



# PRIVATE SECTOR ENGAGEMENT: MOBILIZING FINANCE FOR AMAZON BIODIVERSITY CONSERVATION

**How USAID uses risk mitigation: The case of the Amazon Biodiversity Fund (ABF) Brazil. ABF Brazil mobilizes blended finance to support sustainable activities that protect, restore, or otherwise improve biodiversity and community livelihoods in the Brazilian Amazon.**

## THE AMAZON BIODIVERSITY FUND

ABF is an Impact Earth fund co-designed with support from USAID/Brazil and the Alliance of Bioversity International and CIAT. The fund administrator is Vox Capital, with investment consultancy from Impact Earth. Launched in 2019, the fund is registered as an Investment and Participation Fund (FIP) for an 11-year term. It seeks to overcome financial challenges faced by startups in the Brazilian Amazon, offering long-term impact investment to finance sustainable businesses. The fund intends to address inherent financial challenges by providing flexible, long-term, patient capital for sustainable businesses that seek transformational, positive impact on Amazon biodiversity and communities.

ABF aims to invest in four key areas: 1) Conservation, reforestation and community livelihoods; 2) Smallholder value chains; 3) Sustainable farming; and 4) Innovation in technology, access to finance and

services. The fund expects to strengthen the autonomy of forest-dependent communities, companies and entrepreneurs; create innovative mechanisms for payment for ecosystem services and benefit share, restore degraded lands and reduce threats to standing forest and biodiversity, ultimately replacing illegal unsustainable practices, with legal sustainable alternatives.

The fund has closed deals with several Amazon impact businesses, including: INOCAS Soluções em Meio Ambiente, a company that works with the production of macaúba oil (an alternative to palm oil) in consortium with other plants in degraded areas (old pasture, for instance); Manioca, a business that promotes Amazon food products; Horta da Terra, a producer of dehydrated non-conventional food plants in Pará; Amazonia Agroflorestal, a REDD project that works with agroforestry coffee in the Southern Amazonas; and ReforesTerra, a restoration partnership between Rioterra and Reforest'Action, targeting 2,000ha degraded pasture land in Baixo Rio Jamari watershed. In 2020, ABF received the Fund of the Year award in the Environmental Finance Impact Awards multi-asset category.

The fund will monitor and report annually across the entire investment portfolio on seven thematic areas with environmental, social, and economic indicators. These results will be audited annually by an external audit.

## **WHY MOBILIZE PRIVATE SECTOR FINANCING FOR A SUSTAINABLE AMAZON?**

Despite significant philanthropic resources to further sustainable development of the Amazon, threats to biodiversity remain and are increasing. [Assessments](#) show lack of financing and credit is a major barrier for the expansion of conservation enterprises in the Amazon. Joint solutions and blended financing structures with the private sector are needed to ensure responsible, sustainable development. The practice of “impact investing” is rapidly expanding in the country's southern and central urban centers. The expansion in Brazil is largely in the health, information technology, and education sectors. The risks and challenges of working in the hard-to-reach Amazon have precluded most impact investors from expanding into the region and into economic activities that support protected area management and biodiversity-friendly enterprises. Unlocking private finance for Amazon conservation enterprises and new, sustainably-driven economic models that are compatible with conservation are critical to maintaining the natural resources of the Amazon region.

## **USAID'S ROLE IN THE AMAZON BIODIVERSITY FUND BRAZIL**

Following a needs assessment under the Partnership for Conservation of Amazon Biodiversity (PCAB), a multi-year (2014-2030), \$130 million ceiling bilateral agreement with the Government of Brazil, we recognized the need to catalyze private sector leadership towards conservation and sustainable development. [USAID](#) convened partners for the co-design of ABF. During the co-design stage, USAID provided recommendations on the Fund's environmental, social, governance policies, and aligned its impact approach with [USAID's Biodiversity Policy](#).

Via USAID's Development Finance Corporation (DFC), USAID provided a 50 percent loan guarantee, helping reduce risk for the fund. In addition, USAID provided a \$15 million grant to the Alliance of Biodiversity and CIAT to further biodiversity conservation and sustainable development goals in the Brazilian Amazon and learn from innovative blended-finance models. In turn the Alliance invested \$15 million in ABF, becoming the cornerstone investor.