulted from the conviction that organizations should respond to the challenges of their times. Since the foundation of the initiative, the world and Brazil have changed, requiring new ways of acting and the emergence of new institutions. The executive director of RAPS, Mônica Sodré, believes that the coming years will define the role it may play in the world: from the advent of anti-deforestation laws - which will affect our international trade - to food security and the increase in demand for strategic minerals for the energy transition, all of which will impact Brazil. "For this reason, the creation of an organization focused on the climate, capable of working in new ways and specifically with decision makers, will be fundamental for Brazil today and in the future", she states.

OUR STORY IN 2023



FROM CONNECTIVITY TO THE BIOECONOMY:

Arapyaú's work to promote fair, inclusive, and sustainable development in the Amazon and in the Atlantic Rainforest

At the beginning of 2023, the outbreak of the humanitarian crisis in the Yanomami territory laid the neglect around indigenous health bare. We saw hundreds of children and elderly people affected by malnutrition or other treatable diseases. It was this emergency that led the Conexão Povos da Floresta network to define the Yanomami Indigenous Territories as some of the first to receive broadband internet antennas, enabling connectivity and access to essential healthcare services. On the first day the internet was installed, this connection enabled community healthcare agents to communicate with city hospitals and get the necessary medication sent on the next day's flight.



The Yanomami were the starting point for a pilot project which, between March and June 2023, took high speed internet to 31 indigenous, quilombola, and extractivist communities prone to climate or sanitation issues or of difficult access due to drought or flooding. Since then, the program has been scaled up, connecting over 550 communities.

With the aim of connecting 1 million people in more than 5,000 communities by the end of 2025, the Conexão Povos da Floresta (Forest People's Connection) is the largest connectivity initiative for indigenous, quilombola, and extractivist communities underway in Brazil. It is focused on forming a network among all the traditional populations benefited. "We know that, in addition to providing opportunities in telemedicine, distance learning, financial services and the forest economy, connection is fundamental for maintaining these peoples in their territories and helping protect them from invaders - who are fully connected", says Renata Piazzon, Arapyaú managing director.

The most protected areas of the Amazon are those in which the forest peoples live. These are people who conserve more than 120 million hectares of protected areas in the Legal Amazon. A MapBiomas survey found that in the last 40 years less than 1% of the biome's deforestation occurred in these territories, and when it did it was mostly due to invasions or had happened before demarcation.

Financed by companies such as Santander, Itaú, Bradesco, Vale and Hydro and private Brazilian and international philanthropic institutions such as the Bollmer Group, Moore Foundation, Lemelson Foundation and Associação Bem Te Vi, the project is led by three grass roots organizations: the Coordenação Nacional de



Articulação das Comunidades Negras Rurais Quilombolas (Conaq), Coordenação das Organizações Indígenas da Amazônia Brasileira (Coiab) and Conselho Nacional das Populações Extrativistas (CNS), in partnership with over 30 civil society organizations.

The Conexão Povos da Floresta is the absolute translation of Arapyaú's vocation: networking. By bringing together multiple actors to address complex problems, the institute believes it can promote systemic developmental impacts. Although it incubates and fosters these initiatives, the institute's goal is to create environments that enable these actors to work independently and autonomously. "We have ended up developing a kind of network building technology. And today they become independent more and more rapidly", Renata explains.

THE CONCERTATION FLIGHT

Launched by Arapyaú in 2020 and incubated since then, Amazon Concertation prepared to take flight in 2023, with institutionalization currently under consolidation. With an established governance framework and a network of over 700 leaders from different sectors of society, it gained prominence by having 11 out of 14 proposals for an integrated development agenda for the Amazon incorporated into the final report from the governmental transition team's Environmental Working group, with five of them adopted as soon as president Luiz Inácio Lula da Silva's new government took office.

The measures were included in what became known as the “revogaço” (cancellation), a set of 52 decrees and four provisional measures signed by the chief executive to reverse the setbacks in the environmental area over the previous four years. It was the highest number of acts passed in the first 48 hours of a new government since the return to democracy in Brazil.

THE AMAZONS IN THE SCHOOLS

Concertation was also the birthplace of the Itinerários Amazônicos (Amazon Itineraries) project, revealing the network as a powerful space for the articulation of development projects. Executed by the iungo and Reúna institutes and an Amazon Concertation, in partnership with BNDES, Hydro Sustainability Fund, Instituto Arapyaú, Movimento Bem Maior, and sponsored by Vale, the program is aimed at strengthening the school curricula in the Amazons (yes, in the plural!).

Based on ongoing teacher training and curricular units addressing Amazonian subjects in secondary education, the material produced for the project involved the collaboration of young educators, specialists, and teaching networks in the territory. This produced more than 2,600 pages of content in 15 curricular units in the areas of Natural Sciences, Applied Human and Social Sciences, Languages, Mathematics, Life Planning and Technical and Professional Education.

Implemented in April 2023 and adopted in 8 of the 9 states in the Legal Amazon, the project has the potential to impact over 3,300 schools, 56,000 teachers and more than 1 million students. During the course of 2023, more than 25,000 teachers in school networks in the Legal Amazon underwent training in the program. In Pará alone, almost 9,000 educators were impacted.

The materials and teacher training are customized in accordance with the requirements of each of the eight education departments participating in the program. A Biological Sciences teacher in the Acre state network, Luiara dos Reis, had her first contact with the material while teaching at a school in Capixaba, on the border with Bolivia. Following the program, she worked with her students on medicinal plants and Life Planning.

“The work incorporated self-knowledge using trees and the relationship of indigenous peoples with nature, which the students could identify with. More than educating students with content, we are promoting civic awareness. And this material has enabled us to view our community with different eyes and to value it”, says Reis. “The project is completely new, different from what we have always seen, because it is oriented to our local reality, the Amazon. It is opening new doors, changing peoples' way of seeing things, changing lives.”

FEWER PROJECTS, GREATER IMPACT

2023 was decisive for Arapyaú to understand that given the magnitude and complexity of current challenges, it is crucial to move on from the model of isolated projects that has always orientated philanthropy worldwide to development actions mobilized by networks to promote systemic impact.

This was the strategy that guided the investment in Itinerários Amazônicos and drove another ambitious front in the Science, Technology, and Innovation (ST&I) area, which consumed a significant part of the institute's knowledge team's efforts.

Baptized internally as “Strategy to strengthen ST&I in the Amazon bioeconomy”, the purpose of the initiative was to investigate this system in the territory, review public policies, systematize data and, based on this diagnosis, identify priority action fronts and elaborate a set of proposals to advance this agenda.

In partnership with Agni from the outset, the project started by listening to over 70 people, including local actors, specialists in ST&I and bioeconomy from all over Brazil and from the most diverse sectors: science and technology institutes, research foundations, academic institutions, government, companies, banks, and civil society organizations.

“We believe in the potential of the sustainable use of bioingredients to value the forest. And ST&I is a fundamental tool for promoting the economic and social development of the Amazon through the bioeconomy. This is why we are working with diverse partners aimed at strengthening the Science, Technology & Innovation system in the Amazon”, says Pilar Barretto, Agni director of Strategy.

From the outset, the project also had a sounding board, an advisory group set up to guarantee the scale the initiative requires. This group provides insights from the private sector, philanthropy, and science, oriented to the demand for innovation.

The group includes Pedro Bueno (Dasa group board member), Guilherme Leal (co-founder of Natura and Dengo), Cândido Bracher (Itaú board member), Roberto Waack (chair of the Arapyaú board and on the board of

diverse companies), Carolina Genin (CLUA), the scientist Carlos Nobre, Hugo Aguilaniu (Instituto Serrapilheira), Claudio Sasaki (co-founder of Geekie) and Pedro Wongtschowski (chair of the Fiesp Innovation and Competitiveness Board and member of the board of diverse companies and institutions, including Fapesp). The latter two, together with Roberto Waack, are the project mentors.

“Arapyaú embarked on this initiative because it is oriented to the bioeconomy, an increasingly important front for us. We know that without science, technology, and innovation we will not have strong bioeconomies in Brazil”, Livia Pagotto, senior knowledge manager with the Instituto Arapyaú explains. “This is an effort by philanthropy to contribute towards an economy highly aligned with nature, that keeps the forest standing. It is the fortunate conjunction of two key areas for the institute.”

Brazil is the country with the highest potential to lead a natural capital-based economy, capable of generating well-being for its population while preserving and conserving its environmental heritage. The path, however, will be a long one. The Amazon corresponds to around 60% of Brazilian territory, 13% of its population, 9% of GDP, but only 3% of total investments in ST&I, according to estimates.

Pagotto says the initiative does not have the intention of reinventing the wheel or creating something from scratch. “The key concept here is being a bridge”, she states. “It should be understood that there are many initiatives in the Amazon. However good they may be, they are not coordinated, which means dispersed efforts and under-performance.”

SCALING UP CACAO

Based on this desire to drive development, especially in the field of bioeconomy, Arapyaú undertook more ambitious moves in cacao last year. Instead of focusing exclusively on the south of Bahia, the institute started to act also in influencing and co-building public policies for this chain in Brazil, such as the Inova Cacao 2030 Plan, announced by the federal government at the end of last year.

The embryo of this strategy dates from 2020, when a pioneering sustainable agricultural credit project was launched in Brazil: Sustainable CRA (Agribusiness Receivables Certificate in the Portuguese acronym) for cacao. The CRA raised around BRL 1 million, benefiting over 200 smallholders in the territory and boosting average family income by 38%, with a delinquency rate close to zero.

The experience ruptured some paradigms related to the credit model for small agricultural producers, including compliance and productivity, and served as a prototype for an alternative for this type of producer.

“Currently, around 80% of cacao production in Brazil is by small producers. This is a public at the margin of the financial system with difficulty in accessing public policies for production. If we want cacao to be a relevant product in our bioeconomy, we need to look to this smallholder”, says Ricardo Gomes, Arapyaú territorial development manager.

The CRA project was placed first in its category in the BNDES (Banco Nacional de Desenvolvimento Econômico e Social) call for proposals for a new finance model for the bank’s socio-environmental projects: “BNDES Blended Finance”.

Based on this approval, last year Arapyaú prepared the ground to scale up the project, also including producers in Pará. The community-based organization Tabôa, which conceived the program together with the institute and other partners, will receive a BNDES investment of BRL 4 million to finance any losses and to provide technical support for beneficiaries of the next round of credit, scheduled for 2024. The development bank’s facility will enable the project to raise over BRL ten million.

To have an idea what this means within the cacao chain, in 2023 Brazil’s Pronaf Family Agriculture Reinforcement program provided around BRL 13 million for cacao production. “This crop comes in 40th place in the Pronaf ranking”, says Vinícius Ahmar, Arapyaú manager of sustainable development strategy. “Cacao is still not a priority. What philanthropy has done is demonstrate the potential this crop has for the Brazilian bioeconomy.

Brazil is the seventh biggest cacao producer globally. With an annual production of around 200,000 tons in some 600,000 hectares, the target is to reach fourth position by 2030. “Brazil is fully capable of reclaiming degraded pastureland with cacao agroforestry systems and boosting its share in the overseas market. The fact that production is inclusive and sustainable gives us a competitive edge. Around 80% of Brazil’s production comes from agroforestry systems, which generate environmental benefits, mitigate climate change, and conserve biodiversity”, Ahmar concludes.

AMAZON



CACAO FROM PARÁ

With the approval in the BNDES blended finance call for proposals, in 2023 we articulated the extension of credit to cacao producers in Pará.



ST&I AND BIOECONOMY

Arapyauá and Agni initiated a work front to drive the ST&I agenda oriented to the forest-based bioeconomy in the Amazon.



CONNECTIVITY

More than 550 indigenous, quilombola, and extractivist communities subject to climate or sanitation issues or difficult access due to drought or flooding served by Conexão Povos da Floresta.

THE AMAZONS IN THE SCHOOLS

More than 25,000 teachers in public school networks in the Legal Amazon reached by the Amazon Itineraries program.

NETWORKING

Knowledge about building networks is one of the institute's greatest legacies after 15 years of activities, commemorated in 2023.



CACAO

Arapyauá contributed to the development of the Inova Cacau plan, launched by the federal government in 2023.



QUALITY CONTROL

7th largest global producer of cacao, Brazil wants to reach fourth place by 2030. However, beyond quantity, the country pursues advances in quality.



ACCESS TO CREDIT

The BNDES facility will provide BRL 4 million to finance losses and technical support for smallholders in the south of Bahia and in Pará.



NEVER ALONE

Arapyauá acts as a guiding thread, promoting meaningful connections to drive a fair, inclusive, low carbon development agenda for the country.



GLOBAL VISION

Mobilizing international funding for the institute's development initiatives has driven real transformations.



IN THE SHADE OF THE TREES

Cultivated amidst the Atlantic Rainforest with environmental and social benefits, cabruca cacao represents a new chapter in the history of the south of Bahia.



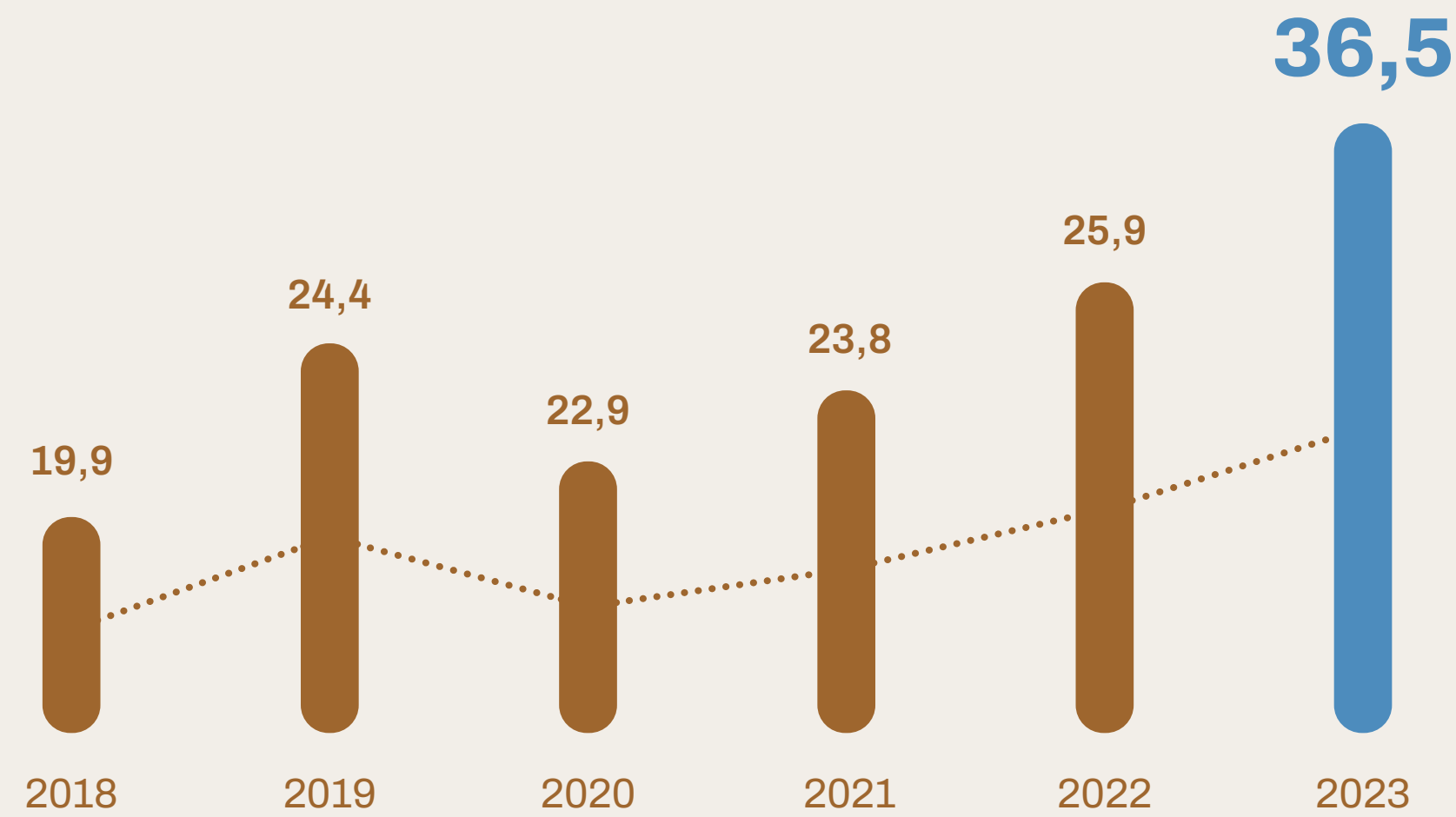
SOUTH OF BAHIA

BALANCE SHEET

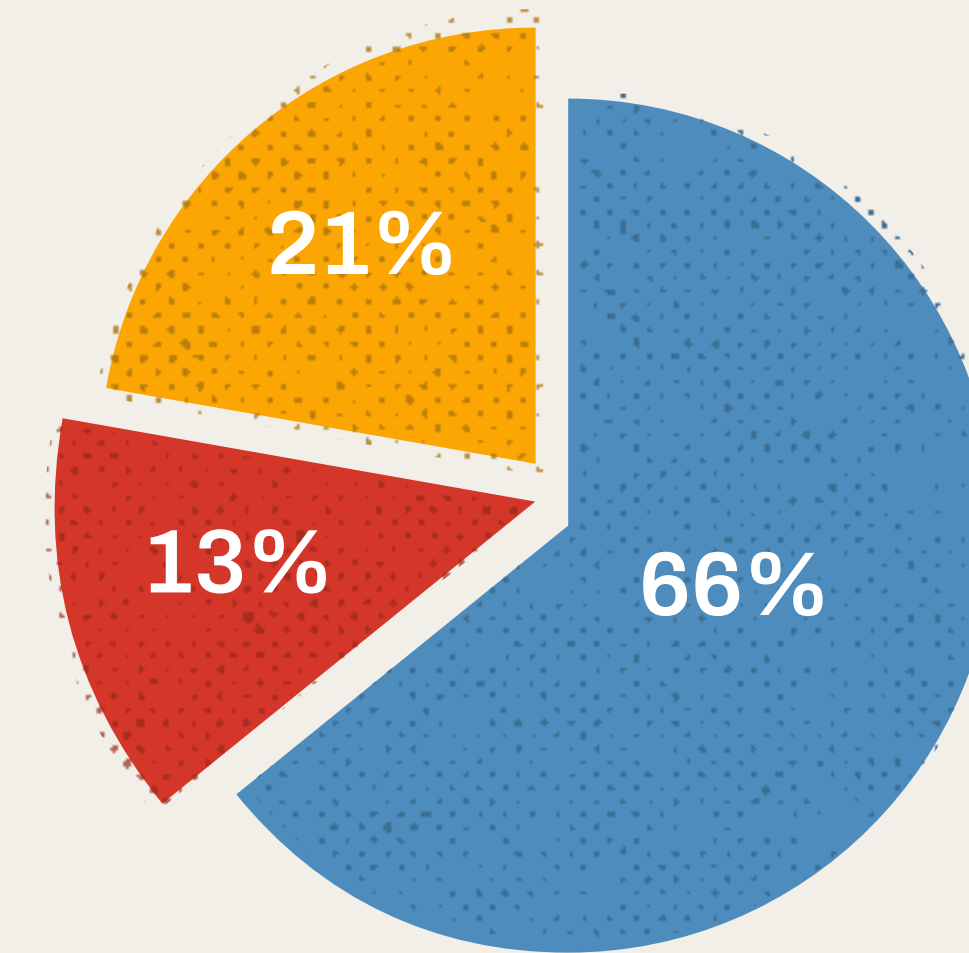
The Arapyáú budget was BRL 22.2 mm. Additionally, we leveraged funds for our causes from other organizations (FPC – Forest, People and Climate and Itaúsa), totaling BRL 36.5 mm under management. The entire budget is invested in Brazil, with data audited by Deloitte.



EVOLUTION OF ANNUAL BUDGET (BRL MILLION)



BREAKDOWN OF PROJECT FUNDING



NETWORKS

Projects supported or being incubated, with execution via network.

INITIATIVES

Projects connected with Instituto Arapyaú strategic fronts.

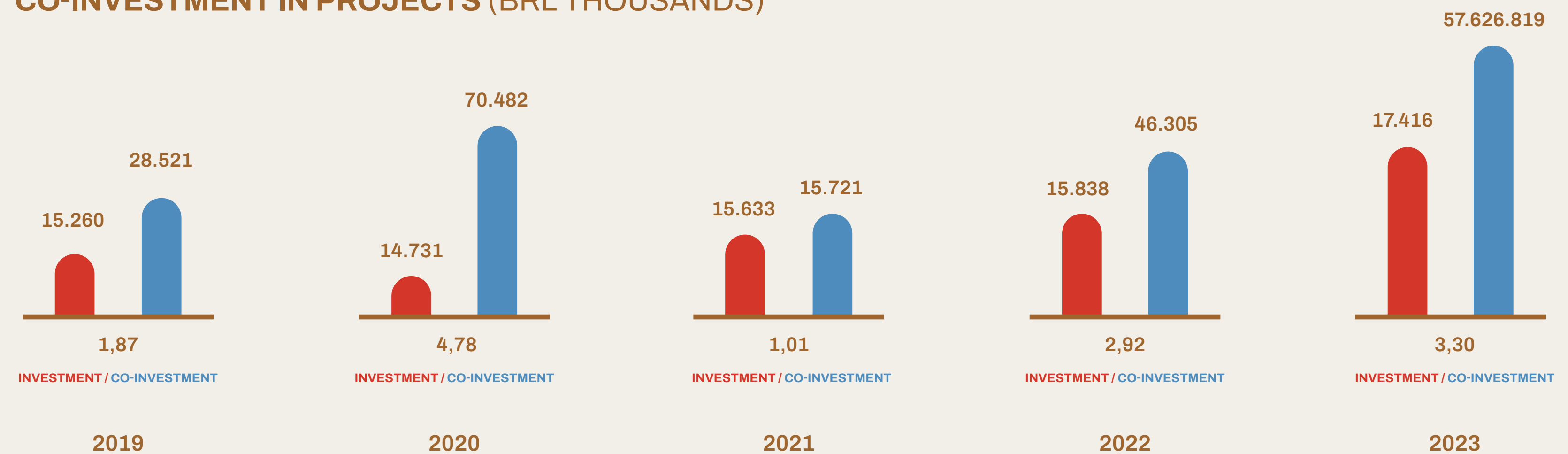
CROSS CUTTING AREAS

Projects led by institutional areas to support institutional strategy.

CO-INVESTMENTS

Arapyaú's networked actions in 2023 drove investments of over BRL 75 mm, with each real invested by Arapyaú matched by BRL 3.30 in co-investment.

EVOLUTION OF INVESTMENT AND DIRECT CO-INVESTMENT IN PROJECTS (BRL THOUSANDS)



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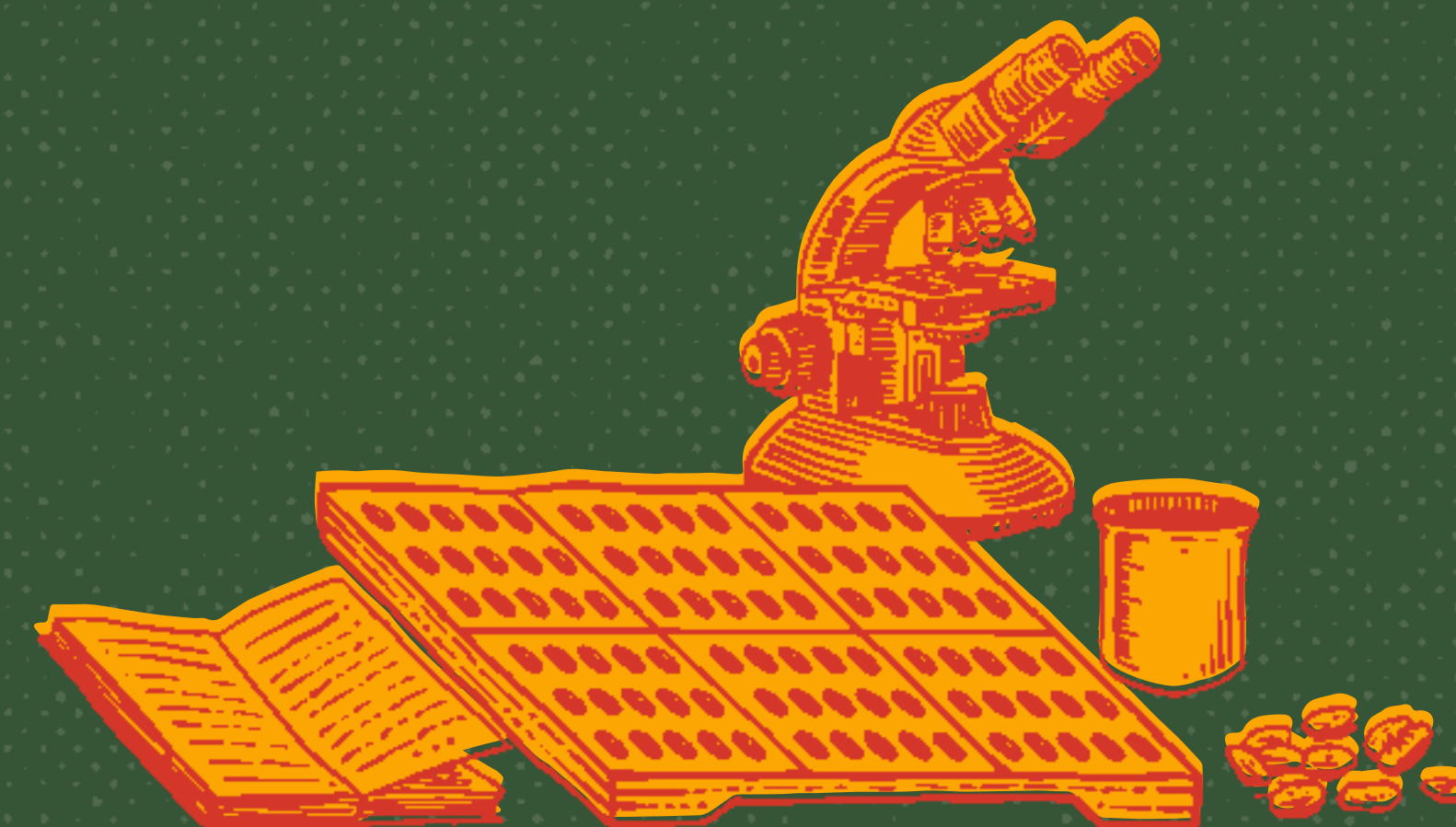
ACERVO ISA/COIAB PROJETO

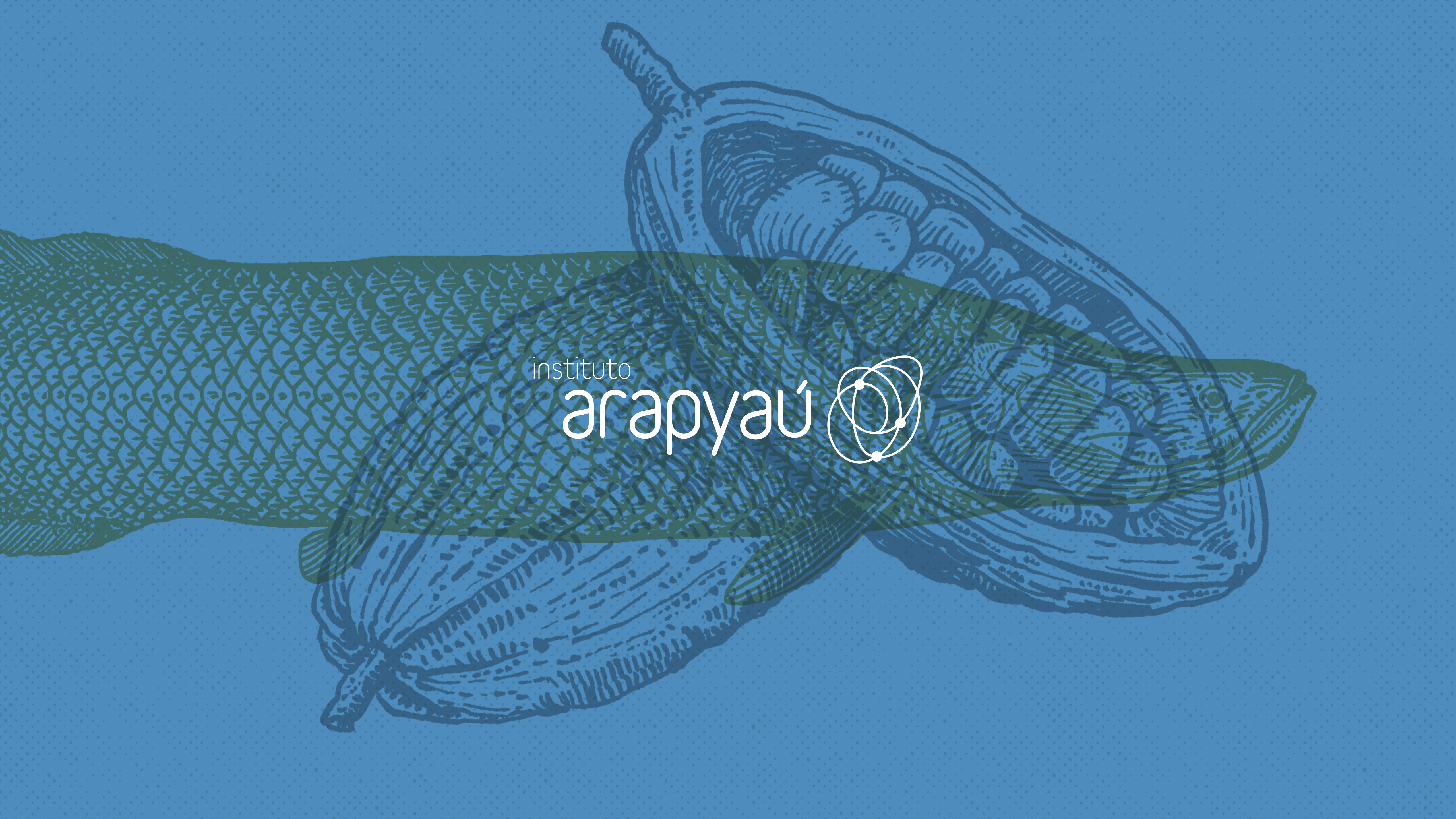
CONEXÃO POVOS DA FLORESTA

Photos

ACKNOWLEDGEMENTS

*To the entire Instituto Arapyaú team, governance board,
fiscal council, partners, networks, and co-investors.*





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