









13. ALTHELIA BIO-DIVERSITY FUND

“A new investment fund dedicated to making pioneering impact investments in the legal Amazon”

Mirova, USAID, Center for Tropical Agriculture (CIAT)

13. ALTHELIA BIODIVERSITY FUND (ABF) BRAZIL

(Estimated) Impacts			Activities		
					
Net positive impact on climate change	Positive impact on ecosystem integrity & species protection	Improved livelihoods & well-being	Carbon credit revenues through avoidance	Generating revenue through increased sales of agricultural produce	Generating revenue through NTFPs sales

Landscape context

The Amazon in Brazil has seen a sharp increase in illegal deforestation in 2019 compared to 2018. This has fueled an intense debate about the future of the Amazon rainforest. On the one hand, there is a call for greater enforcement of laws to halt deforestation and support actions for environmental protection. On the other hand, parties call for alternative, legal and economic livelihoods for Amazon communities as a mean to stop deforestation. The solution lies in bridging these two seemingly opposite views to create a truly sustainable solution for the Brazilian Amazon.

THE AMAZON IN BRAZIL HAS SEEN A SHARP INCREASE IN ILLEGAL DEFORESTATION IN 2019 COMPARED TO 2018

Investment context

Impact investing in Brazil is rapidly expanding and can facilitate better access to finance for forest-dependent communities, companies and entrepreneurs. However, most impact investors avoid expansion into the hard-to-reach region due to the high risk and complex challenges related to working in the Amazon. Specifically, investments in agroforestry, farming, buffer zones of protected areas and biodiversity-friendly initiatives are left aside. Most investments in agriculture and changed land uses have a relatively short-time horizon, since long-term investments

are considered risky and therefore often neglected. To stimulate the required investment in the region, new private investments at scale are needed and can be attracted by providing risk mitigation tools.

Project description

THROUGH UNLOCKING
PRIVATE FINANCE
FOR NEW ECONOMIC
MODELS IT IS
POSSIBLE TO CREATE
LEGAL ECONOMIC
OPPORTUNITIES
WHILE
SIMULTANEOUSLY
PROTECTING THE
RAINFOREST IN THE
BRAZILIAN AMAZON

Mirova, a French asset manager dedicated to impact investing, has created the Althelia Biodiversity Fund (ABF) Brazil to deploy US\$100 million of blended finance into sustainable activities that protect, restore and improve biodiversity and community livelihoods in the Legal Amazon of Brazil. Over the next five years the fund will invest in:

- Conservation and community livelihoods (e.g. carbon projects or sustainable Non-Timber Forest Products (NTFP) projects);
- Smallholder production systems (e.g. agroforestry);
- Sustainable farming and reforestation, combining the intensification of agricultural production with zero-deforestation commitments;
- Innovative biodiversity linked services (e.g. financial or technical assistance to smallholders who embrace conservation measures).

Through unlocking private finance for new economic models it is possible to create legal economic opportunities while simultaneously protecting the rainforest in the Brazilian Amazon. The fund aims to provide venture and growth finance for transformational businesses and projects, strengthening the autonomy of forest-dependent communities and companies, and realizing a positive impact on biodiversity.

ALTHELIA BIODIVERSITY FUND BRAZIL is a Fundo de Investimento em Participações incorporated in Brazil (FIP), closed to new subscription. Mirova Natural Capital is the investment advisor. This fund is approved by the Comissão de Valores Mobiliários (the "CVM").

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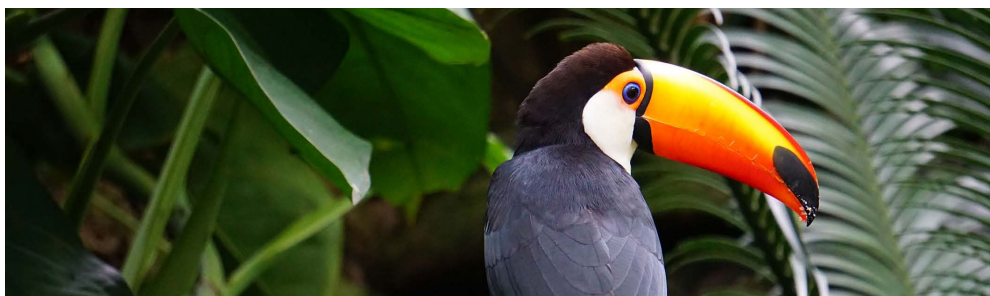
Investment structure

ABF Brazil provides venture and growth finance for transformational businesses. Blended finance is used to build bridges between public and private institutions. This is considered key in achieving an ecological transition. The fund has a layered structure: investors can invest at different points in the capital stack, with varying levels of risks and returns. The fund's cornerstone investor, Center for Tropical Agriculture (CIAT), bought in the junior tranche. Mirova is working with third parties to provide risk mitigation tools. USAID mitigated risk through providing a 50% portfolio-level credit guarantee. Both equity and debt is provided to companies, NGOs and cooperatives, and Mirova is also participating in environmental markets.

BLENDED FINANCE IS USED TO BUILD BRIDGES BETWEEN PUBLIC AND PRIVATE INSTITUTIONS. THIS IS CONSIDERED KEY IN ACHIEVING AN ECOLOGICAL TRANSITION.

Risks & safeguards

The fund will endeavor to decrease the presence of marketing products derived from illegal activities related to deforestation, and to increase demand for sustainable Amazonian products that are produced in a legal way. To guarantee sustainable development and the conservation of biodiversity, forests and natural resources of the Amazon, Mirova has a rigorous ESG and impact screening built into the investment decision-making and monitoring processes. It has also started collaborating to expand the Partnership Platform for the Amazon (PPA). The PPA was co-facilitated by CIAT and USAID to cultivate a pipeline of proven initiatives that are ready for scaling.



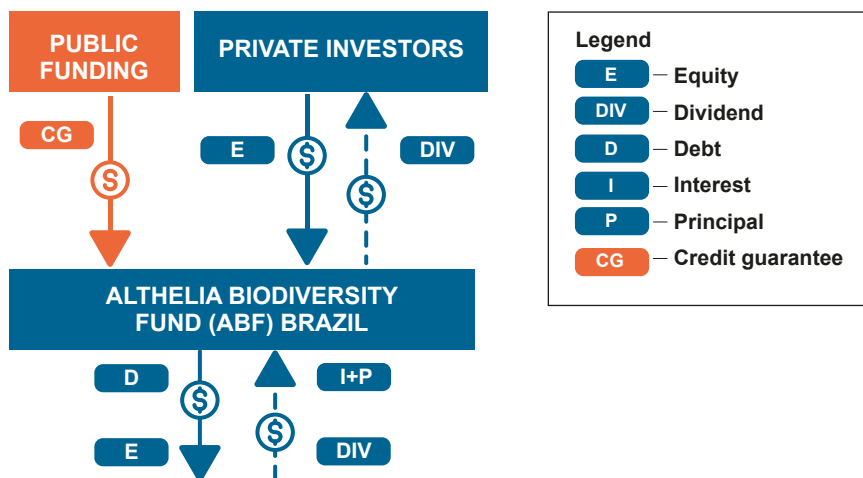
Business model & revenue generating activities

Returns will be generated through loan repayments, sale of equity, profit-sharing arrangements, dividends, carbon credits or a combination of these instruments. Specifically, revenue is generated through:

- Avoided carbon emissions - monetizing the positive environmental impacts through carbon credits;
- Sales of agricultural produce – improved agricultural systems leading to increased yield and quality of agricultural crops that can be better marketed;
- Sales of NTFPs.

Figure 22:

Risk mitigation tools are provided by public institutions to optimize risk-return for private investors. While the public investors invest in the junior tranche, private investors invest in the senior tranche respectively.



Project

SUSTAINABLE
AGRICULTURE

CARBON
CREDITS

NON-TIM-
BER FOREST
PRODUCTS

INNOVATIVE
BIODIVERSITY
SERVICES