

AMAZÔNIA SUSTAINABLE SUPPLY CHAINS MECHANISM

CLIMATE FOCUS: SUSTAINABLE AGRICULTURE
AND LAND USE

GEOGRAPHIC FOCUS: BRAZIL

INVESTMENT TYPE: GRANTS, CONCESSIONAL,
COMMERCIAL

PROPONENT: NATURA AND MAUÁ CAPITAL

Forest-compatible and bioeconomy products present a significant opportunity for the Brazilian Amazon, which contains 67% of the world's tropical forest cover. Yet the region contributes to not even 0.2% of the USD 175 billion global markets for these kinds of products, which includes açai, Brazil nut, passion fruit, pepper, and cacao, among many others: all found in the Amazon rainforest.

One reason for this is that current sustainable value chains lack productive capacity, infrastructure, and financing, and cannot compete with value chains that are often associated with deforestation (beef, soy, wood). Adequate financing, technical assistance, and investment in enabling conditions can build forest-compatible value chains in the Amazon, allowing for cooperatives to take advantage of the growing market demand and eliminating pressure to deforest.

INNOVATION

The Amazônia Sustainable Supply Chains Mechanism (AMSSC) offers an opportunity for companies to take on a role traditionally held by financial institutions, but in a way that brings more value-add to suppliers and optimizes the potential of the entire ecosystem.

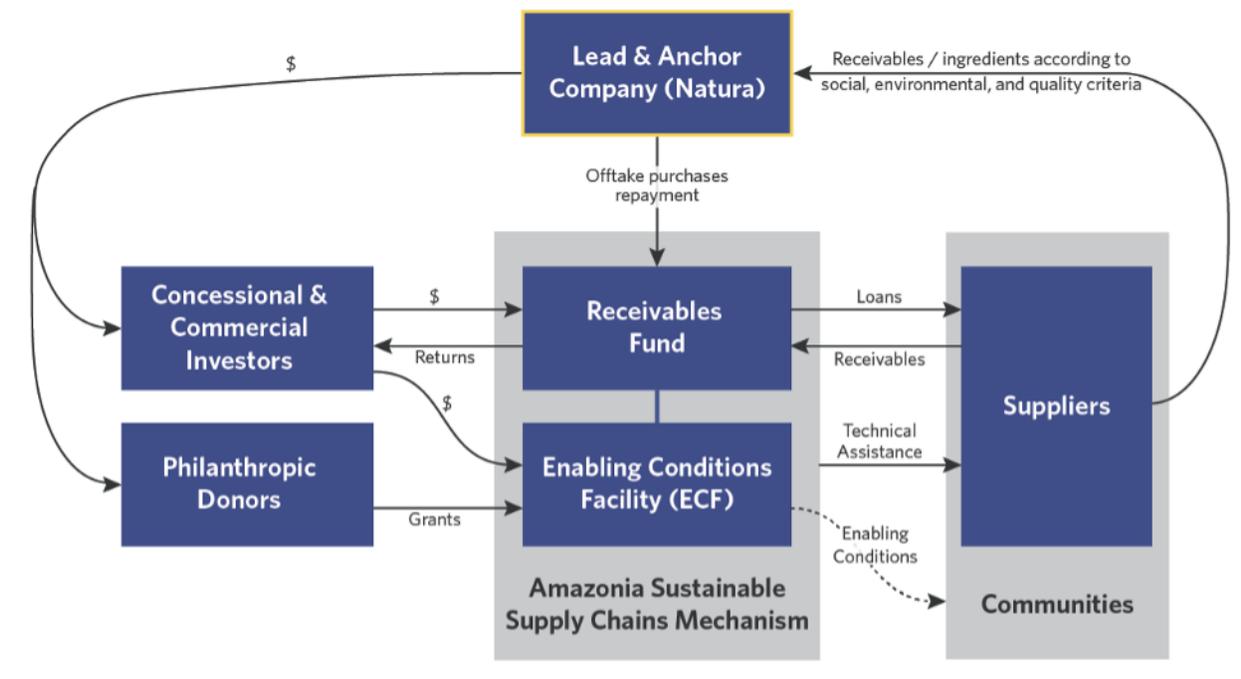
AMSSC is unique in having the participation of the fund manager and a strong off-taker in the structuring of the fund, as well as having the off-taker investing in the fund with skin in the game and purchasing from the communities, with a long-term perspective.

IMPACT

The instrument will pilot as a USD 50 million fund, financing up to 34 cooperatives in the Amazon region. It will start financing suppliers of 39 different ingredients, with the objective of expanding to 55 bioingredients from the Amazon forest. Natura expects its bioingredients off-taking to reach approximately USD 12 million (BRL 60 million) by 2030.

The pilot's goal is to keep three million hectares of forests standing in the Amazon by 2030 (equivalent to Belgium). With that, AMSSC can contribute to reducing the pressure to deforest this land, and thus avoid a potential 1.4 billion tons of CO₂ emissions (almost 400 million tons of carbon).

The Amazônia Sustainable Supply Chains Mechanism leverages off-take agreements for forest-compatible products to provide upfront finance, technical assistance, and structural community resources that catalyze the bioeconomy and keeps forests standing.



DESIGN

AMSCC has two components:

A receivables fund that pays suppliers upfront in exchange for receivables, with the off-taker then repaying the fund for the products purchased. The off-taker also participates in the subordinate tranche of the receivables fund.

And an enabling conditions facility (ECF) to improve suppliers' capabilities to deliver quality products and ramp up their production capacity. The ECF also provides a broader set of investments to communities, including in education, healthcare, access to the internet and infrastructure, to contribute to their sustainable development.

The instrument uses a blended finance structure, with Natura acting as the initial off-taker and investor to the fund's subordinated tranche. Natura's presence catalyzes the participation of others in the fund, including other off-takers who can invest in both the receivables fund and the ECF.

INVESTMENT OPPORTUNITIES

TYPE	ROLE OF CAPITAL	AMOUNT
SUBORDINATE TRANCHE	First-loss / de-risking	USD 3 MN (20%)
MEZZANINE TRANCHE	Support fund with return of principal & reduce costs of financing	USD 1.5 MN (10%)
SENIOR TRANCHE	Support scaling	USD 10.6 MN (70%)
PHILANTHROPIC	Contribute to the Enabling Conditions Facility. Non-refundable grants	USD 12.7 MN

Baseline: 1st operational year. USD equivalent of the Brazilian real (BRL) is calculated using the exchange rate of 1 USD = 5 BRL

TEAM



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The Global Innovation Lab for Climate Finance identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development. The Lab is funded by the Australian Department of Foreign Affairs and Trade, Bloomberg Philanthropies, the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU), GIZ, the International Fund for Agricultural Development (IFAD), the Netherlands Ministry for Foreign Affairs, The Rockefeller Foundation, Shakti Sustainable Energy Foundation, and the UK Department for Business, Energy & Industrial Strategy. Climate Policy Initiative serves as Secretariat.