



The Socio-Climate Benefits Fund Facility

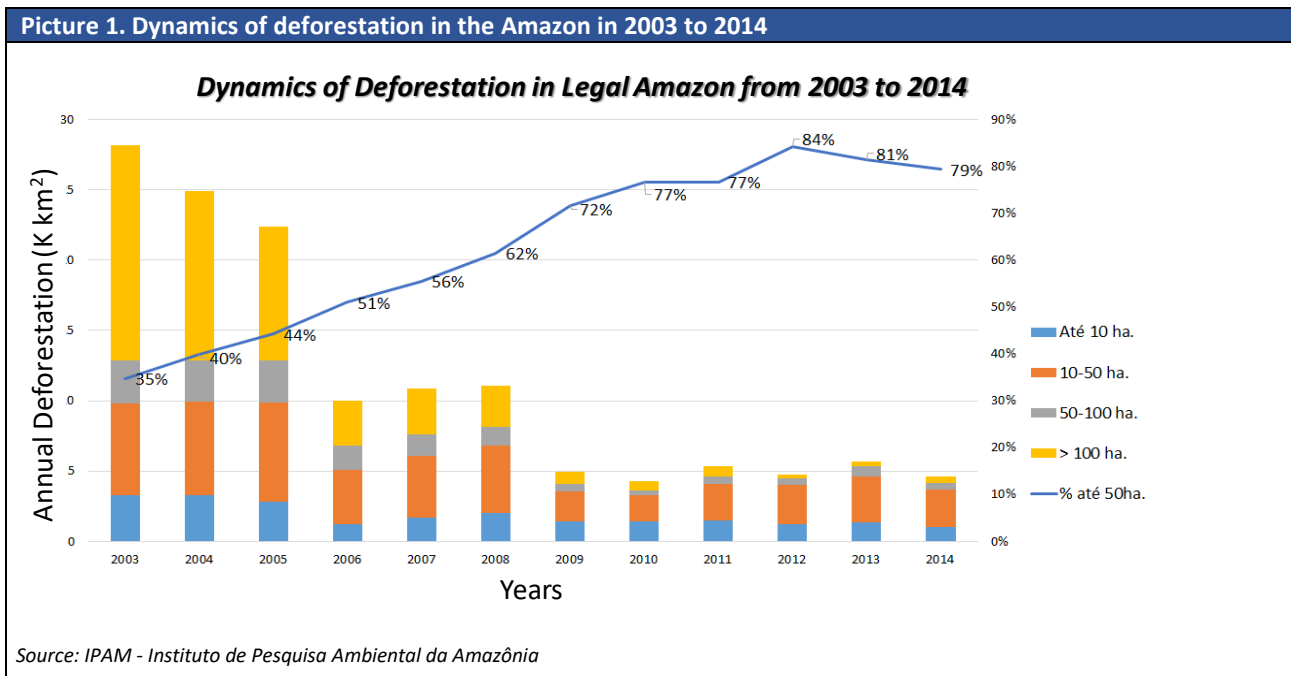
About

This information was submitted by the proponent, Kaeté Investimentos, in their proposal to the Lab.

<https://www.climatefinancelab.org/project/socio-climate-benefits/>

The Problem

Brazil faces a major challenge of finding financial alternatives to restore its great amount of degraded lands (approx. 140 million hectares of degraded lands in the country) and meet its commitment under the Paris Agreement. Moreover, deforestation patterns in the Amazon Region changed dramatically between 2003, when deforestation of small plots (up to 50 hectares) represented 35%, and 2014, when small plots represented about 79% of total yearly deforestation.



Brazil not only needs to reforest degraded lands, but also prevent land degradation patterns to increase. The three main challenges that need to be addressed in order to prevent deforestation and create a concerted effort for reforestation in rural settlements are:

- Subsistence income sources for these settlers
- Upfront resources for reforestation practices in already degraded lands within such properties
- Technical Assistance to implement reliable reforestation practices

The Solution

The Socio-Climate Benefits Fund Facility would address the three main challenges described, by working the following way:

1. The Fund/Financing facility would identify the different capital stacks needed to compose the Investment Fund (different quota types, with an initial portion being concessional capital, such as a first loss guarantee, and also support technical assistance).
2. The Fund/Financing facility would identify small holders that have already some subsistence income by being part (or willing to be part) of a low-carbon protein supply chain that supply companies in the Amazon in which the proponent has an equity stake in.
3. The Fund approves the amount and invests/finances reforestation/sustainable agroforestry (SAF) activities in land plots of these small holders, including mandatory technical assistance to guide such efforts and SAF specifications in order to generate products that have a market value (fruit and nuts – acai, cocoa, Brazil nuts, etc.).
4. The proponent will identify companies in the region interested in purchasing SAFs harvests (fruits and nuts) and sign “take or pay purchase contracts”. The proponent can acquire an equity stake in such companies and guarantee such contracts. Such contracts could be pledged to the fund as a collateral mechanism.
5. SAFs harvests (that are an additional income source to such land-owners, that rely on the livestock they produce for their subsistence needs) are sold to an anchor company responsible for distribution or directly to the identified companies above.
6. Payments are made to the small holder farmers, who could potentially use part of the payment to amortize their loans with the fund (to be evaluated).

Target Impact

Implementing SAFs (reforestation in general) in small holder land plots that already provide or will provide low-carbon protein products to local Amazon companies (fish, poultry, pigs) will significantly improve the revenue of such families. It reduces its loan repayment risk with diversification of their revenue streams (and guaranteed sales to companies that the proponent could have an equity stake on). It minimizes SAF costs by utilizing natural fertilizers coming from animals raised in the property. Finally, it creates a model that can prevent further deforestation and initially reforest more than 1,000 hectares of the Amazon Forest and provide a model for Brazil in putting forward a practice that can feed into its NDC goals to restore 5 million hectares and reforest 12 million hectares of degraded land.

About the Lab

The Lab is a public-private initiative composed of experts in sustainable investment from governments, development finance institutions, and the private sector – has picked a new class of investment vehicles to drive much-needed finance to low-carbon, climate-resilient global development, out of over 100 ideas submitted into a competitive pool. The nine new instruments tackle persistent investment barriers in clean energy, low-carbon transit, and sustainable land use in developing countries, with a specific focus on Brazil and India.

Since its start in 2014, the Lab has launched 25 finance instruments that have mobilized nearly USD \$1 billion in sustainable investment to date, including \$228 million from Lab members. Lab members include the funders of the Lab: Bloomberg Philanthropies, the David and Lucile Packard Foundation, the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), the Netherlands Ministry for Foreign Affairs, Oak Foundation, the

Rockefeller Foundation, Shakti Sustainable Energy Foundation, the UK Department for Business, Energy & Industrial Strategy, and the U.S.

Department of State. Lab members also include other experts from Africa Finance Corporation, the Asian Development Bank, Bank of America Merrill Lynch, Blackrock, the Brazilian National Development Bank (BNDES), CAIXA, Climate Investment Funds, Development Bank of Southern Africa, Deutsche Bank, Inter-American Development Bank, HSBC, OPIC, Willis Towers Watson, the World Bank Group, and the Brazilian, Indian, and Rwandan governments, among many others.

<https://www.climatefinancelab.org/>

About Kaeté Investimentos

Kaeté is an independent asset manager focused in Impact Investing in Brazil. Kaeté targets projects that encourage a more efficient use of natural resources with a relevant social and economic impact on low-income families.

Kaeté's investments promote economic development and job growth in regions with: low availability of capital, lower than average HDI and fragile ecosystems. Deploying growth capital in these places, located outside of the mainstream big centers of Brazil, unlocking entrepreneurial opportunities, decreasing the inequality gap with sustainable development

Kaeté is the manager of the first Impact Investing Private Equity Fund focused in the Amazon Region looking for opportunities to promote sustainable and scalable development with reduction of deforestation in the region.

<http://kaeteinvestimentos.com.br/?lang=en>