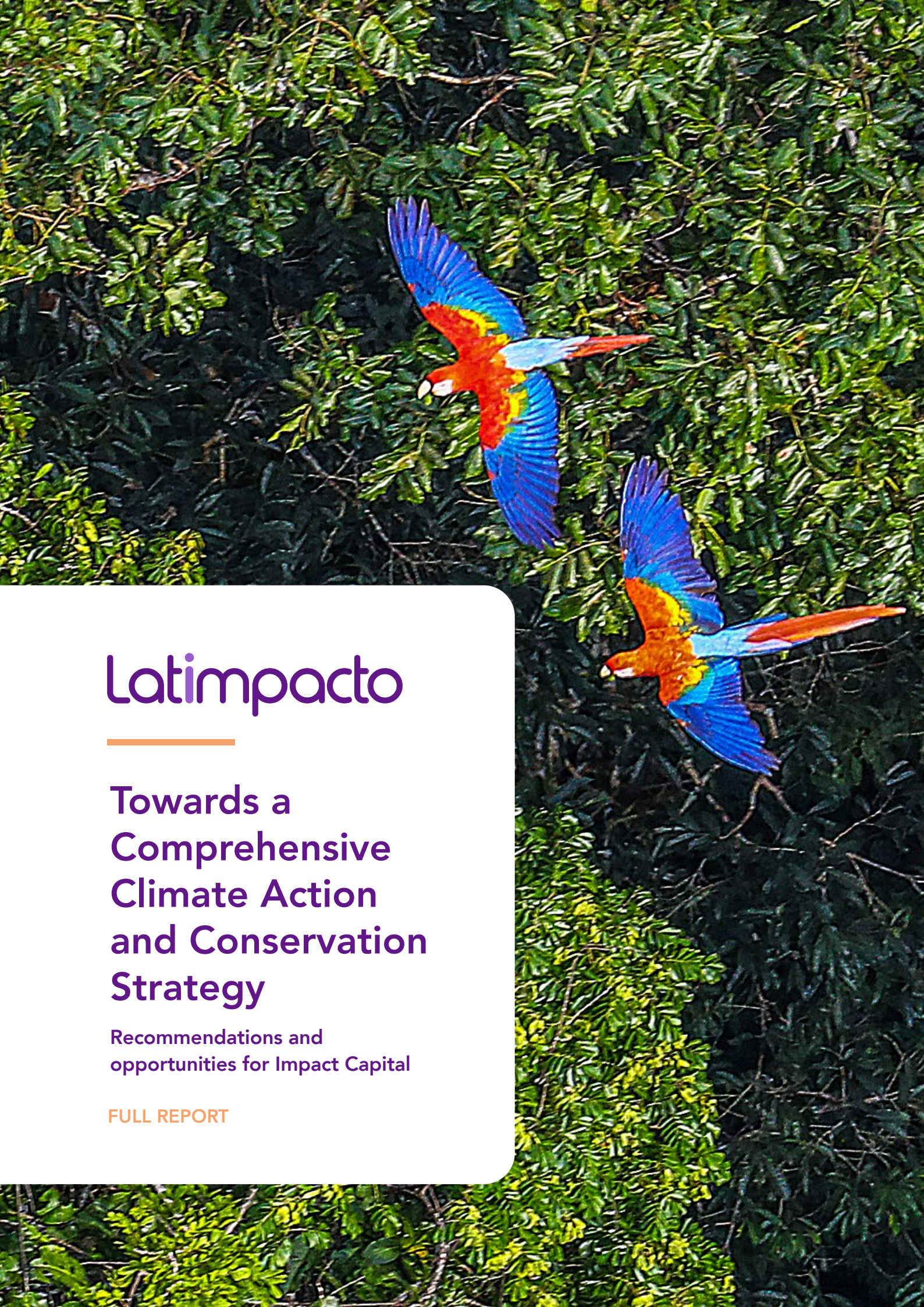
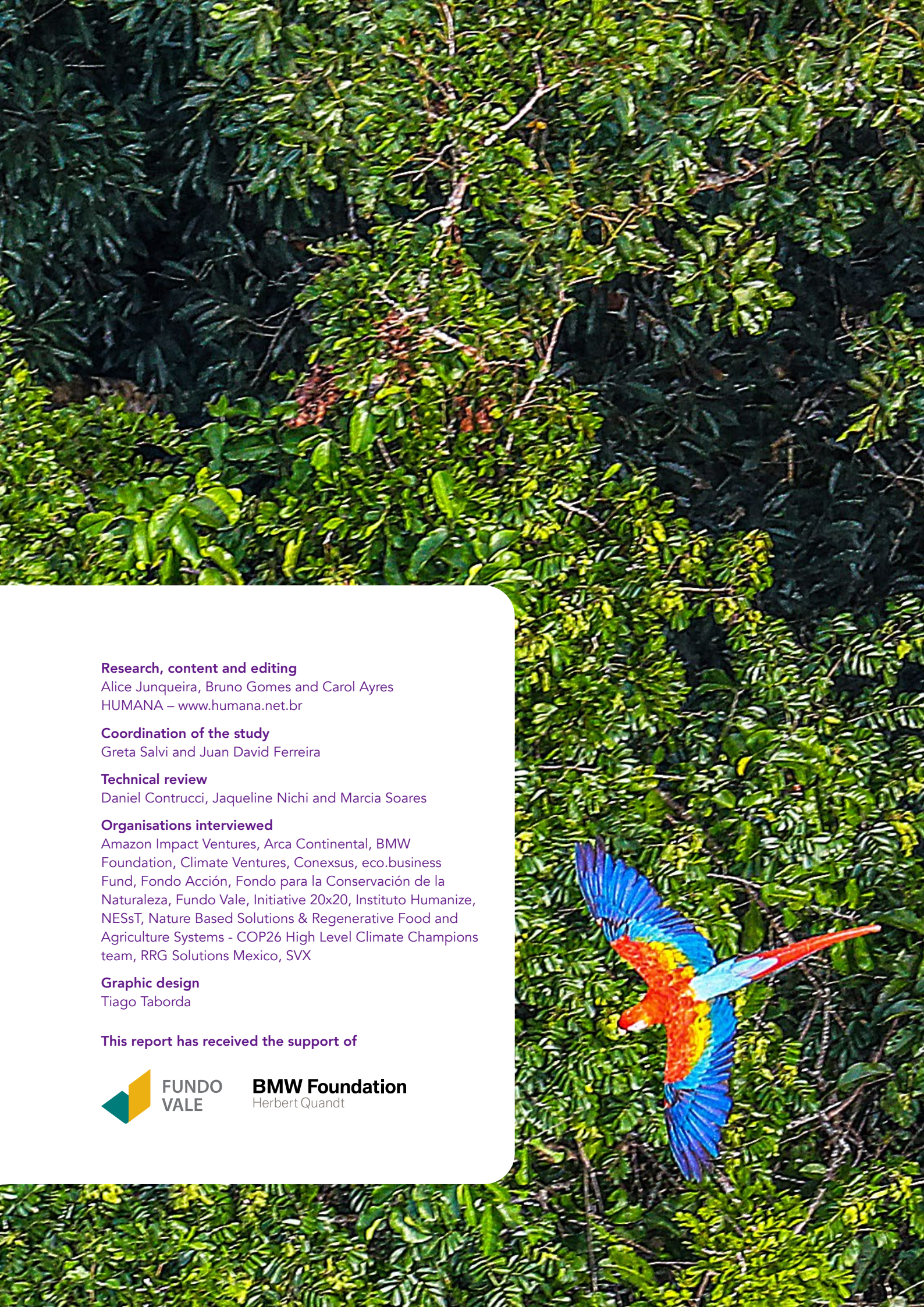


Latimpacto

Towards a Comprehensive Climate Action and Conservation Strategy

Recommendations and opportunities for Impact Capital

FULL REPORT



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A concrete opportunity to connect and advance climate action and conservation from the perspective of private financial support in Latin America and the Caribbean

The Intergovernmental Panel on Climate Change (IPCC), published on 28 February 2022, a press release whose very title highlights the delicate situation we are facing as humanity and which we cannot ignore: "Climate change: a threat to the well-being of humanity and the health of the planet". This same declaration states that in order to "avoid further loss of life, biodiversity and infrastructure, ambitious action on climate change adaptation must be taken as a matter of urgency to achieve rapid and pronounced reductions in greenhouse gas emissions"[1].

Given this reality and in light of our commitment at Latimpacto to foster an increase in the flow of capital for social and environmental impact in the region and to strengthen knowledge on these issues, we are proud to present, as part of our first Conference, this new report Towards a Comprehensive Climate Action and Conservation Strategy: Recommendations and opportunities for Impact Capital), which we developed in the recent months.

With this study, all players committed to contributing to the challenges of climate action will have the opportunity to better understand how positive and sustainable change is being generated through the use of different impact strategies, such as donations, more risk-tolerant investments and innovative financial mechanisms.

This report is not intended to provide scientific answers or analysis of technical concepts. The aim is to democratize knowledge and understanding of issues that concern everyone, such as climate change mitigation and adaptation, promotion of the bio-economy, as well as new financing models to promote solutions for nature protection and climate action.

At Latimpacto we want to increase knowledge of successful experiences in terms of socio-environmental investment that lead to new reflections, and opportunities for improvement and thus promote effective learning and collaboration. We are sure that this report, like all our publications, will be the beginning of a greater articulation among the stakeholders interested in taking a definitive step towards supporting these causes to generate impact and transformation in climate action and conservation.

I would like to give a very special thanks to the organizations that made this report possible, Fundo Vale and BMW Foundation, who believed in Latimpacto from day one.

I also thank both the Humana team in Brazil, who developed this report with the utmost professionalism, and the Latimpacto team, in particular Greta Salvi, Director for Brazil, and Juan David Ferreira, Programme Director, for their leadership in the construction of this report and in all their efforts related to strengthening Latimpacto's mission to mobilize resources more strategically and respond effectively to the growing risks facing our planet. We are here to build and move forward together to generate impact!

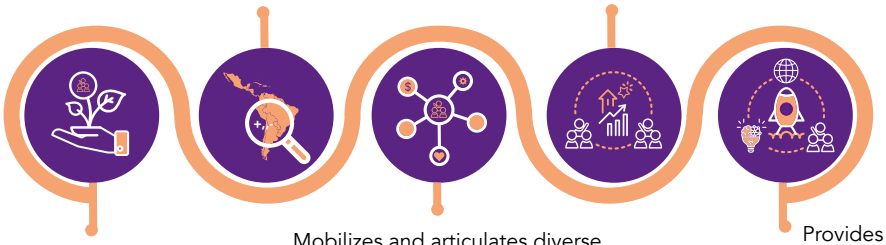
María Carolina Suárez Visbal
CEO Latimpacto

1 https://www.ipcc.ch/site/assets/uploads/2022/02/PR_WGII_AR6_spanish.pdf

Latimpacto

About Latimpacto

Latimpacto is a community of capital providers - human, intellectual and financial - committed to driving and catalyzing higher impact solutions in Latin America and the Caribbean that:



Prioritizes social and environmental impact.

Operates regionally and is 100% Latin American

Mobilizes and articulates diverse providers of social capital to ensure more effective and strategic deployment of financial and non-financial resources.

Supports and monitors leading organizations that seek to generate positive, sustainable and long-term change in Latin America and the Caribbean.

Provides valuable knowledge and connections between stakeholders in the region and internationally.

VALUE OFFER IN THREE PILLARS:



1. CONNECTIONS

Meetings and exchanges between network members with the aim of promoting collaboration, best practices and financial and non-financial partnerships. The Latimpacto team facilitates and catalyzes partnerships, business deals, creation of funds, co-funding of projects and structuring of innovative investment mechanisms, among other types of collaboration.



2. KNOWLEDGE

Research, publications, events, courses, workshops, learning communities, mentoring, on effective and innovative methods for managing, measuring and financing social and environmental initiatives.

3. IMPACT COMMUNITIES

We promote round tables about specific themes, as an opportunity for connection and knowledge:



EARLY CHILDHOOD



CLIMATE ACTION AND CONSERVATION



MIGRATION AND GENDER



CORPORATE SOCIAL INITIATIVE

Each of these tables has its aim and purpose co-constructed with the participants and facilitated by Latimpacto. They all aim to connect Latin American stakeholders with common interests, thus stimulating the creation of knowledge on specific themes and a greater probability of establishing partnerships, financial or otherwise.

Latimpacto is a network of associative character, where 7 silos of capital providers (financial, human and intellectual) can take part: institutes and foundations, companies, financial market, public power, family offices, consultancies and universities. More information about the network and how to join is available on the website, in this link.

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1

Introduction

1.1. Financing, investment or financial support?

The terms funding, investment and support are used both as synonyms and as a way of differentiating types of financial transfer. Below is a summary of the variation in the main uses.



FUNDING

NO TOP-UP
Any type of financial transfer. Specifically, in Portuguese and Spanish, it can refer to a type of debt instrument (credit).

IMPACT/CLIMATE/CONSERVATION FINANCE ETC
Any type of financial transfer with or without a financial return objective with a focus on positive impact overall or a particular issue.

BLENDED FINANCE[2]
Strategic use of public or private (jointly called "development capital" or "catalytic capital") and philanthropic capital to mobilise private capital flows to markets at the innovation frontier, with the aim of leveraging investment with positive social and environmental additions.

CATALYTIC FUNDING
This is a financial mechanism that combines different types of philanthropic, private or public capital, with or without financial return, to support the same initiative.



INVESTMENT

NO TOP-UP
Financial support with a focus on financial return.

TRADITIONAL INVESTMENT
Financial on-lending focused exclusively on generating a financial return.

IMPACT INVESTMENT
Any type of financial transfer for a financial return that seeks to generate a positive impact[3].



FINANCIAL SUPPORT

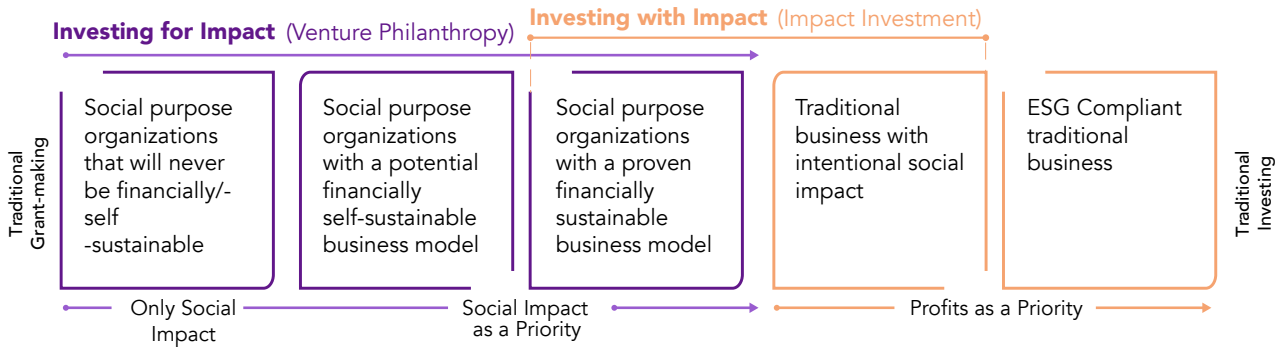
Any type of financial transfer with or without a financial return objective that focuses on positive impact.

It is associated with the perception that the relationship between those who pass on financial resources and those who receive them must be described and understood as a relationship for achieving mutual objectives that goes beyond financial transfers and involves transparency and trust.

2 Blended Finance Principles. Last accessed on 21/02/2022, available at: https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/

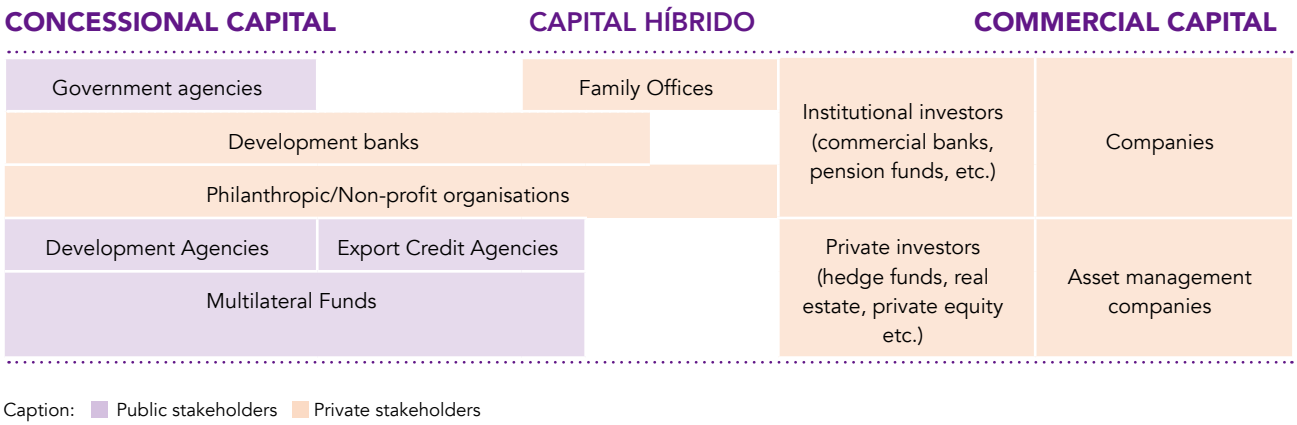
3 The term impact investment first came into use in 2007 by the Rockefeller Foundation. New Financing Models for Innovation with Social Impact. Last accessed on 21/02/2022, available at: https://www.ipea.gov.br/portal/images/stories/PDFs/radar/180827_radar_57_cap03.pdf

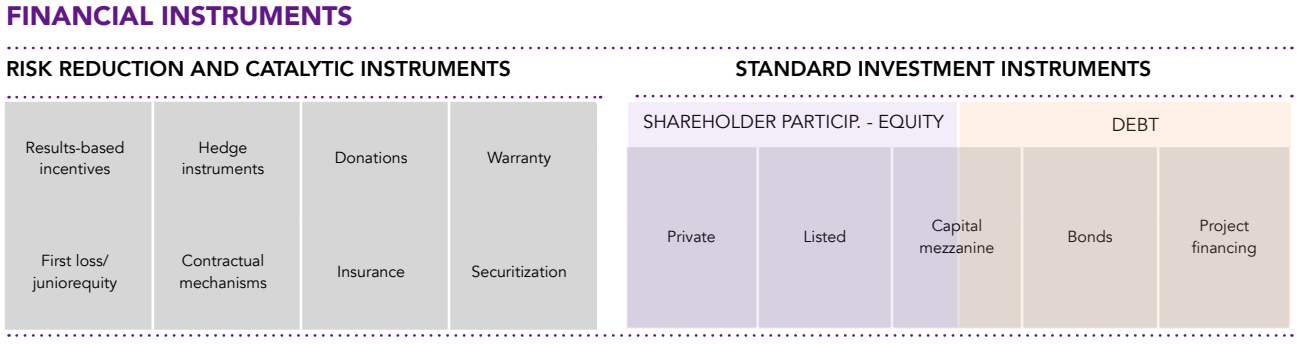
In this report, we have adopted the term financial support to refer to the types of transfer of financial resources in general. For reference to specific types, we have considered the logic of the capital continuum adopted by Latimpacto, as shown in the diagram below.



Source: Latimpacto (2020)

In this capital continuum, different private and public stakeholders participate. Due to their different motivations and purposes, they make use of a variety of financial mechanisms and instruments.





Source: Adapted from UNDP (2020)[4].

4 The Ecosystem of Private Investment in Climate Action. Accessed on 21/02/2022, available at: https://greenfinancelac.org/wp-content/uploads/2020/09/The-Ecosystem-of-Private-Investment-in-Climate-Action.pdf

MAIN ASPECTS FROM THE MAIN FINANCIAL SUPPORT MECHANISMS



Source: HUMANA, adapted from UNDP contents (2020), Reset (2020) and IPEA (2018)

Regardless of the terms and instruments used, the most important thing is to understand that all private stakeholders are part of the same continuum of capital flow, which can and should contribute to climate and conservation action in an increasingly strategic, complementary and collaborative way.

1.2. Focus of the study

There is consensus that public and private financial support for climate and conservation action (CA&C) needs to increase globally. Thus, there is a growing number of studies aimed at pointing out ways to make this increase become a reality.

Seeking to contribute to this development, our study presents an **overview of private financial support in Latin America and the Caribbean (LAC)**. To be highlighted is the fact that most of the identified publications are focused on public financial support.

Due to its innovative character and multiplier potential, the **panorama presented was focused on impact investing and venture philanthropy**, considering that there is a demand for experimentation and systematization related to these practices.

As a result, key characteristics, relationships between types of support, as well as challenges and opportunities were identified so that more private organizations can financially support CA&C in the region and the field is identified as part of an urgent and necessary joint action.

Enjoy!

1.3 How to define what is climate and conservation action?

The preservation of the environment[5] is understood as a mechanism in which climate action issues can be worked on, from a mitigation perspective through the recovery and restoration of natural ecosystems that can capture the carbon dioxide that is in the atmosphere and as an adaptation strategy as a way in which communities that live with and from nature resources can use these and sustainable practices such as water management, agroforestry, protection of coastal ecosystems as mechanisms to increase resilience in the face of irreversible climate change. Therefore, just as climate mitigation and adaptation can occur in other ways, environmental preservation can also serve other purposes such as genetic banking of biodiversity, cultural safeguarding, among others.

This means that CA&C is related to various themes and areas, such as biomes, ecosystems (forests, coral reefs, among others), agriculture, sustainable land use, water, energy, transport, industries, indigenous and native populations, health, etc. Thus, the exact delimitation of what can be classified as financial support to CA&C becomes a challenge due to the comprehensiveness and stretch of both concepts.

Moreover, climate and conservation often come under the umbrella of even broader classifications such as sustainable development finance, green finance, environmental finance, impact investment or responsible investing. For this reason, to make choices about financial support strategies and for research purposes, a delimitation is usually made according to the selection and use of a governmental, academic or organizational classification (taxonomy).

1.4. Methodology

This study is intended to be an initial subsidy for discussions that may continually review, expand and update its contents.

For this reason, primary and secondary data collection was carried out from referrals (snowball) and simple Google searches (20 keywords with variations of the main terminologies; period 2016-2021).

With this, we identified 80 bibliographic references and 50 impact investment funds or impact investment managers operating in the LAC region and conducted 15 interviews with representatives of impact investment managers and funds, philanthropic organizations and businesses.

5 Also referred to as nature, biodiversity, or ecosystem preservation.

2

What is the current landscape of climate action impact investment and conservation in Latin America and the Caribbean based on the interviews carried out?

2.1 Mapping characteristics

From the 50 fund managers or impact impact fund that work in the LAC region and declared explicitly to support CA&C:

- 46 are private and four have a mixed capital composition (public-private)
- Three are branches or are affiliated to non-profit organizations.
- 5 are international and are acting in 15 countries in the region.

2.2 Financial mechanisms and instruments used

- 11 reported using hybrid funding with both non-profit and public organizations. 5 make explicit the use of patient capital with longer terms.
- Standard instruments, mainly debt, are the most widely used, and there is still little use of risk-mitigating and catalytic instruments.[6]

2.3 Profile of the organizations that receive investments and their thematic focus

- The support is targeted at businesses in the early stage and/or in validation and maturity stages, with amounts ranging from US$ 3k to 15 million.
- Agricultural production (including forestry and agroforestry systems) is the main investment theme among the identified organizations.
- When investment is not made exclusively in agriculture, investment is also made in clean/ renewable energy and/or social issues, mainly education and health.
- Other themes supported on a one-off basis: redesign of industrial processes, circular economy, housing, infrastructure, water management, waste management, logistics and mobility, sustainable cities, fisheries and aquaculture, oceans and tourism.
- Many links the fight against climate change with the need to overcome poverty and improve people's living conditions.
- There were three mentions to seeking systemic change and having this perspective as part of their financial support analysis.
- Only four have a focus on adaptation and five on women and/or indigenous communities.

6 Source: The Ecosystem of Private Investment in Climate Action. Last accessed on 22/01/22, available at: https://greenfinancelac.org/wp-content/uploads/2020/09/The-Ecosystem-of-Private-Investment-in-Climate-Action.pdf

MAIN INTERNATIONAL STANDARDS USED FOR MONITORING, EVALUATION AND LEARNING:

- Sustainable Development Goals (SDGs);
- Impact Investing Network (GIIN) IRIS+ system;
- Impact Management Project (IMP);
- ESG Agenda;
- Universal Standards for Social and Environmental Performance Management of the Social Performance Task Force (SPTF);
- UN Principles for Responsible Investment (UN PRI);
- International Finance Corporation's Social and Environmental Sustainability Performance Standards and Equator Principles;
- Operating Principles for Impact Management (OPIM);
- Task Force on Climate-Related Financial Disclosures (TCFD).
- 2X challenge;
- Global Reporting Initiative (GRI);
- Principles for Investors in Inclusive Finance (PIIF);
- Rio Markers for Climate;
- UN Global Compact;
- International Association for Impact Assessment (IAIA);
- Partnership for Biodiversity Accounting Financials (PBAF);
- Certifications (FSC, Rainforest Alliance, UTZ, etc.).

2.4 The Amazon as a catalyst for climate action and conservation in Latin America and the Caribbean

The Amazon is strategic for the region as it concentrates 10% of the world's biodiversity and is the largest biological carbon reservoir in the world. **However, biodiversity is not yet recognized as a central asset** for socio-economic development in the LAC region. Based on simulations, it may be more cost-effective to compensate LAC countries for protecting, managing and restoring ecosystems than to devote an equal amount of resources to increasing mitigation efforts elsewhere[7].

Of the managers and funds identified, 17 carry out impact investments in the Amazon. However, this figure is not accurate, as some organizations have not provided complete information about their portfolio on their websites.

Despite the great biodiverse potential, the action in the Amazon region still lacks cross-border strategies. Equally, there are great logistical difficulties (access and distances) and the need for local capacity building, which is a challenge for impact investments that lack patient capital and are combined with other support strategies.

7 Biodiversity: the other side of the coin? Last accessed on 22/01/22, available at: https://www.caf.com/pt/conhecimento/visoes/2019/06/biodiversidade-o-outro-lado-da-moeda/ Climate change in Latin America and the Caribbean: Challenges and opportunities. Last accessed on 22/01/22, available at: https://www.imf.org/pt/News/Articles/2021/10/28/blog-climate-change-latin-america-the-caribbean-challenges-and-opportunities

3

Venture Philanthropy

Venture Philanthropy has been fulfilling three crucial roles in strengthening CA&C:

1. to support activities essential to advance mitigation and adaptation that by their nature have no purpose or potential to generate financial return;
2. to support the structuring and strengthening of organizations to be able to raise and manage financial resources in general, including resources from the traditional capital markets;
3. to bring catalytic capital into hybrid financing mechanisms, which represents a decrease in risk for market investors and those receiving the investment.

These roles are part of the philanthropic organizations' constant search to diversify their operations and overcome barriers to financial support in general. Therefore, in philanthropic financial support, it is possible to identify variations of:

- **Profile of organizations supported:** small to large, formal or informal, grass-roots or with a national scope;
- **Purpose of the support:** emergency funds, projects and programs, or institutional grants;
- **Period of support:** immediate, annual or multi-annual.
- **Amounts:** from micro-donations to large sums grant making.

With regard to the profile of the organizations sponsored, the concepts of venture philanthropy, catalytic philanthropy[8] are being disseminated. What amounts to "strategic", "catalytic" or "risk-bearing" can come from an issue, a social group, a region, or the form and value of the transfer. Examples:

- Supporting targeted at the urban art development of the Amazon region or the development of sustainable production chains with socio-cultural value;
- Targeted support to combat socio-environmental violence;
- Creation of territorial and community philanthropic funds managed directly by groups in situation of marginalization such as indigenous people and women;
- Donations to grass-roots groups with no-bureaucratic processes etc.
- Specifically, in *venture philanthropy*, wherean intention is to minimize risks for market capital, financial support is usually directed to: diagnostics; development and pilot implementation of financial mechanisms suited to local realities; technical assistance areas (non-financial support); development and pilot implementation of financial mechanisms suited to local realities; and technical assistance areas (non-financial support) of impact investment organizations.

Still, the performance of the philanthropic organizations who are detached from impact investing should be highlighted as fundamental to CA&C's current needs based on their ability to support initiatives that won't generate profits but will increase the positive impact in communities and the environment.

However, in general, the link between socio-environmental actions and CA&C in an explicit way is still incipient and needs strengthening.

8 In English, catalytic philanthropy. Catalytic philanthropy, by Mark Kramer (Stanford Social Innovation Review): https://www.fsg.org/resource/catalytic-philanthropy/

4 Other stakeholders

4.1 Traditional investment

Traditional investment with an environmental, social and governance (ESG) perspective occurs through ESG integration in financial products (e.g. reporting the climate impact of the portfolio[9]) and/or offering specific ESG financial products. This practice has increased due to legal requirements and political and social pressures and is also linked to the private sector's participation in the implementation of international agendas on sustainable development, the environment and climate change.

4.2 "Non-financial" stakeholders

Networking, knowledge and advocacy are essential to the success of financial support initiatives. Therefore, "non-funding" stakeholders, such as observatories, civil society organizations, academia, and *think tanks* and public institutions, have been contributing by creating favorable contexts for the acceleration and efficiency of CA&C.

In this sense, political and legal frameworks are key for the acceleration.

4.3. Networks and coalitions

There are a growing number of networks and coalitions seeking to foster private financial support, which aim at bringing together supporting organizations to discuss opportunities and challenges, exchange experiences and promote collaboration. They can be exclusively focused on private support or public support, or both, as is the case with Latimpacto.

Furthermore, these networks and coalitions contribute to knowledge management, promote synergy and integration between agendas, and articulate with academia and the third sector.

Examples:

- Amazon Investor Coalition;
- Blended Finance Task Force;
- Climate Finance Leadership Initiative (CFLI);
- Climate and Land Use Alliance;
- Coalition for Private Investment in Conservation (CPIC);
- Green Finance for Latin America and the Caribbean;
- Climate Financing Group for Latin America and the Caribbean;
- Net Zero Asset Managers initiative;
- Red de Fondos Ambientales de Latinoamérica y el Caribe (RedLAC).

9 The world's largest asset manager will add a "thermometer " to clients' portfolios. Last accessed on 21/01/22, available at: https://convergenciapelobrasil.org.br/maior-gestora-de-ativos-do-mundo-vai-colocar-termometro-no-portfolio-dos-clientes/

5

Climate and conservation action within organizations

In addition to financial support, all private for-profit and non-profit organizations contribute to CA&C by reducing the social and environmental impact of their activities. Thus, CA&C within organizations (internal actions) can be voluntary or compensatory/conditional (legal imposition, administrative acts or judicial decisions, including obligations related to environmental licensing).

Currently, the most common contribution is the reduction of greenhouse gas emissions (GHG), either by changing operational practices or through acquiring carbon credits produced by other players. In that way organizations can compensate their own emissions.

Regarding the change in operational practices, this can occur through CAPEX[10], process optimization, and improved hiring criteria, among others, being traceability essential to this.

Environmental compensation via carbon credits, on the other hand, is still minimally used, given the controversies related to the lack of regulation of the carbon market voluntary and compulsory-, existing in Latin America, with regulation and compliance not having an adequate rigurosity, with only few examples where it does. This creates an environment of doubt about who these markets are measuring and acting as reliable agents to prove the reduction of GHG in the context of a climate emergency[11].

It is worth remembering that environmental compensation can be made via other types of credits that are still less explored in the LAC region, such as biodiversity credits. Further, it is important to note that it is also possible to acquire voluntary credits, an opportunity to be explored by impact investing and *venture philanthropy* as even if they don't share the same marketplace with carbon markets, they are increasingly becoming well-received options used in other geographies for compensation and protection effects.

Finally, we can also consider as a contribution from the private stakeholders to CA&C, that organizations can, because of the very nature of their activity, mitigate climate change and/or preserve the environment. Examples are companies that create forests and habitat banks for the generation and sale of carbon and biodiversity credits as well as companies venturing into sustainable agroforestry production or renewable resources management.

10 CAPEX stands for Capital Expenditure and refers to financial capital expenditure for improvements in company premises, such as investments in machinery, equipment etc.

11 Why the carbon credit market is not a way of fighting the climate emergency? Last acessed on 21/01/22, available at: https://www.brasildefato.com.br/2021/10/31/bdf-explica-por-que-o-mercado-de-creditos-de-carbono-nao-combate-a-emergencia-climatica

6

Perspectives of the Latimpacto community

To have a deeper look at the CA&C of Latimpacto member organizations, a questionnaire was sent to their Community. Of the 61 organizations that responded, 44 said they had CA&C in their theory of change or mission and values.

The instruments considered the most strategic are hybrid finance, donations, *climate bonds* and equity participation.

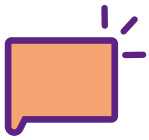
The areas considered priorities for financial support in the LAC region are beyond climate action (adaptation and mitigation): biodiversity protection; community conservation practices; and bioeconomy and sustainable value chains.



7

Main Challenges, opportunities and recommendations





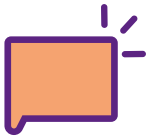
CHALLENGES	RECOMMENDATIONS
INSTITUTIONAL	
Identify the scope of private CA&C in LAC and understand the financial support strategies.	• Explain that climate change mitigation and adaptation and/or environmental preservation are part of the financial support strategy, either as an objective in itself (specific axis) or as an aspect linked to a theme or sector focus of support (e.g.: sustainable development, renewable energy, agriculture, mobility, etc.). sustainable development, renewable energy, agriculture, mobility, etc.). • Make the full information on the financial support strategy publicly available to facilitate the identification of • good practices to be strengthened and gaps to be filled.
Difficulty in mobilizing market capital and lack of technical capacity of local organizations to comply with criteria and standards required by many of the funding organizations.	• Provide non-financial support such as impact thesis building, theory of change development, education and financial management, monitoring, evaluation and learning methods, market access and stakeholder engagement. • Making financial support processes more flexible and less bureaucratic. • Extend capacity building to other local or regional stakeholders such as associations, cooperatives, communities and governments. • Coordinate strategies for financial and non-financial support from different organizations to optimize resources. • Amplify initiatives related to hybrid investments. • Adapt the financial market to enable smaller transactions. • In the case of support via intermediary stakeholders, create institutional mechanisms to ensure that the financial resource reach the communities[12].
Adaptating their Monitoring, Evaluation and Learning (MEL) processes to the use of international standards, the systemic vision and the capacities of the supported organizations.	• Monitor the discussions on the international agendas and consider the use of the proposed indicators. Key current global agendas: 2030 Agenda, Paris Agreement and Aichi Targets. Current relevant regional agendas: Leticia Pact and Escazú Agreement. • Include the social aspect in the MEL[13], by means of data disaggregation and/or specific social indicators, considering structural inequalities. • Identify possible negative externalities in both the construction of theories of change and logical frameworks and in the MEL. • Use participatory approaches to MEL and strengthen or include in non-financial support capacity building in MEL. • Include climate risks in the MEL considering not only project indicators, but also contextual indicators and projections, such as the annual scenarios of the Intergovernmental Panel on Climate Change (IPCC). • Support the development of simplified methods for measuring carbon sequestration in different ecosystems and social realities by sharing and funding successful method development for the general public. • Create instances of primary qualitative data collection, considering as a minimum feedback loop processes and conversations for subsequent systematization of learning from the supported organizations and/or main stakeholders.

12 As described in the experience of the FIIMP, most of the intermediary actors are still unable to capillarise the actions and prevent the resources that could go directly to the end. Last accessed on 21/01/22, available at: https://sinapse.gife.org.br/download/27910

13 Not including social aspects into environmental ones and vice versa will negatively affect the transition of many LAC countries towards "green/low carbon economies". Taxonomy in Sustainable Finance: overview and national reality. Last accessed on 22/01/22, available at: http://www.labinovacaofinanceira.com/wp-content/uploads/2021/04/Taxonomia-em-finan%C3%A7as-sustent%C3%A1veis-Panorama-e-Realidade-Nacional.pdf

Decrease or mitigate the negative social and environmental impact of their own operational practices (CA&C into supporting organizations).	• Mitigate their own negative socio-environmental impact, considering traceability as an essential point. • Adapt the organization's activities and increase its resilience to climate change in order to minimize socio-economic impacts for staff and society. • Create diverse and multidisciplinary teams with knowledge of climate proofing and an innovative mindset.





CHALLENGES	RECOMMENDATIONS
CONTEXTUAL	
Concentration of multilateral financing[14].	• Diversify support among countries in the region.
Urgency to achieve net-zero GHG emissions goals and increase resilience.	• Expand support for research, development and implementation of initiatives that decarbonize economies and build infrastructure that is not based on fossil fuels, especially considering the energy, industry, construction and mobility sectors. • Guiding CA&C by the nine planetary[15] boundaries, which means, besides net-zero GHG emissions, aiming at regenerating nature (being "nature positive"[16]). • Give priority to nature-based solutions, considering that recent international discussions point to the urgency of using biodiversity as an asset for overcoming environmental, social and economic problems. • Local communities, family farming and traditional populations should be considered central to carbon stock solutions.
Increased extreme weather events, low investment in adaptation and prioritization of "reactive" adaptation[17].	• Scaling up support for adaptation and resilience with a livelihoods, human rights and climate justice perspective. • Prioritize ecosystem-based adaptation, considering that they are low-regret nature-based solutions that contribute to adaptation and mitigation at the same time. • Consider climate refuge in financial support strategies, as this tends to increase with the Caribbean being currently one of the two regions with the highest number of climate refugees[18]. • Support local governments in developing climate action plans that are attainable, with a bottom-up approach, and transparent. .
Predatory extractivism.	• Make financial support conditional to the non-degradation of the environment and non-violation of human rights, combating the different forms of degradation, such as illegal mining, non-sustainable logging, biopiracy, use of agrochemicals etc. • Balance the use of green technologies, noting that they can aggravate predatory extractivism, rural exodus and socio-environmental conflicts in the region, since LAC possesses a large part of the natural resource reserves for its production. • Direct financial and non-financial support to the prevention and transformation of socio-environmental conflicts, an alarming context in the region. Develop mediation mechanisms and enhance the role of Communities in decision-making processes.

14 The financial support is mainly earmarked for Brazil and Chile. Climate Funds Updates Feb 2021. Last accessed on 21/01/22, available at: https://us.boell.org/sites/default/files/2021-04/CFF6%20-%20ESP%202020%20-%20Digital.pdf

15 Loss of biodiversity; Climate change; Biogeochemical cycles (nitrogen and phosphorus); Land use abuse; Ocean acidification; Changes in water use; Degradation of the ozone layer; Carrying aerosols into the atmosphere; Chemical pollution. The nine planetary boundaries. Last accessed on 21/02/22, available at:https://www.stockholmresilience.org/research/planetary-boundaries/the-nine-planetary-boundaries.html

16 What is 'nature positive' and why is it the key to our future? Last accessed on 22/01/22, available at: https://www.weforum.org/agenda/2021/06/what-is-nature-positive-and-why-is-it-the-key-to-our-future/

17 The Adaptation Gap Report 2021: The Gathering Storm. Last accessed on 22/01/22, available at: https://www.unep.org/pt-br/resources/relatorio-sobre-lacuna-de-adaptacao-2021

18 Climate displaced Last accessed on 22/01/22, available at: https://eacnur.org/es/desplazados-climaticos

Structural inequalities.	• Include the perspective of climate justice in all stages of financial support, considering the tackling of all structural inequalities, such as class, gender, race, ethnicity, age and disability. This includes the analysis of risk and negative externalities, as well as the identification of co-benefits (positive externalities)[19]. • Expand the financial support to indigenous populations, traditional populations, black populations, women, people with disabilities, youth, children and other vulnerable populations[20]. • Guarantee and enable the participation of these populations in financial support decisions, as well as in the creation of financial mechanisms. • Use approaches that promote the fair distribution of benefits. Transformative finance, for example, is a new movement that includes solidarity economy, meaning it is more distributive in its design.
Need for progress in legal and political frameworks.	• Participate in public discussions and contribute with proposals for the elaboration of public policies and legislation to stimulate public and private financial support (especially hybrid financing and credit markets for environmental compensation). public and private financial support, including the regulation of new financing mechanisms and instruments (especially hybrid financing) and of credit markets for environmental compensation.

19 The main causes of biodiversity (biological resources) destruction are: habitat loss and fragmentation, contamination of habitats by pesticides and toxic waste, over-exploitation and destructive harvesting practices and climate change. Biodiverse and resilient cities in Latin America and the Caribbean. Last accessed on 21/02/22, available at: https://publications.iadb.org/publications/spanish/document/Ciudades-biodiversas-y-resilientes-en-America-Latina-y-el-Caribe.pdf Biodiversity: the other side of the coin. Last accessed on 21/02/22, available at:https://www.caf.com/pt/conhecimento/visoes/2019/06/biodiversidade-o-outro-lado-da-moeda/

20 The intensive use of lithium and copper for the energy transition (60% of reserves are in LAC countries), for example. Understand why Latin America is key for green economy plans. Last accessed on 21/02/22, available at: https://www.brasildefato.com.br/2021/11/04/entenda-por-que-a-america-latina-e-chave-para-planos-de-economia-verde





OPPORTUNITIES	RECOMMENDATIONS
Approach to landscapes and territories and cross-border action.	• Prioritize the support for landscapes and territories, including cross-border ones, over project support, facilitating the creation of synergies between various sources and cycles of financial support and socio-economic dynamism[21]. • Increase integrated support for the Amazon region. • Support actions in transboundary ecosystems with relevant biodiversity, such as the Andes, Chaco, Amazon, Pampas and the coral reef system of Mesoamerica. • Provide support with coordinated and integrated strategic actions (being present in the same territory does not necessarily mean integration). In the case of cross-border action, conduct an analysis that takes into account national legal and regulatory challenges that may hinder integration.
Sustainable chains of production.	• Increase the variety of social and biodiverse value chains supported, with a view to diversifying economic activities in the territories, based on the valorization of local and traditional knowledge[22]. • Combine the development of sustainable production chains with the strengthening of sustainable extractives, family agriculture and agroecology, with a view to increasing the generation of positive social externalities related to aspects such as income, food security and equity.
Payment for environmental services.	• Expand payments for environmental services beyond carbon (water, pollination, etc.) and take advantage of innovative and successful experiences in the LAC region and the world. • Deepen the discussion on the effectiveness of environmental compensation via carbon credits and other environmental services.
Innovation and efficiency.	• Ensure territorial adherence with local people and organizations in the implementation team of supported initiatives and carry out processes of collective creation and participatory diagnoses to meet real needs regarding the types of financial mechanisms, priority themes and models of action. Ensure territorial adherence with local organizations and people in the implementation team of the supported initiatives and carry out collective creation processes and participative diagnoses to meet the real needs regarding the types of financial mechanisms, priority themes and action models. • Carry out financial support with integral (systemic/holistic), medium and long-term approaches. • Diversify the offer of financial products, considering that there is a prevalence of debt instruments. • Enable the adaptation of the implementation of financial support according to context changes related to barriers and opportunities. • Prepare the supported organizations for continuity after financial support (exit plan). • Observe constraints and potential for financial support with great relevance for the region, such as water and oceans, urban Amazonia and tourism.

21 Conservation Finance 2021: An Unfolding Opportunity. Last accessed on 21/02/22, available at: http://cpicfinance.com/wp-content/uploads/2021/12/CPIC-Conservation-Finance-Report-2021.pdf

22 Given the GHG emission characteristics in the LAC region, the focus on forests, rural areas and land use is indispensable and cost-effective. Sustainable supply chains are a nature-based solution with the capacity to encompass these three focuses.

8

Inspiring cases

There are many cases to inspire us in the LAC region and we have chosen some to strengthen the exchange of experiences, considering:

- Differentials in effectiveness in supporting climate action and conservation;
- Geographical diversity;
- Type of mechanism and financial instruments used;
- Potential for replicability;
- Fostering the strengthening of local capacities;
- Potential to bring in new supporting organizations.



Habitat Banks



Amazonia Impact Ventures – Cepro Yanesha: Coffee value chain



Sustainable CRA



Muvuca



Sustainable Landscapes Ventures project

CASE



Divulgación

Habitat Banks

Type of case: Generation of biodiversity credits for environmental offsetting.

Case name: Habitat Banks

Organization involved: Terrasos

Implementation period: 2016 - present

Place of implementation: Colombia

Themes: Biodiversity; habitats; conservation; restoration; payment for environmental services; payment for results; environmental compensation; biodiversity credits; ecological credits.

What makes this case interesting?

- The project has been created based on studies indicating that biodiversity credits (green credits) increase productivity, efficiency and quality in environmental offsets. It has also launched the first Habitat Bank in Colombia and Latin America, the Habitat Bank in the department of Meta, Colombia.
- By providing a place where offsets can be aggregated, habitat banks are a solution that responds to the high transactional costs of individualised offset projects and the lack of assurance of permanence and maintenance of preserved areas. They also diversify biodiversity management, generate jobs, and provide income for those who cede the land on which the banks are established.

Supporting and implementing organizations

Creation and implementation

Terrasos https://www.terrasos.co

Strategic allies

Inter-American Development Bank(IDB) https://www.iadb.org/es

Partnerships for Forests https://partnershipsforforests.com/

Form of selection of the clearing site

Private land (purchased or leased) in habitats of high interest that ensure restriction of land use and continuation of restoration and conservation activities.

Credit buying organisations

The project focuses on companies that have to comply with a legal compensation obligation. However, non-mandatory offsets can also be made.

Financial mechanisms and values

Payment by results

Biodiversity credits (ecological credits) equivalent to 30 years of habitat preservation.

An average of US$ 1 million is needed to start up a habitat bank.

Monitoring, evaluation and learning

Indicators related to biodiversity impact (e.g. hectares preserved, enriched and restored; number of endemic species listed; number of new species discovered), finance and employment generation.

Results

By 2021, four habitat banks have been created, totalling 2,000 hectares.

Learnings obtained

- Collective investments from different stakeholders is key to launching a habitat bank. The Meta Habitat Bank, for example, has received investments from the IDB's Multilateral Investment Fund (MIF), Terrasos and land owners.
- Providing financial, technical and legal guarantees is important to ensure the success of habitat banks.
- In order to create adequate market conditions that encourage the use and establishment of habitat banks, it is necessary to strengthen control and surveillance measures by the environmental authorities, who should define the moment at which compensation should be implemented.
- Establishing an area of influence of the banks makes it possible to link compensation processes to territorial environmental planning processes.
- Habitat banks can foster the creation of public policy instruments that translate into opportunities for rural development and natural resource protection, as well as for tackling inequalities and land concentration.

More information:

Meta Habitat Bank: https://www.terrasos.co/banco-de-habitat-meta

Bosque de Niebla - El Globo Habitat Bank: https://www.terrasos.co/banco-de-habitat-el-globo

Habitat Bank Tropical Dry Forest - Cauca River Canyon - Liborina:

https://www.terrasos.co/copia-de-banco-liborina

Cesar Tropical Dry Forest Habitat Bank: https://www.terrasos.co/banco-de-h%C3%A1bitat-cesar

CASE



Divulgación

Amazonia Impact Ventures – Cepro Yanesha: Coffee value chain

Case type: Impact-linked loans for indigenous and forest people organizations to improve sustainable land use, environment protection livelihoods.

Case name: Amazonia Impact Ventures – Cepro Yanesha: Coffee value chain.

Organizations involved: Amazonia Impact Ventures

Implementation period: 2020 - 2027

Place of implementation: Villa Rica, Pasco (Oxapampa, Asháninka y Yanesha Biosphere

Reserve), Peru.

Themes: Indigenous people; Sustainable land use; Regenerative agriculture; Agroforestry; Sustainable value chain; Deforestation-free products; Coffee; Trade-finance; Impact-linked finance; Peruvian Amazon.

Use of financial support:

- Short-term working capital loans to collect, process and export coffee, and;
- Medium-term capital expenditure (CAPEX) loan for construction of a processing plant to increase coffee quality, and competitiveness of the cooperative by reducing costs and offering processing services to other cooperatives and small producers

What makes this case interesting?

- The Development of a deforestation-free coffee value chain with a focus on the competitiveness and sustainability of an indigenous cooperative located in a biosphere reserve in the central Amazon jungle of Peru.
- The financing structure has an impact linked-loan approach, which incentivises sustainable land use and forest conservation when impact-goals developed collaboratively with the indigenous cooperative and communities are achieved.
- The case is an example of the potential to increase positive socio-environmental impact when finance for indigneous and forest people enterprises is structured to meet working capital and capex needs combined with both financial incentives and robust non-financial support through technical assistance tailored to improve business resilience, environmental conservation in production areas and forest protection beyond them.

Supporting organization: Amazonia Impact Ventures https://www.amazoniaimpactventures.com/

Supported organization: Cooperativa Agraria Cafetelera Cepro Yanesha https://es-la.facebook.com/CACCEPROYANESHA/

Method of selection of the supported organization

Amazon Impact Ventures team proactively searches for potential organizations to invest in

through local networks and its own relationships with indigenous groups. It undertakes a

detailed sourcing, screening and due diligence process. During the due diligence phase,

AIV received the information that Cepro Yanesha's previous funding was ending and it needed support to be able to continue to fulfill contracts with buyers. Cepro Yanesha is a cooperative created to support Yanesha indigenous farmers to improve their livelihoods. It works with seven Yanesha indigenous communities covering approximately 10,000 hectares of titled communal land.

After approaching the cooperative, the team assessed that Cepro Yanesha has achieved

significant growth that has increased its revenue, however this growth has created increased working capital requirements which are very challenging to find in the current financial system in rural Peru.

Financial mechanism and amount

Debt
Short term loans: Impact-linked Trade finance: US$400,000 a year.
Medium term loan: Impact-linked CAPEX: US$150,000.
The loans are structured to reduce the cost of the loan to Cepro Yanesha if goals linked to forest conservation and regeneration and improving livelihoods are met.

Non-financial support

Non-financial support is seen as a package of technical assistance to improve sustainable land use, business resilience and market access. All technical assistance is provided by Amazonia Impact Ventures (AIV).

Format and content	Frequency
Financial planning	
Telephone or online conversations and field visits to: • Improve the cooperative's financial planning including anticipating working capital needs; • Improve operational capacity and systems for purchase and production of coffee to meet the requirements of sale/purchase contracts.	Approximately every fortnight and as needed.
Commercialization	
Telephone or online conversations and field visits to: • Improve business resilience by increasing opportunities for Cepro Yanesha to connect with potential buyers in Europe and USA. • Marketing support to better demonstrate the source, means of production and value of buying from Cepro Yanesha.	Every three months.
Sustainable land use including deforestation monitoring and response	
Telephone or online conversations, field visits and online information sharing to: • Improve the implementation of best sustainability practices on land use, agroforestry, regenerative agriculture and adaptation to climate change; • Support the creation of organizational procedures and standards related to sustainable land use, such as certifications and policies; • Provide information on the forest cover, historical and current deforestation level, and deforestation alerts in real time; • Support community discussion about what is happening in their land, why and how they can act to find solutions. In this sense, reports are prepared in a simple way as presentations so they can be used by the community meetings; • Support the development of land management plans.	Conversations and/or field visits occur usually once a month. Information on deforestation is updated every year. Alerts are sent every 2 weeks.
Agroforestry	
Field visits to: • Improve agroforestry practices; • Support Cepro Yanesha 's technical team and train farmers on agroforestry principles and techniques.	Every month

Monitoring, evaluation and learning method

Indicators	Data collection	Frequency
Quantitative analysis		
Goals linked to forest conservation and regeneration and improving livihoods are agreed between AIV and Cepro Yanesha in collaboration with the farmers and wider communities. Farms and Forest: • No. of hectares positively impacted; • No. of hectares of avoided deforestation; • No. of hectares subject to conservation commitments; • No. of hectares restored; • No. of hectares of agroforestry farms; • No. of trees planted. Socioeconomic: • No. of farmers benefiting from the finance; • No. farmers benefiting from improving the sustainability of agricultural practices; Percentage increase in income to farmers. Business: • No. of tonnes of commodities sold • Working capital provided (US$); • Percentage increase in revenue of the cooperative. Carbon sequestration indicator: Forest carbon emissions reduction achieved through avoided deforestation and carbon sequestered by reforestation activities. Results are linked with Sustainable Development Goals (SDG).	Data is collected using satellite images analysis and directly from the field by Cepro Yanesha and AIV team.	Data related to deforestation and forest cover is collected every year. Data about agroforestry and tree planting is collected continuously. Socioeconomic data is collected every year. Business data is collected every year.
Qualitative analysis		
Assessment of cooperative' capacities on different aspects: • Governance and gender; • Operations and management; • Financial management; • Service delivery to farmers; • Relations with clients; • Production and quality; • Sustainability, land use and forests; • Relations with NGOs and other stakeholders.	Data is collected by AIV team.	Data is collected every year.

Results achieved
Trade-finance loans - 1 year

Over 12 months, AIV has supported Cepro Yanesha to improve the sustainable land use of 10,000 hectares of farm and community land, increased the consistency of income of 117 farmers and their families, and brought together representatives of 7 indigenous communities to analyze the incidence and cause of deforest on their land and develop ways of taking action to respond and prevent it.

Specific results include:

- 11 shipments of coffee of about 330 tonnes sourced from 117 farmers.
- Sustainable agriculture, land use and forest conservation policy approved by coop's board that comprises

representatives of the seven indigneous communities which own the farm land and surrounding community land.

- Cepro Yanesha's tree nursery enhanced by producing native trees compatible with agroforestry coffee systems.
- Technical reports identifying drivers of deforestation at the community level.
- Meetings with communities to present results from deforestation and forest cover analysis (provided by AIV) and discuss sustainable land use issues.

End of project targets (CAPEX loan - five years)

Targets were agreed collaboratively with the cooperative based on its capacity of achieving it.

- Cepro Yanesha dry processing mill is fully operational, processing 100% of members' coffee and providing processing services to other producers. This enables Cepro Yanesha cooperative to integrate dry milling processing to its business operations by building and operating a dry processing mill, commercializing high-quality coffee and improving its value proposition to both producers and buyers.
- Farmers have improved their incomes by at least 20%. The capex loan and related technical assistance will improve the competitiveness of Cepro Yanesha, reducing their costs of processing coffee. This will have a direct impact on the margins of the cooperative and will allow them to pass some of this efficiency to the farmers by paying better prices.
- Cepro Yanesha has improved land use in the communities by producing deforestation-free coffee. Cepro Yanesha is able to improve the coffee quality, and support farmers and communities directly, to promote a sustainable use of their community lands working together with Cepro, farmers and community leaders over the 5 year period of the loan to develop land use maps and set up a deforestation monitoring system. A better quality, sustainable production will continue to add more value to the Yanesha coffee creating further opportunities to access to markets for higher quality and sustainable coffee, expanding the number of buyers and strengthening the brand, which will also have an impact on the price paid to farmers, strengthening the livelihoods opportunities.

Learnings

- Despite a well-developed local banking system providing microfinance services in Peru, only a small percentage of all financial system lending is directed towards the Amazon region. AIV has found a high demand of both short and mid term finance for working capital and capital expenditure to support cooperatives operating in the Amazon.
- Most loans from social lenders and governmental programmes available for cooperatives are focused on supporting production and job creation, rather than sustainability. A recent study in Peru has found that there is a lack of specific green credit products designed to support the shift of agricultural commodities and other crops away from deforestation to a deforestation-free production.
- Impact-linked loans have an enormous potential to promote better sustainability practices and improve land use. A clear pathway towards impact and the right incentives are key to achieve meaningful outcomes.
- Technical assistance to improve capacities of indigenous and other forest peoples enterprises on financial planning, sustainable practices and governance is key and need to be deployed alongside finance. In most cases, technical assistance needs to be tailor made.
- Short-term impact-linked finance can produce ambitious mid and long goals if structured with a clear theory of change, are monitored and managed closely and adapted according to needs.
- Securing land rights and implementing forest monitoring systems have been proven to be successful strategies to reduce deforestation, but also to address violence against indigenous peoples from land and resources conflicts.
- In the Amazon, commodities value chains originate in the forest – not only in the farm. It is important then, when assessing carbon footprint or negative impacts within global value chains, to go beyond the farm and consider the forest and its biodiversity.

More information:

https://www.weforum.org/agenda/2021/11/these-5-entrepreneurs-are-providing-

innovative-and-systemic-approaches-to-global-production-and-trade-of-agricultural-

commodities/



Divulgación

Sustainable CRA

Type of case: Hybrid financing to support the development of sustainable agroforestry production chains.

Case Name: Sustainable CRA –Certificate of Agribusiness Receivables- with social and environmental impact in the Brazilian cocoa value chain.

Organizations involved: Arapyau Institute, Humanize Institute, Funbio, GAIA Impacto, Iboá, Inter-American Foundation, Ibirapitanga Institute, Porticus

Implementation period: December 2020 to March 2026.

Location: Southern Region of Bahia State, Brazil.

Thematic: Sustainable value chain; Family and smallholder agriculture; Agroecology; Agroforestry system (SAF); Cocoa; Atlantic forest; Sustainable bonds.

Use of financial support: Increased productivity and improved product quality.

What makes this case interesting?

The First Certificate of Agribusiness Receivables (CRA) with socio-environmental impact in Brazil constituted under a hybrid financing model, aiming for inclusive and simplified processes, offers more flexible credit, overcoming the difficulties of access to government official credit lines.

This case demonstrates that it is possible to finance sustainable family farming with financial market mechanisms when suited to local needs that can achieve good results both in terms of impact and financial return.

Supporting organizations and implementing partners

Financial support and delivery:

- Gaia Impacto Securitizadora https://gaiaagro.com.br/institucional/
- Tabôa - Community Empowerment https://www.taboa.org.br/
- Arapyaú Institute https://arapyau.org.br/
- Humanize Institute https://www.ihumanize.org/

Financial support:

- Brazilian Biodiversity Fund (FUNBIO) https://www.funbio.org.br/
- Ibirapitanga Institute https://www.ibirapitanga.org.br
- Inter-American Foundation https://www.iaf.gov/pt/
- Porticus https://www.porticus.com

Partnering organizations

- Forest People's Network - facilitating access to family farmers and small producers and technical support via Muká Plataforma Agroecológica, created in partnership with Tabôa. https://povosdamata.org.br/ https://muka.org.br/
- Way Carbon - Issued a second opinion stating that the operation could be characterised as a sustainable bond. https://waycarbon.com/

Supported organizations:

- Associations, settlements, family farmers and small cocoa producers from 9 municipalities in the South of Bahia, a region with a presence of preserved Atlantic Forest and a historical lack of access to credit.

Selection method

Eligibility criteria:

- Green eligible category:
- Environmentally sustainable management of living natural resources and land use - Agroecological or organic agriculture and Agroforestry Systems (SAFs).

Eligible social categories:

- Socio-economic empowerment in family farming - Inclusion of women, young people, settlers and quilombolas;
- Food security and sustainable food systems.

Financial mechanism and values

Blended finance	
Debt	**Donation**
Sustainable title: CRA (Certificate of Agribusiness Receivables) registered with the Brazilian Securities and Exchange Commission (CVM). Total value of the sustainable title: US$ 225.000,00. Senior quota of US$ 160.000,00 was made of market investors and a subordinate quota of US$ 64.000,00 with investments from Tabôa. Average value of CRAs (credits) distributed: US$ 1.500,00.	US$ 64.000,00 for developing the financial mechanism and generating ballast contracts for the CRA. US$ 163.000,00 for maintaining the credit portfolio. US$ 304.000,00 for rural technical support.

Non-financial support

Production and Processing		
Format and content	**Periodicity**	**Who performs**
Courses and/or demonstrations of: • Agricultural and cocoa production techniques with a focus on encouraging agroecology, including land management plans, land use and crop diversification; • Monitoring the development of the technical components of the project and providing courses for the production of quality almonds.	Monthly	Tabôa and Povos da Mata Network.
Financial planning		
Meetings for joint construction and accompanying the development of personalised work plans.	Monthly	Tabôa and the Forest People's Network

How to do monitoring, evaluation and learning

Quantitative analysis		
Indicators	**Form of collection**	**Periodicity**
Indicators related to credit, production and productivity, income generation and land use. Disaggregation of data and human rights lens: gender, age, type of management (conventional or agroecological), type of property (settlement or other) and year of concession. **Risk indicators:** • Default rate. • Refinancing rate. International method used: GreenBond Principles 2019 and SocialBond Principles 2019. It links results with the SDGs.	Organisations provide the data to Tabôa as per the frequency agreed in the loan agreement.	Annual
Qualitative analysis		
Farmers' perceptions on the progress of the implementation of the work plan.	Field visit by the technical assistance teams.	Monthly
Farmers' perceptions of the quantitative results and what worked and didn't work regarding credit and technical assistance. Sharing reports on positive changes generated from the use of financial support.	Meeting with technical assistance team, Tabôa and Rede Povos da Mata	Annual

Results

Short-term results (1 year)	Medium term target (2 years)
• 205 credits granted to 184 farmers. • Income increase of 38.9%, even during the pandemic. Overall average cocoa farmer productivity increases of 22.8%. Increase in production of quality cocoa by 379%. • Zero delinquency, after the first financing cycle. • Report with full results (May 2022): https://taboa.org.br/index.php/a-taboa/publicacoes	30% increase in productivity. Targets for the end of the project (5 years) In process of definition.

Learnings obtained

- Climate and conservation action by fostering sustainable production chains have key positive externalities for Latin America and the Caribbean such as income, food security and ethnic, racial and gender equity. At the same time, making the chain more dynamic involves valuing positive externalities.
- The supply chain product does not need to be the only focus to attract more supporting organizations. Thinking about related topics and finding a common narrative makes it easier to reconcile interests. (Ex.: cocoa production can be linked to the interest in supporting the production region, socio-biodiversity chains in general, employment generation, family farming, agroecology, indigenous and traditional populations, rural development and the permanence of young people in the countryside, etc.).
- Showing how impact is to be generated in a simple and objective way is the main element for a successful market capital raising.
- Conducting diagnostics and participatory monitoring, evaluation and learning processes is essential to define the theme(s), mechanism(s) and amount of financial support, which may vary and change over time.
- Innovation and adaptation to local needs need patient capital. After the start of operations, with short-cycle crops, quick returns are possible.
- In Southern Bahia, as in other regions in the LAC region, it is difficult to access official credit due to factors such as illiteracy, lack of guarantors or outdated records required to be part of public policies. On the other hand, when accessing credit, many of the cases related to debt or accounting problems are linked to the lack of financial education and knowledge of the various financial products, which generates cycles of indebtedness.
- Non-financial support has a direct influence on income gain, as it generates gains in product quality and knowledge about commercialization, and improves the financial education of the supported organizations.
- Working with local organizations and people in a participatory manner is essential, as the proximity and joint construction of the financial plan increases trust with regard to administrative, operational and behavioral changes.
- Collective guarantees increases security, reduces operating costs and increases the possibility of scaling up. Specifically, the work with settlements facilitated the adherence to the project.
- The Brazilian financial market is not prepared for small operations. There is a difficulty, and sometimes impossibility, of investing via banks and brokers distributing the financial product.
- Eligibility categories focused on socio-economic development and reducing inequalities, as well as the disaggregation of data in the monitoring, evaluation and learning process, are important both for the promotion of equity and strengthening of local knowledge, and to ensure the continuity of the supported organizations.
- Although philanthropy is essential for the viability process of non-financial support linked to impact investing, it is relevant to think of other ways of enabling it, such as: demanding the expansion of public policies aimed at technical capacity building, scaling up credit to incorporate costs, partial or in full financing of the technical assistance, or even encourage that organizations incorporate these when they reach their next stage of maturity.

More information

Framework for issuing sustainable bonds in the Atlantic Forest: sustainable CRA with socio-environmental impact in the cocoa value chain, in Portuguese:

https://www.taboa.org.br/images/Taboa_Framework_CRA_Sustentavel.pdf

CRA generates resources for family farmers in southern Bahia (Valor Econômico newspaper): https://valor.globo.com/agronegocios/noticia/2020/12/16/cra-gera-recursos-para-agricultores-familiares-do-sul-da-bahia.ghtml

Credit operation for cocoa producers in Bahia (Agro Mais Programme)", *in Portuguese*:

https://tvuol.uol.com.br/video/operacao-de-credito-para-produtores-de-cacau-na-bahia-0402CC1B3666E4C16326

Small farmers add value to cocoa production in agroforestry system (Rural Bahia Programme), *in Portuguese:* https://globoplay.globo.com/v/9304931/

After the first cycle of financing with zero default, a new group of farmers will have access to credit for cocoa funding in southern Bahia (Portal Arapyaú), *in Portuguese*:

https://arapyau.org.br/apos-primeiro-ciclo-de-financiamentos-com-inadimplencia-zero-novo-grupo-de-agricultores-tera-acesso-a-credito-para-custeio-do-cacau-no-sul-da-bahia/

Blended finance: how blended finance can enhance socio-environmental projects in Brazil(One Planet Portal), *in Portuguese*:

https://umsoplaneta.globo.com/financas/noticia/2021/07/05/blended-finance-como-o-financiamento-misto-pode-potencializar-projetos-socioambientais-no-brasil.ghtml



Muvuca

Case Type: Private Social Investment to support innovation and strengthen environmental restoration and the bio-economy.

Case Name: Muvuca: Community production of native seeds for restoration in Brazil.

Organizations involved: Good Energies Foundation

Implementation period: 2019 - 2021

Location: Mato Grosso and Distrito Federal, Brazil.

Thematic areas: Native seeds; Biological diversity; Restoration; Bio-economy; Community networks; Amazon; Private Social Investment.

What makes this case interesting?

- The experience at the Muvuca Project shows how short-term support can strengthen and amplify the impact of nature-based solutions, provided it is steered in a strategic way.
- The project has contributed to the expansion of Brazil's community-based restoration economy and to the generation of knowledge on genetic diversity by Muvuca, a Brazilian biological process of direct planting of native seeds, which values traditional knowledge and genetic diversity.
- With Muvuca, the cost of a 1-year-old tree sown directly at a density of 1,089 individuals/ha is on average 2.5 times cheaper than the cost of a 1-year-old seedling planted at the same density (US$ 0.67 vs. US$1.70), three times cheaper if at the density of 1667 individuals/ha (US$0.48 vs. US$1.60), and four times cheaper at the density of 2,500 individuals/ha (US$0.36 vs. US$1.54) (Raupp et. al. 2020).

Purpose of the use of the support: Expansion of community networks and demand for seeds for use of direct seeding in restoration.

Supporting organization: Good Energies Foundation https://www.goodenergies.org/

Supported organizations: Xingu Seed Network https://www.sementesdoxingu.org.br/

Form of selection of the supported organization:

In line with the direction of Good Energies' Forestry program, the team identifies opportunities that can advance the restoration of tropical forests.

The Xingu Seed Network was chosen for the relevance of its work and its potential to expand and contribute to restoration in Brazil and other countries.

Muvuca contributes to overcoming the high costs of restoration, as well as offering the genetic diversity necessary for good restoration. A large part of the nurseries is focused on locally collected seeds and seedlings with commercial value. It also increases the demand for native seeds and generates income for the people who live in the forest.

Financial mechanisms: Donation

Non-financial support

Strategic planning		
Format and content	**Periodicity**	**Who performs**
Field visits and meetings focused on solving project implementation problems. Attendance to support meetings of other organizations supporting the Seed Network.	On a need-basis.	Good Energies.
Connection with other organizations.		
Support for better marketing conditions and establishing partnerships.	On a need-basis.	Good Energies.

How to do monitoring, evaluation and learning:

The sponsored organization came up with a list of suggested indicators at the start of the project. They were then defined together with support from Good Energies.

Presentation of the results by the organization, supported by an annual and final report.

Results

The project established two new community seed networks in the Cerrado and the Atlantic Forest and expanded the existing network in the Amazon region. With this, it trained 1533 new collectors, restored over 1,773,000 hectares and created demonstration areas in the three biomes, with seeds of 243 species, in places and sectors where direct sowing is not possible. Likewise, complementary public financial support was guaranteed and four documents were produced focusing on contributing to the improvement of the legal framework for restoration investments.

Learnings obtained

- It is essential that the supporting organization has the confidence and flexibility to allow for adjustments in project scope and goals if necessary. Further, it is also necessary that the implementation of the actions is closely monitored for the fast identification and resolution of field problems.
- The proximity between the supporting organization and the supported organization leads to the identification of new opportunities for continued support. In this sense, continuity does not necessarily have to happen with the renewal of the support agreement. It is possible to contribute to overcoming the challenges faced by the supported organization by giving support to other fronts of their work, considering the whole context related to the productive chain of native seeds.
- Currently, the main challenge of the native seed production chain is the fluctuation of demand. It is necessary to support community-based producers' organizations to best deal with the instability of sales, while the use of Muvuca in restoration projects is spreading. This also requires for supporting organizations to devise ways to safeguard the seed economy from massive price fluctuations.
- Integrated and coordinated multi-organizational financial support increases the efficiency of support.

More information

Forest Makers:
https://www.youtube.com/watch?v=0M0oBvNBUmo

Seeding tropical ecosystems: Governance of landscape restoration in the Brazilian Amazon:
https://hdl.handle.net/2123/23736

Direct seeding reduces the costs of tree planting for forest and savanna restoration: https://www.sciencedirect.com/science/article/abs/pii/S0925857420300768

Seed Networks for Upscaling Forest Landscape Restoration: Is It Possible to Expand Native Plant Sources in Brazil?: https://www.mdpi.com/1999-4907/11/3/259

CASE



Sustainable Landscapes Ventures project

Conservation International / Foto de Andrea Valdés*

Type of case: Hybrid financing mechanism to support the development of sustainable territories.

Case Name: Sustainable Landscapes Ventures project

Organizations involved: SVX and CI Ventures

Implementation period: September 2020 - September 2025

Location: Country: Mexico in the regions of Calakmul, Campeche (biosphere reserve); Sierra Sur, Oaxaca (forest wealth and state resource reserve); Sierra Madre, Chiapas (the largest mountain range in Central America); and Mascota-Tapalpa, Jalisco (cultural and environmental diversity).

Themes: Sustainable, inclusive and scaled value chains; Smallholder agriculture; Capacity building; Market development; Sustainable landscapes and territories; Blended finance.

What makes this case interesting?

This case presents the landscape approach as a systemic approach to financial support.

To this end, support services and training were offered to the point of becoming a helping hand in achieving scale and quality in sustainable agroforestry production, promoting the connection and generation of value for those who produce, those who buy and those who invest, under a territorial logic that also promotes socio-cultural inclusion.

One of the results suggested the creation of an investment instrument that brings together different types of capital, seeking to solve the lack of diversity and flexibility in terms and types of financial products that are adapted to the needs of organizations that produce on a small scale.

Use of financial support:

- Enabling and structuring sustainable, economically and culturally relevant agricultural markets for landscapes:
- Establishment of collective business entities (CBEs) with sustainable agricultural practices;
- Project curation service: improving production management and operation, developing portfolios and connecting participating organizations with buyers and investors;
- Structuring of an equity certificate on the Mexican Stock Exchange.

Supporting and implementing organizations:

Financial support

USAID - Donor https://www.usaid.gov/

Implementation:

Conservation International - project leader https://www.conservation.org/

SVX MX https://svx.mx/

CI Ventures, LLC (CIV) https://www.conservation.org/projects/conservation-international-ventures-llc

MEXICO2 https://www.mexico2.com.mx

ENDESU - Natural Spaces and Sustainable Development A.C. https://www.endesu.org.mx

Organizations supported

People and organizations producing on a small scale in landscapes with high environmental relevance, deforestation and unsustainable agricultural practices.

Form of support selection:

Project selection

USAID has a type of call for proposals called Broad Agency Announcement (BAA), dedicated to fostering cooperation between different stakeholders with innovation. The calls are based on previous studies that identified problems to be addressed. They then receive letters of interest from organizations interested in participating in the development of solutions. Organizations participate in co-creation workshops in which consortiums between organizations are created. And at the end of the process, they present their projects. From the projects submitted, USAID chooses one winner to receive financial support.

Selection of the organizations participating in the project

Eligibility criteria include geographical criteria, minimum administrative and legal requirements, and criteria related to human rights and socio-cultural inclusion of women, youth, indigenous communities and Afro-Mexicans.

Feedback is given in the case of non-approval so that a new application in future calls is more likely to be approved.

*Picture: Productores de Ajonjolí na Paisagem Sierra Sur- Oaxaca de Empreendimentos em Paisagens Sustentáveis (CI México - USAID) Copyright: © Conservation International / Foto de Andrea Valdés

Financial mechanisms and values

Donation
US$ 10 million

Non-financial support

The whole project is structured around the provision of non-financial support.

Format and content	Periodicity	Responsible
Projects' curation		
• Meetings and training related to the diagnosis and adaptation of the business model, the financial plan and the project portfolio [pitch deck]. • Identification of potential buyers and investors. • Presentation of the curated projects to identified buyers and investors.	Continuous, according to needs.	SVX Minkadev (for identification and presentation to buyers)
Sustainable agricultural practices		
In the process of project curation, needs are identified and trainings are offered.	Whenever necessary.	Project partnering organisations

Form of monitoring, evaluation and learning:

Indicators	Form of data collection	Periodicity
Quantitative analysis		
Indicators selected according to the logical framework of the project: • Indicators related to financial support; • Indicators related to project management and participating organizations; • Indicators related to sustainability and inclusion at organizational and landscape levels. The analyses are focused on generating intelligence for the landscape economy as a whole and not exclusively for value chains. Disaggregation of data and human rights lens: gender, income, age, disability and geographic location. Examples of indicators: • Percentage of women participating in Sustainable Landscapes Enterprises that enhance access to productive economic resources (assets, credit, income or employment). • Number of women in managerial positions in the chain organizations. Risk indicators: Climate change scenarios with value chains and number of actions in "Sustainable Landscape Agreements" for mitigation and/or adaptation. Carbon sequestration indicator: USAID's Agriculture, Forestry and Other Land Use (AFOLU) Calculator. International method used: IRIS metrics. Links results to the Sustainable Development Goals (SDGs).	In the landscapes, both the implementing organizations (through surveys, interviews and/or questionnaires) and the producer organizations share the information they have systematized. In addition, information from sources such as the National Institute of Statistics and Geography (INEGI) or the National Commission for the Knowledge and Use of Biodiversity (CONABIO) is used.	Every semester
Qualitative analysis		
Systematization of project implementation and learning discussions.	Internal evaluation sessions between implementing organizations.	Quarterly

Results

Short-term results (1 year)	Targets for the end of the project (5 years)
Expected: • Connection with CI ventures that will invest USD 2 million (debt and guarantee) in projects of participating ECNs and local organizations. Not expected: • Creation of an SVX impact fund that will invest in the project portfolios developed.	• Reduction of 1,614,619 tones of CO2e. • 27,000 hectares sustainably managed. • 2.6 million hectares with integrated landscape management. • 106,000 hectares were voluntarily set aside for conservation (ADVC). • 4,650 hectares were converted from conventional production to sustainable practices. • Increase in sales by 10-20%. • Reduction of 30-50% of the production costs of productive organizations in landscapes. • Reduction of the costs of financial services for productive organizations by 30-50%. • Creation of 12 portfolios of bankable projects ready for funding and reduction of the cost of funding by 50%. • In the process of presenting the project portfolios, the goal is to raise USD 37 million, including debt, guarantee and [equity].

Learnings obtained

- Supporting organizations must be flexible to adjust the scope of projects during implementation, with closeness and trust between supporting and implementing organizations being key to rapid adjustment.
- To generate innovation and sustainable results, multi-organizational collaboration needs to be integrated and coordinated, long-term and focused on the overall benefits. - Providing financial support to the same project and/or collaborating only in the elaboration of projects is not enough to achieve structural transformations.
- The landscape development approach and territorial working logic facilitate a systemic approach that tackles several socio-environmental problems at the same time. It also allows for the development of several value chains at the same time so that a sustainable and diversified local economic dynamic is created.
- A sustainable value chain can only be created by involving, matching and connecting those who produce with those who buy and those who invest. In here, it is important that both products and purpose are matched.
- Small-scale agricultural production is dependent on debt for two main reasons: a lack of knowledge of other types of financial products from producers and a lack of supply of different financial products that shows lack of awareness of the potentiality of the market.
- Blended finance for supply chains has the potential to accelerate CA&C, as it makes environmental conservation attractive to different types of stakeholders. In addition, it can be carried out through a diversity of financial products so that there is alignment between the production cycles and the needs of each organization and chain, reducing both the dependence on debt and the vicious cycle of indebtedness.

Further information

https://www.conservation.org/mexico/eps-usaid

9

Annexes

Acronyms used and Glossary

- **CA&C:** Climate action and conservation
- **LAC:** Latin America and the Caribbean
- **ESG:** Environmental, Social and Governance
- **GHG:** Greenhouse gases
- **MEL:** Monitoring, Evaluation and Learning
- **IPCC:** Intergovernmental Panel on Climate Change
- **Climate finance:** Public or private resources aimed at mitigating or adapting to climate change, i.e. reducing emissions and improving greenhouse gas (GHG) removal mechanisms, reducing vulnerability and maintaining or increasing the resilience of human and ecological systems to the negative impacts of the phenomenon [23].
- **Loans for conservation:** It can be understood as the directing of public or private resources to an ecosystem with a view to preserving its values in the long term[24].
- **Definitions of terms in English:** The Book of Jargon - Environmental, Social & Governance

Examples of taxonomy

- Global Impact Investing Network(GIIN) Taxonomy: https://iris.thegiin.org/document/iris-thematic-taxonomy/
- EU Taxonomy for Sustainable Activities: https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
- Roadmap to a Taxonomy in Chile: https://www.climatebonds.net/2021/05/hoja-de-ruta-para-una-taxonom%C3%ADa-en-chile
- Adaptation Solutions Taxonomy July 2020: https://greenfinancelac.org/wp-content/uploads/2020/09/asap-adaptation-solutions-taxonomy_july-28-2020_final.pdf
- Climate Bonds Taxonomy: https://www.climatebonds.net/standard/taxonomy

23 As defined by the Standing Committee on Finance of the United Nations Framework Convention on Climate Change (UNFCCC).
24 As defined by the Blue Solutions initiative:https://bluesolutions.info/

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Latimpacto

April 2022