



LOW-CARBON AGRICULTURE TRANSITION MECHANISM (LATM)

SECTORS: LAND USE / AFOLU, SUSTAINABLE AGRICULTURE

REGION: BRAZIL

INVESTMENT TYPE: COMMERCIAL CAPITAL, CONCESSIONAL CAPITAL, GRANTS

SDGs:



PROPONENT: VOX CAPITAL AND VERT CAPITAL

OTHER IMPLEMENTATION PARTNERS: IMAFLORA AND ECOSECURITIES

Brazil is a significant emitter of greenhouse gases, and its emissions increased by 12.2% in 2021. Deforestation accounts for 49% of Brazil's emissions, while agriculture represents 25%. Despite this, Brazil has pledged to reduce greenhouse gas (GHG) emissions by 50% below 2005 levels by 2030 in its revised Nationally Determined Contribution (NDC). Low-carbon agriculture can help Brazil address deforestation in the Amazon, Cerrado, and Atlantic Forest biomes while reducing emissions and increasing productivity. However, access to technical

Low-Carbon Agriculture Transition Mechanism offers small- and medium-sized Brazilian farmers long-term loans while guaranteeing a minimum income and technical assistance, accelerating climate transition in agriculture.

assistance and investors' risk perception are barriers that LATM intends to overcome.

INNOVATION

LATM is Brazil's first financial instrument to support the sustainable agricultural transition by offering an income guarantee based on a portfolio risk management approach, addressing opportunity costs that hinder investments. Producers transitioning to sustainable agriculture will have their income guaranteed if they experience low productivity and revenue. In addition, the mechanism provides four credit lines designed to offer a portfolio approach to reduce risks and interest rates related to investments in agroforestry systems and bioeconomy, making these more attractive.

IMPACT

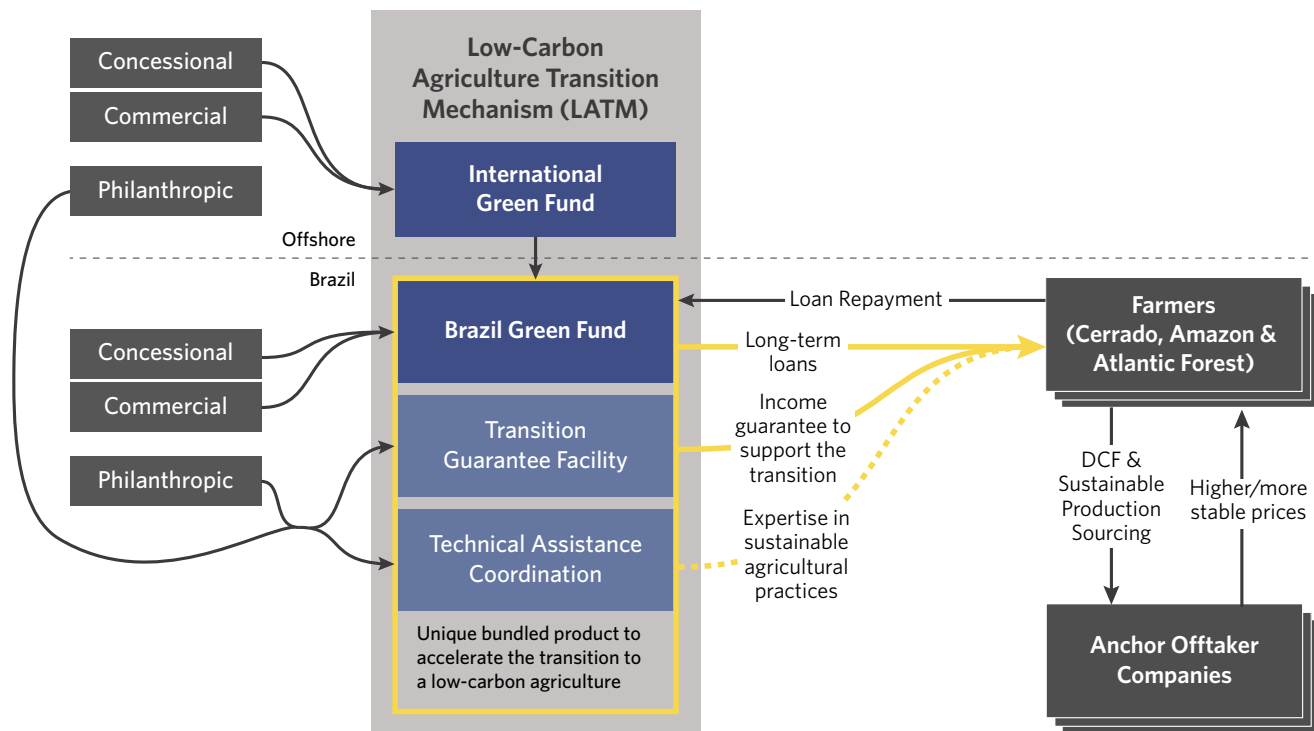
The mechanism aims to deliver sustainable returns based on changes in usual industrial commodities production or small-scale agriculture.

The Commercial Phase will implement the Transition Guarantee Facility and apply the four credit lines from a portfolio risk management approach. This phase relies on concessional and commercial capital, enabling the set-up of the initial portfolio. It aims to raise USD 100 million for the Revolving Debt Program, with 30% concessional debt for the first loss. Technical Assistance and the Transition Guarantee Facility require USD 15 million in non-refundable grants.

LATM's Commercial Phase targets 78,000ha of land for sustainable agricultural practices – equivalent to New York City's size – covering areas in the Amazon, Cerrado, and the Atlantic Rainforest, benefiting 3,659 farmers.

DESIGN

LATM includes a Transition Guarantee Facility, a Revolving Debt Program, and Technical Assistance Coordination. The mechanism also has a two-level funding structure: an offshore green fund and a Brazil green fund.



- Transition Guarantee Facility: provides an income guarantee for producers who experienced reduced productivity and revenue in the first years due to the practices engaged for the transition, reducing their aversion to sustainable practices.
- Revolving Debt Program: provides small- and medium-sized farmers loans to finance their sustainable agriculture transition under four specific credit lines: Pasture Recovery, Sustainable Livestock Intensification, Integrated Systems, and Agroforestry and Bioeconomy. The loans are provided over ten years and are based on the specific transition characteristics of the farmer.
- Technical Assistance Coordination: covers a range of topics: (1) Identifying the most appropriate sustainable practices for the farmer's land, (2)

Developing a transition plan, (3) Providing training on sustainable agricultural practices, and (4) Monitoring the farmer's progress.

In addition, LATM includes a two-level structure for funding. The first is an offshore green fund incorporated in a foreign jurisdiction for international private investors interested in sourcing sustainable agricultural and forest products. The second is incorporated under local regulations and funded by the offshore green fund and local investors.

INVESTMENT OPPORTUNITIES

TYPE	ROLE OF CAPITAL	AMOUNT
PILOT PHASE		
COMMERCIAL CAPITAL	Bioeconomy, Pasture Recovery and Livestock Intensification pilots	USD 8.49M
CONCESSIONAL CAPITAL		USD 3.16M
NON-REFUNDABLE GRANTS		USD 240,000
COMMERCIAL PHASE		
COMMERCIAL CAPITAL	Revolving Debt Fund	USD 70M
CONCESSIONAL CAPITAL		USD 30M
NON-REFUNDABLE GRANTS	Transition Guarantee Facility	USD 10M
NON-REFUNDABLE GRANTS	Technical Assistance Coordination	USD 5M

TEAM



GILBERTO RIBEIRO

CIO, VOX CAPITAL
GILBERTO@VOXCAPITAL.COM.BR



MARTHA DE SÁ

CEO, VERT CAPITAL
MARTHA@VERT-CAPITAL.COM

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. Bloomberg Philanthropies and the governments of Canada, Germany, the United Kingdom, and the United States have funded the Lab's 2023 programs. Climate Policy Initiative serves as the Secretariat and analytical provider.