IFACC

Innovative Finance for the Amazon, Cerrado, and Chaco

2024

UN environment programme

Financing Sustainable Land Use

TFA Tropical Forest Alliance

The Nature Conservancy

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Innovative Finance for Amazon Cerrado and Chacco

Launched in 2021 at COP26 from a joint initiative between TNC, Tropical Forest Alliance (TFA) and the UN Environment Programme (UNEP).

The goal: Accelerate lending and investment in sustainable business models for soy, beef and bioeconomy that expand production without the need for further land conversion

- **Agriculture expansion** over degraded/already-cleared pasturelands
- **"Sustainable intensification**" in cattle and grains production
- **Protection and restoration** of native vegetation on farms
- **Agroforestry and non-timber forest products** expansion

COLLECTIVE GOAL

USD 10 bi committed up to 2030
USD 1 bi disbursed by 2025

2021

8 signatories

USD 3 bi committed

2023

16 signatories

USD 4.6 bi committed

USD 240 MM disbursed in **11** financial products

FISALIS | Santander | Mauá Capital | AgDev | &● | JGP | GRUPO GAIA | AGROGALAXY | AGRI3 FUND | 3J Capital Partners | opea | AGBI REAL ASSETS | syngenta | VERT | SIM Sustainable Investment Management | VOX Capital

Brazil

Amazon: Sustainable intensification of cattle ranching activities combined with expansion of bioeconomy models (agroforestry and NTFPs)

Cerrado: Conservation of surplus legal reserve and degraded pastureland recovery

- TNC estimates **~7 million ha of agriculture expansion through 2030** being 2.2 million of those hectares over native vegetation
- Federal government working on a **~40 million ha** opportunity for the recovery of degraded pasture for agriculture expansion
- **~2.7 MM ha** of SLR at high risk on existing Cerrado soy farms, high opportunity cost to go beyond legal requirement and Incentives needed during market transition. Major traders moving for full DCF sourcing up to 2025.
- **Permanent and revolving sources for incentives** are required of surplus legal reserve conservation areas which is a challenge that needs to be assessed on the transition timeline

Argentina

Chaco: consolidated land-use dynamics for agriculture

- National Forest Law provides incentives, but it has not been properly executed.
- Main source of financing for famers are their own capital, input suppliers, traders, and lastly, banks.

Main opportunities:

1. Providing banks and investors with value-chain structures
2. VISEC as a potential tool for Risk Management tool

Paraguay

- **DCF policies** facing high political resistance by production sector, what makes it harder for the financial sector to offer DCF based products
- **Chaco:**
  - Zero-conversion policy for its oriental portion, where most of agricultural production is already established
  - Chaco-occidental region has a 25% protection legal reserve policy – incentives are needed to go beyond legal requirements

IFACC encourages different financial solutions

IFACC supports its signatories to showcase that it is possible to finance agriculture commodities with nature-positive solutions

Link

Farm Loan Products

- **Long-term loans** for pasture recovery, yield improvements, sustainable intensification and (e.g. **Syngenta Reverte, Agri3**), agroforestry systems and NTFPs implementation
- **Low-cost crop finance loans** as an incentive not to convert native vegetation (e.g. **JGP / Agrogalaxy**)

Farmland Investment Funds

- **Equity funds** that buy and manage land under a DCF model, e.g. pasture recovery, yield improvements without conversion of natural vegetation (e.g. **3J**) or agroforestry systems implementation

Capital Market Offerings

- **Securitized agriculture receivables** with DCF performance metrics or use of proceeds (e.g. Green CRA structures like **RCF**)
- **Other capital markets offerings** that direct investment to DCF transition
- **Equity initiatives** with value chain companies or start-ups (e.g. JGP/Belterra)

Corporate Debt Instruments

- **Sustainability-linked loans** with transparent performance metrics aligned with the DCF transition or bioeconomy (e.g. **&Green Agrisolutions**)
- **Green bonds** with proceeds targeted to transition or agroforestry/NTFPs

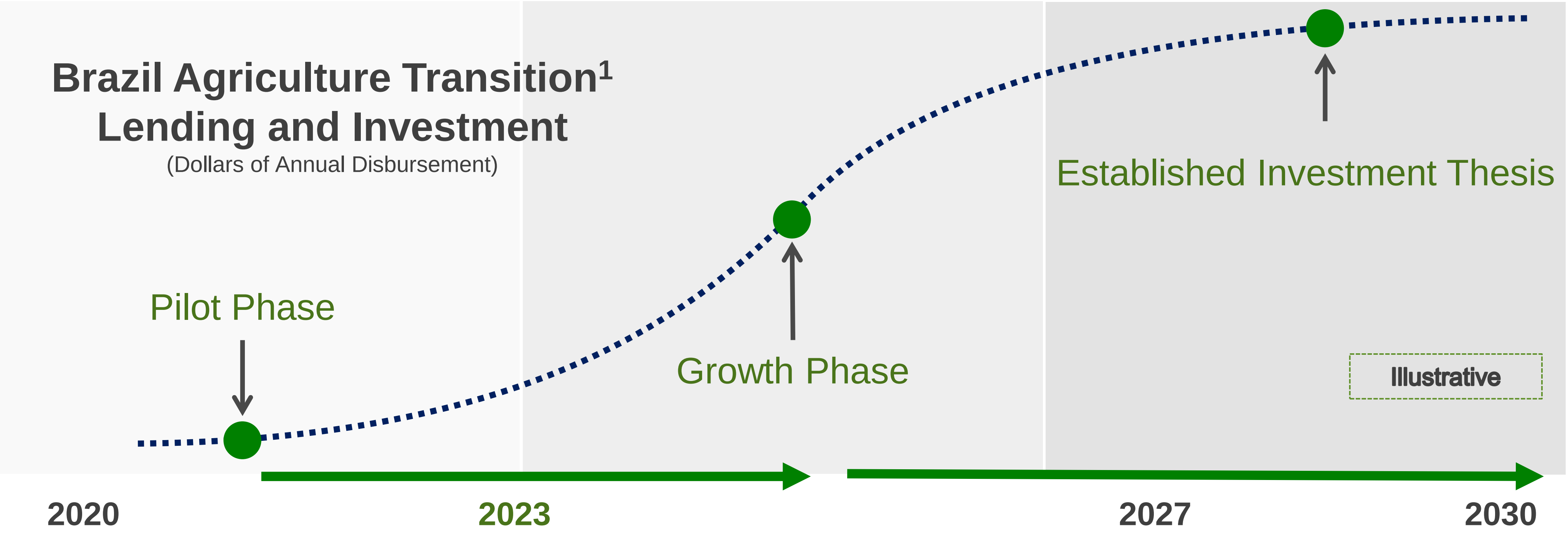
Carbon-Based Structures

- **Forest protection** to avoid commodity-driven deforestation **(e.g. SimFlor, Biomas)**
- **Integration of carbon benefits into commodity financing.**

Other Innovative Mechanisms

- **Producer services businesses** that bundle technical assistance and finance to support farmer transition (e.g. **PECSA** and **Ecopec**)
- Other innovative business and investment models

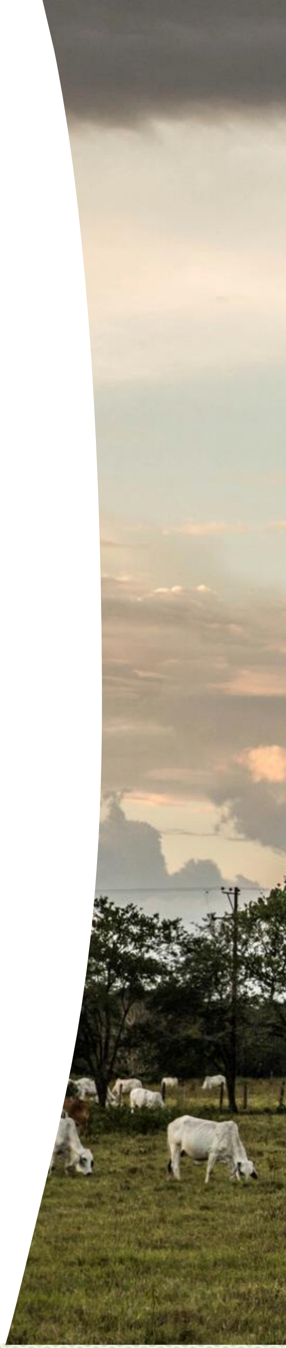
Rapid market growth will be needed to fully drive the transition



- Test new product offerings and structures
- Eleven IFACC products / $240 MM

- Expand disbursements
- Create replicable mechanisms
- Build track record
- Manage currency risk
- Scale MRV, impact monitoring
- Begin to access capital markets
  - Brazil, Global

- Replicable mechanisms
- Track record
- Large investments sizes
- Credit ratings, enhancement
- Innovative collateral
- Brazil and global capital markets



[1] Production models that can grow supply and farmer incomes without further habitat conversion, including soy and agriculture expansion over already-cleared pastureland, sustainable intensification of cattle production, protection and restoration of native vegetation on farmland properties, and agroforestry and non-timber forest product systems

Catalytic capital is a critical need to scale the market to the point where transitional investments become a mainstream investment thesis

Key Market Challenges

- Long-term product tenors, grace periods, attractive interest rates
- Managing farmer credit risk beyond the top farmer segments
- Limited track record
- Managing exchange rate and collateral risk
- Integrating technical assistance, where needed

Catalytic Capital Needs

- Subordinated positions (first loss, mezzanine), credit enhancement, exchange rate and collateral risk management
- Truly concessional pricing / risk tolerance
- Robust yet practical E&S frameworks, KPIs, and monitoring
- Timely, commercially-responsive review and approval procedures
- All critical sectors including, soy and cattle
- Sufficient magnitude

$2 billion in catalytic capital through 2030 could leverage $8 billion in commercial capital


Thanks