

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

**AMAZONIA REGENERATE ACCELERATOR AND INVESTMENT TRUST
(BOLIVIA, BRAZIL, COLOMBIA, ECUADOR, GUYANA, PERU AND SURINAME)**

(RG-Q0093/RG-G1033)

ORIGINAL: ENGLISH

RESOLUTION AMENDMENT

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**DONORS COMMITTEE APPROVAL OF IDB LAB'S CONTRIBUTION TO AMAZONIA
REGENERATE ACCELERATOR AND INVESTMENT TRUST
(BOLIVIA, BRAZIL, COLOMBIA, ECUADOR, GUYANA, PERU AND SURINAME)**

(RG-Q0093/RG-G1033)

Justification

The project "AMAZONIA REGENERATE ACCELERATOR AND INVESTMENT TRUST" MIF/AT-1653 (the "Project") was considered and approved by the Donors Committee of the Multilateral Investment Fund (IDB Lab) on 30 November 2020 by Resolution MIF/DE-50/20.

The Project is aligned with Vision 2025 on what concerns climate change and green recovery/growth of the region; part of IDBG's Amazon Initiative (GN-3036 (3/21)) and was co-designed with IDB's Natural Capital Lab (NCL). It consists of a contingent recovery investment grant (CRIG) of up to USD 2 million of resources from IDB Lab in an investment vehicle that would also counts with USD 2 million from the Natural Capital Lab (NCL) in grants and additional USD 1,187,000 from other stakeholders, such as Fundo Vale to invest in up to 15 small and medium sized companies and startups in the Amazon region in the following sectors: non-timber forest products, certified forest products, pharmaceutical industry, ecological services, regenerative agriculture, biomedicine, biobeauty, biopackaging, biocleaning products, essential oils among other businesses that regenerate natural ecosystems.

We are requesting Donors Committee approval to a change of instrument of IDB Lab's contribution from a Contingent Recovery grant (CRIG) to an equity instrument (EQU). The reasoning is related to the fact that, Green Climate Fund (GCF) will be an additional contributor to the project with USD 6M¹. Part of GCF's funding will be used to de-risk the operation. As a result, IDB Lab's resources can be used for direct equity. That way, not only the Project can embrace more potential investees (from originally 15 companies to 25) but also generate more environmental, social and financial returns (currently projected at 12%). The team believes that the entry of GCF and the consequential change of IDB Lab's instrument is very positive due to the increase of the operation's triple positive impact (social, environmental, financial).

IDB Group (IDBG) has been in conversations with GCF since February 2021 to support IDBG's Amazon Initiative GN-3036(3/21). This Project is part of the IDBG Program package submitted and approved by GCF's Board on October 4th, 2021.

This amendment is to request Donor's approval to change the IDB Lab's instrument assigned to the Project: from USD 2 million in the form of contingent recovery investment grant (CRIG) to equity (EQU). The proposed Term Sheet is attached on Annex II.

Fundraising

Below is how the table of investors was presented in the Donors Memorandum MIF/AT-1653 and the changes due to the aforementioned justification:

¹ GCF Board approved IDBG's proposal on October 4th, 2021 and this proposal will soon be brought for IDB's Board consideration.

Investor	Original approval (before)	Current amendment request (after)
IDB Lab (CRIG)	USD 2,000,000	-
IDB Lab (equity)		USD 2,000,000
NCL (grants)	USD 2,000,000	USD 2,000,000
Fundo Vale	USD 1,000,000	USD 1,000,000
GCF ²		USD 6,000,000
Others	USD 187,000	USD 187,000
TOTAL	USD 5,187,000	USD 11,187,000

Background

The goal of the Project is to contribute to increase the deal flow of capital into regenerative economy projects³ (activities that restore and upgrade natural capital, rather than extract or only maintain its current value) through the development of a stronger pipeline of enterprises, in 7 countries that subscribed the [Leticia Pact](#): Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname. The increased investment in regenerative projects will result in an increased area of landscapes under improved management that will benefit biodiversity.

The proposed intervention will launch a program with capital to fill financing gaps, scale businesses and boost the regenerative economy in Latin America and the Caribbean (LAC). Enterprises that are already operating with a Minimum Viable Product (MVP) will receive support in the format of investments to transform them into scalable businesses, capable of attracting and absorbing investments from this project as well as private capital.

To structure and deliver investments, IDB Lab and the IDB Natural Capital Lab will partner with [Kaeté Investimentos](#), which is one of the region's most focused fund management firms specialized in financing bioeconomy businesses. Kaeté's team has combined over 50 years of experience in the financial and business development areas. The team is experienced in fund management, including private equity and venture capital funds, and has already closed 17 transactions totaling US \$ 380 million (more than R\$ 1.1 billion including co-investments and debt). Before deciding for Kaete, IDB Lab and Natural Capital Lab's teams analyzed three other potential partners, namely Mirova, Althelia and Impact Hub. Unfortunately, none of them either had the competencies or the track record requested to embrace such a project as Regenerate.

Kaeté's experience and reputation will enable the attraction of regenerative businesses (including the ones receiving support across the region by governments and development agencies) to share best practices, connect with the entrepreneurial ecosystem, and dramatically accelerate their journey towards maturity; crowd in private investment capital, thus closing the funding gap within the green investment sector; align with national and global commitments to tackle climate change and biodiversity loss, and last (but not least) help Leticia's pact member countries become

² Approved by GCF's Board on October 4th 2021. To be approved by IDB's Board and IDB Lab's Donors Committee.

³ a Regenerative Economy is about seeing the world in a different way — a shift to an ecological world view in which nature is the model. The regenerative process that defines thriving, living systems must define the economic system itself.", John Fullerton & Hunter Lovins (2013)

a global ‘lighthouse’ for the regenerative sector, offering to the rest of the world much-needed success stories.

The current context with COVID-19 shows how urgent it is to support strong initiatives to promote biodiversity conservation in the region. Many countries have experienced migration from cities to Amazon provinces during the COVID-19 outbreak, and this migration will create a need for jobs and income. The bioeconomy is an area ripe for employment when it is implemented in a sustainable fashion. In addition, as countries begin to deploy stimulus funding, many countries have pledged to build back by linking employment and income results to environmental aims. At the same time, zoonotic diseases arise when people and nature are in conflict – efforts to drive development that support biodiversity conservation and sustainable use are important to reduce this friction. Finally, biodiversity is a key asset for the pharmaceutical industry to deal with new diseases and tackle emerging challenges, when these products are developed in accordance with the Nagoya protocols⁴. The solutions for the COVID-19 challenge and many others may be in biodiversity that is currently being destroyed at unprecedented rates. Moreover, countries across the world are reliant on a range of services that are based around their natural ecosystems. Biodiversity and Ecosystem Services (BES) include such necessities as food provision, water security and regulation of air quality that are vital to maintaining the health and stability of communities and economies.

Over half (55%) of global GDP, equal to USD 41.7 trillion, is dependent on high-functioning biodiversity and ecosystem services. However, a staggering fifth of countries globally (20%) are at risk of their ecosystems collapsing due to a decline in biodiversity and related beneficial services, reveals a new study by Swiss Re Institute⁵. Innovations that integrate biodiversity conservation, social inclusion and economic development must be scaled to the size of the challenge that LAC and the world are facing.

With a regional, multi-stakeholder approach (including investors, banks, project developers, producers and specialized advisory institutions) different IDBG projects and activities focus on enabling the conditions to increase the flow of private funds to bio-businesses that can reduce the impact of climate change, safeguard local livelihoods and promote more inclusive development. Some of the Bank wide initiatives that complement this Regenerate Accelerator Project are: (i) Recently approved Program to Promote Sustainable Financing in the Peruvian Amazon Region. Opportunity to Leverage Biobusinesses (PR-4921); (ii) Brazil. Nonreimbursable technical-cooperation funding for the project “Sustainable Bioeconomy Businesses Led by Forest-dependent Communities” also known as “Amazonia 4.0” (MIF/AT-1640); (iii) IDB Invest’s Ecobusiness Fund in Peru (focused on larger businesses); (iv) Colombia. Nonreimbursable technical-cooperation for the project “Technology and Innovation to Close the Conservation Finance Gap in the Amazon Basin. The Herencia Colombia Pilot” (MIF/AT-1666).

The project total budget is projected at US\$11,187,000 of which US\$2,000,000 will be provided by the IDB Lab as equity; US\$2,000,000 will be provided by the IDB Natural Capital Lab as a non-reimbursable technical cooperation, and US\$1,186,630 as counterpart resources. Additional US\$

⁴ “The objective of the Nagoya Protocol is to set an international, legally binding framework to promote a transparent and effective implementation of the Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization (ABS concept) at the regional, national and local level in the future”. Source: www.iucn.org

⁵ <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-biodiversity-and-ecosystems-services>

6,000,000 is currently being negotiated with the Green Climate Fund (GCF), in the context of the IDB Group's Amazon Initiative (GN-3036(3/21))⁶.

⁶ After funding from GCF is approved by IDB's Board, an amendment to this Donors Memorandum will be submitted for Donor's approval accordingly.