

GEF-8 PROJECT IDENTIFICATION FORM (PIF)

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General Project Information

Project Title

Living Amazon Mechanism

Region

Brazil

GEF Project ID

11327

Country(ies)

Brazil

Type of Project

FSP

GEF Agency(ies):

Funbio

GEF Agency ID

Executing Partner

Vert

Executing Partner Type

Private Sector

GEF Focal Area (s)

Biodiversity

Submission Date

9/19/2023

Project Sector (CCM Only)

Taxonomy

Community-Based Natural Resource Management, Sustainable Land Management, Land Degradation, Focal Areas, Sustainable Livelihoods, Sustainable Forest, Climate resilience, Climate Change Adaptation, Climate Change, Agriculture, Forestry, and Other Land Use, Climate Change Mitigation, Sustainable Development Goals, Forest, Amazon, Biodiversity, Mainstreaming, Extractive Industries, Agriculture and agrobiodiversity, Financial and Accounting, Conservation Finance, Protected Areas and Landscapes, Terrestrial Protected Areas, Biomes, Tropical Rain Forests, Influencing models, Deploy innovative financial instruments, Demonstrate innovative approach, Stakeholders, Local Communities, Financial intermediaries and market facilitators, Private Sector, Project Reflow, Non-Grant Pilot, Community Based Organization, Civil Society, Gender Equality, Gender Mainstreaming, Sex-disaggregated indicators, Participation and leadership, Gender results areas

Type of Trust Fund

GET

Project Duration (Months)

96

GEF Project Grant: (a)

200,000.00

GEF Project Non-Grant: (b)

6,000,000.00

Agency Fee(s) Grant: (c)

18,000.00

Agency Fee(s) Non-Grant (d)

540,000.00

Total GEF Financing: (a+b+c+d)

6,758,000.00

Total Co-financing

46,600,000.00

PPG Amount: (e)

120,000.00

PPG Agency Fee(s): (f)

10,800.00

PPG total amount: (e+f)

Total GEF Resources: (a+b+c+d+e+f)

130,800.00

6,888,800.00

Project Tags

CBIT: No NGI: Yes SGP: No Innovation: No

Project Summary

Provide a brief summary description of the project, including: (i) what is the problem and issues to be addressed? (ii) what are the project objectives, and if the project is intended to be transformative, how will this be achieved? (iii), how will this be achieved (approach to deliver on objectives), and (iv) what are the GEBs and/or adaptation benefits, and other key expected results. The purpose of the summary is to provide a short, coherent summary for readers. The explanation and justification of the project should be in section B “project description”. (max. 250 words, approximately 1/2 page)

The Amazon provides crucial ecosystem services to humanity but is threatened by deforestation and forest degradation due to human activities. Finding alternative local economic activities through Non-Timber Forest Products and bioeconomy is, therefore, key to strengthen local communities capacity to stand against deforestation and not to change their sustainable production over to unsustainable, for example cattle ranching, because of economic pressures. The overarching goal of the project is to protect the Amazon rainforest by strengthening Amazon socio-biodiversity organizations, businesses, and supply chains, promoting a development model in the Brazilian Protected Areas System in the Amazon that empowers conservation stewards by combining conservation with income generation.

The Living Amazon Mechanism (Amazonia Viva in Portuguese) is a blended finance mechanism composed of two different components: (1) Upfront finance for sustainable products through the use of securitization of credit cooperatives bioeconomy portfolio and (2) Enabling Conditions Facility (ECF), aligned under the same governance process. GEF finance will be used to support the financial instrument only. The Enabling Conditions Facility (ECF) will be financed by other project partners as co-finance. The combined action of these two components offers synergies that make it possible to create a virtuous circle of capacity-building, advance financing, and structural investment that strengthens sustainable value chains. The project is planned to have two phases, the first working with ten cooperatives and the second phase, based on the results of the first, will add another ten cooperatives. This phased approach is necessary to allow more cooperatives to be ready to use a blended finance mechanism.

The project was designed in partnership with three institutions: Natura, a major cosmetic company with two decades of experience in working with cooperatives in the Amazon; VERT, a financial market company specializing in agricultural finance and securitizations; and Funbio, which has decades of experience in the Amazon with protected areas, their financing and sustainable production. In the arrangement, Natura operates as an off-taker and investor but ensures the viability of its business model by sharing investments and risks. Project estimates at PIF stage are to increase the effectiveness of 1,7M hectares of protected areas in the Amazon.

Indicative Project Overview

Project Objective

The overarching goal of the project is to protect the Amazon rainforest by strengthening Amazon socio-biodiversity organizations, businesses, and supply chains, promoting a development model in the Brazilian Protected Areas System in the Amazon that empowers conservation stewards (ILPCs) by combining conservation with income generation. The estimated improvement of the effectiveness of protected areas (Resex, RDS, and APAs – IUCN categories IV and VI) reaches 1.7M hectares and provides global

environmental benefits. The project strategy to achieve this goal is to use a non-grant instrument to support a common financial instrument in Brazil (CRA - agribusiness receivables certificate) innovatively, for the first time for sustainable production in the Amazon and leveraging Natura (Brazilian major cosmetic industry) strong and trusting relationship of 20 years built with local cooperatives.

Project Components

Upfront Finance

Component Type	Trust Fund
Investment	GET
GEF Project Financing (\$)	Co-financing (\$)
6,000,000.00	42,100,000.00

Outcome:

Increase/ improve bioeconomy production improves PA effectiveness

CRA's used for the first time to support bioeconomy

Securitization market is capable of understand how is possible to work with communities in the Amazon

Output:

1.7 M hectares of PAs better managed by strengthened communities

20 Cooperatives have access to finance

Investment mobilized through CRA's for bioeconomy production

Off-taker agreements - Anchor Company leverage relationships with cooperatives and knowledge of the supply chain

Enabling Conditions Facility

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing (\$)	Co-financing (\$)
	4,300,000.00

Outcome:

Communities and cooperatives understand how credit works and their capacity to take it

Increase cooperatives technical capacity

Knowledge dissemination to other cooperatives, companies (off-takers), Public Sector,

Increase production infrastructure available for communities

Output:

Adequate technical assistance to cooperatives

Knowledge management and dissemination

Investments and promotion of production infrastructure

Gender dimensions are integrated into trainings and capacity building

M&E

Component Type	Trust Fund
Technical Assistance	GET
GEF Project Financing (\$)	Co-financing (\$)
200,000.00	200,000.00

Outcome:

Project monitoring plan implemented, including safeguards monitoring

Lessons learned from the project, including the innovative side of it

Output:

6 Annual PIRs

1 Midterm review

1 Terminal evaluation

6 On-site monitoring visits

Component Balances

Project Components	GEF Project Financing (\$)	Co-financing (\$)
Upfront Finance	6,000,000.00	42,100,000.00
Enabling Conditions Facility		4,300,000.00
M&E	200,000.00	200,000.00

Subtotal	6,200,000.00	46,600,000.00
Project Management Cost		
Total Project Cost (\$)	6,200,000.00	46,600,000.00

Please provide justification

PROJECT OUTLINE

A. PROJECT RATIONALE

Briefly describe the current situation: the global environmental problems and/or climate vulnerabilities that the project will address, the key elements of the system, and underlying drivers of environmental change in the project context, such as population growth, economic development, climate change, sociocultural and political factors, including conflicts, or technological changes. Describe the objective of the project, and the justification for it. (Approximately 3-5 pages) see guidance here

The Amazon region spreads across seven countries and one overseas territory, with about 62% in Brazil. The Brazilian Amazon includes a territory defined by biogeographic criteria and another called Legal Amazon (Amazônia Legal in Portuguese), an administrative unit initially established by Federal Law No. 5.173 (Art. 2), which encompasses the States of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, and Tocantins, as well as most of Mato Grosso and the western part of Maranhão. Legal Amazon is spread over 5.015.068 km² and includes 772 municipalities with around 29.5 million inhabitants; thus, 59% of the geographic territory of Brazil is part of Legal Amazon, but only 13.7% of the Brazilian population lives there. The region hosts more than 440,000 indigenous people of more than 180 ethnicities.

Conserving the Amazon biome is critically important and relevant at the global, regional, and local levels. The region, which encompasses both the biome and the basin, contains the world's largest rainforest and river system, comprising 650 million hectares (ha) of forest¹[1] and 100 million ha of freshwater ecosystems¹[2]. The Amazon houses the world's greatest biodiversity, with 10 percent of all plants and animals, including 40,000 plant species, over 2,400 species of freshwater fish, 1,300 species of birds, 425 species of mammals, 427 species of amphibians, and 371 species of reptiles²[3]; many of which are endemic and endangered plant and animal species. The Amazon River is the longest free-flowing river in the world, flowing nearly 7,000 km and discharging almost 20 percent of global surface river flows³[4]. The Amazon's soil and trees are estimated to store about 150-200 billion tons of carbon. The Amazon's forests also contribute to local and regional hydrological and climate patterns, recycling up to 50 percent of the precipitation in the basin⁴[5] through evapotranspiration.

The Amazon is under threat due to deforestation, degradation, habitat fragmentation, over-exploitation, pollution, climate change, and loss of sociological and biological diversity. In the Brazilian Amazon, 1.5 million ha were deforested in 2021⁵[6]. The 'deforestation arc' is predominantly concentrated along the roads in the States of Acre, Amazonia, Pará, and Rondônia. Between 2020 and 2022, many areas faced a combination of deforestation and fires (71% of the total fires), affecting indigenous territories and protected areas⁶[7]. Drivers of deforestation and forest degradation in the Brazilian Amazon are numerous but include, in particular, cattle ranching (including illegal activities), soy production, legal and illegal timber, infrastructures, and illegal gold mining. In the 1960s, the Amazon was seen as an 'unproductive' territory, and cattle ranching and soy production were promoted as relevant development activities for the Amazon territory. This led to an increased occupation of the territory by cattle and soy, which are foreign to the biome, and to deforestation to

create pastures and cultivation areas. It is estimated that cattle ranching could be responsible for more than two-thirds of total deforestation⁷[8]. As of 2015, the Brazilian Legal Amazon hosted about 83 million head of cattle, about 40% of the entire Brazilian herd.

To counteract these threats and preserve the Amazon's richness, about half of the Brazilian Amazon territory is protected through national or local protected areas or as indigenous territory. The Brazilian Protected Areas System recognizes that protected areas may include sustainable use and includes specific types of protected areas in Brazil that recognize the right for local communities to sustainably use forest resources. These areas, called Extractive Reserves (Reservas Extrativistas, RESEX in Portuguese), Sustainable development reserves (Reservas de desenvolvimento sustentável, RDS in Portuguese) and Environmental Protected Areas (Áreas de Proteção Ambiental, APAs in Portuguese), are protected areas whose aim is to protect the livelihoods and culture of traditional populations and to ensure the sustainable use of the area's natural resources. Local communities (ILPCs) are well known to play a key role to impede deforestation, forest degradation, fragmentation, and associated greenhouse gas emissions and biodiversity loss. RESEX, RDS and APAs are used by local people whose subsistence is based on sustainable extractivism developed over generations and adapted to local ecological conditions, which play a fundamental role in protecting nature and maintaining biological diversity. The territory of these areas is public domain, with rights of use granted by the Government to the traditional extractive populations that live there. The rules and authorizations for the exploitation of products, sub-products, or services from these protected areas are provided for in the Management Plan, and compliance with them is monitored by the public environmental body responsible for their management. RESEX and RDS are managed by Deliberative Councils comprised of representatives of public bodies, civil society organizations, and traditional populations residing in the area. Public visits and scientific research are permitted, subject to the standards established for the area's management as set out in its Management Plan. They are categorized as IUCN Category VI areas (RESEX and RDS) and Category V (APA). Although protected areas are one of the most recognized instruments to preserve natural environments, good management is also crucial for the sites to fulfill this role. In the case of Extractivist Reserves, Sustainable Development Reserves, and Environmental Protected Areas (APAs), improved management means the inclusion and empowerment of resident communities. This makes the communities living inside PAs natural stewards of forest conservation in the Amazon. These communities live mostly by extracting and primary commercialization of non-timber products of the forest.

In recent years, Brazilian society has become more aware of the importance of the standing forest and its potential wealth beyond timber products. Studies and business have increasingly recognized the richness of the standing forest as a source of income, through Non-Timber Forest Products (NTFPs) and Socio-biodiversity products (Produtos da sociobiodiversidade in Portuguese) that form the basis for a new Socio-bioeconomy. These products are the main sources of income for several traditional groups in the region who live off the extraction of these raw materials from the forest for their subsistence and development. While many of these products were well-known in Brazil and other Amazon countries, they only recently boomed in other parts of the world, with acai, for example, being 'discovered' in the USA as a 'super-food' with a market now growing by around 6.5% per year. Acai is only one of the sustainable products of the Amazon. In Brazil, the official list from the Brazilian Ministry of Agriculture⁸[9] identifies 94 native species of socio-biodiversity of food value for the purposes of marketing in natura or derived products, of which 69 species have a natural geographical distribution in the Amazon. The global market for such non-timber and forest-compatible products is

growing significantly, presenting a significant opportunity for the Amazon region, which contains 28% of the world's tropical forest cover.

An example of the impact of the production of NTFPs to foster conservation is the Uucuba tree. In the past, local populations that initially harvested the ucuuba fruit gradually abandoned the activity to cut of the tree and sell its wood, leading to the species being officially listed as endangered in 1992. More recently, Natura, a cosmetics company using innovative socio-biodiversity products from the Amazon to derive cosmetics of high value with a solid social and environmental commitment, created their Natura Ekos, Ucuuba line, which promotes the sustainable exploitation of the ucuuba tree, adding value to it. Natura uses ucuuba seeds for its products and pays special attention to the species' production chain. By harvesting its seeds sustainably, families in partner communities triple their income compared to selling wood alone. This is just one example, and it is essential to note that Natura has a 20-year relationship with communities in the Amazon, developing trust and capabilities to work in a challenging business environment. This is especially important on the project being proposed because Natura is one of the partners of the project, bringing to the table its experience, resources, and a shared vision of how important the NTFPs are for the biome and how the private sector has a substantial role in this matter.

It's also essential to note that socio-bioeconomy provides a significant opportunity for women's empowerment. The gender situation in the Amazon, as in many rural landscapes, is very unbalanced, with women marrying very young, having many children, being drawn into household and child-raising activities, and away from education and labor activities, as well as being deprived of access to decision-making. However, women are also the most important bearers of knowledge about NTFPs, as they are the ones who cook the fruits and nuts, use the oils for cosmetic products, and produce artisanal goods derived from seeds and other materials. They often work on extractivism and the preparation for the commercialization of the products. Socio-bioeconomy is thus an important venue for the empowerment of women.

The potential of the sustainable exploration of the NTFPs is also crucial to understanding the potential shift in the Amazon. Even though the major part of the Amazon is located in Brazil, the region does not contribute even 0.2% of the 175 billion dollars world market for forest-compatible products, which include Brazil nuts (*Bertholletia excelsa*), pepper (*Capsicum spp.*), murumuru (*Astrocaryum murumuru*), babaçu (*Attalea speciosa*), cocoa (*Theobroma cacao*), ucuuba (*Virola surinamensis*), rubber (*Hevea brasiliensis*), passion fruit, (*Passiflora edulis*), patauá (*Oenocarpus bataua*), among many others, and which are all found in the Amazon rainforest. A study by The Nature Conservancy (TNC Brasil), with support from the Inter-American Development Bank (IDB) and the Natura company, identified that the total income generated in the value chains of 30 socio-biodiversity products in the state of Pará represented almost three times the value of production at the source of extraction (Costa et al., 2021). The study indicates that, in 2019, approximately 224,000 jobs were generated from these products. Of the products, 84% came from family-based production structures. The Amazon can potentially create a value of US\$ 8.2 billion in socio-biodiversity products (Figure 1). For this to be viable, different types of capital (commercial and philanthropic) need to be leveraged for the region under conditions that the beneficiaries can access.

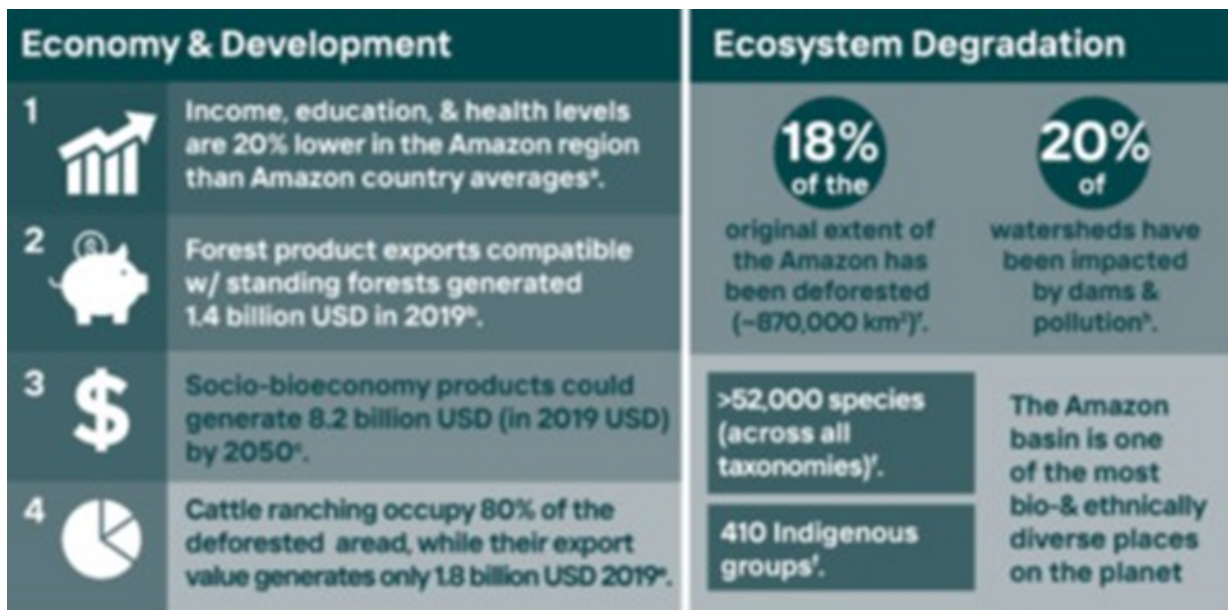


FIGURE 1: FACTS AND FIGURES ABOUT SOCIO-BIOECONOMY THREATS AND OPPORTUNITIES IN THE

AMAZON (Source: Adapted from Science Panel for the Amazon, Policy brief – Supporting socio-bioeconomies of healthy forests and flowing rivers in the Amazon)

Nevertheless, there are barriers to this potential becoming a reality. The main reason for this is that socio-biodiversity chains have to face barriers like:

(1) Shortage of working capital for socio-bioeconomy activities because of the complexities of the Amazon and non-usual business environment: The scarcity of financing for working capital within cooperatives has a significant impact on their development as this makes it difficult to obtain raw materials in advance to plan production. This gap in financial support is partly due to the market's lack of familiarity with how organizations work, which differs from the traditional business model that many investors are used to considering. As a result, assessing the risks associated with investing in cooperatives can be a challenging task. The difficulty in estimating risks in cooperatives is also compounded by the absence of clear indicators and established performance standards. Many investors rely on historical data and pre-existing indicators to assess an investment's return potential and risks. As cooperatives generally operate differently and pursue objectives beyond profit, performance metrics can be more complex and subjective, which makes risk assessment less straightforward. There are non-profit institutions with limited potential for scalability and little adherence to market standards, disconnected from the actual demands of the market and potential off-takers⁹[10].

(2) Difficulty in identifying cooperatives capable of working with the credit market and selling their production for buyers: The search for cooperatives that bring together both management maturity and solid sales prospects for their products is a challenging task. Some initiatives offer support for various production areas but lack consistent demand for their products and a guaranteed market. This creates an environment of uncertainty that can jeopardize funding for these cooperatives.

Cooperatives often seek financing to expand their operations or improve the quality of their products. Still, without a reliable market, they risk accumulating unsold stocks or facing financial difficulties, thus creating uncertainty for financiers.

(3) Cultural barriers of communities afraid of taking credit in the market: The resistance of communities to getting involved with large financial institutions is a legitimate and understandable concern. This is often because these institutions are perceived as distant, creating a natural fear among community members with little knowledge of the financial market and how it works. In addition, financial institutions' complex language and bureaucratic procedures can seem inaccessible to many community members, further alienating them. As a result, communities tend to keep their production practices unchanged, often following traditional methods passed down from generation to generation.

(4) Inadequacy of public programs for the bioeconomy: Several policies in Brazil do support the socio-bioeconomy in the Amazon, and recently a National Secretary for Bioeconomy was created (see section C on national policies). However, they are not sufficient or are insufficiently accessible to small farmers and, therefore, do not sufficiently reach their objectives at scale. For example, the National Program for Strengthening Family Agriculture (Programa Nacional de Fortalecimento da Agricultura Familiar, PRONAF) aims to provide financing for costs and investments in the implementation, expansion, or modernization of the production, processing, industrialization, and services structure at the rural establishment or in nearby rural community areas, to generate income and improve the use of family labor. However, a significant number of organizations and families are unable to access it for various reasons, as lack of proper documentation; lack of capacity to use online systems; lack of support for the specific needs of extractivism; lack of capacity to understand the meaning of requirements as they use very bureaucratic jargon and ingrained disbelief on the willingness of the government to give support after a long history of being marginalized. There is a need to prepare these small organizations so that access to financing can have effective results. Similarly, according to the National Supply Company¹⁰[11], around 7,000 extractivists have accessed subsidies from the Minimum Price Guarantee Policy for Socio-Biodiversity Products (PGPM- Bio) for nine products from the Legal Amazon, totaling R\$ 9.7 million (almost USD 2 million) used in these production chains. While this is excellent news, it only touches a fraction of the Amazon's extractivist population of approximately 200,000 families or 1 million people. These credit programs often require the hiring of technical assistance with requirements and guidelines in addition to excessive bureaucratic procedures and guarantees that are more compatible with conventional agricultural activities, which creates a significant gap when applied to socio-biodiversity chains. The demand for technical assistance can be seen as an obstacle since the professionals who provide it are often unfamiliar with the specific practices and challenges of these chains, and their knowledge is more geared toward traditional agriculture

(5) Lack of adequate technical guidance, training, and knowledge exchange: The scarcity of specialized technical advice creates a knowledge gap, making it more challenging for individuals and organizations involved in the socio-bioeconomy to develop innovative and practical approaches. The lack of specific training also limits people's ability to acquire the skills needed to thrive in the socio-bioeconomy, thus hindering the sector's growth. Training is usually given, but the information is not incorporated into the local reality, e.g., training young people and women to encourage them to stay and pass on the learning to other members. In addition, the lack of organized sharing of results and experiences prevents valuable lessons from being learned and applied on a large scale. When good practices are not shared, opportunities for growth and

development are wasted, and mistakes made do not become lessons for others. This results in a lack of scale in the adoption of successful solutions and the repetition of mistakes.

These barriers prevented the cooperatives from competing with the value chains often associated with deforestation. This also limits potential expansion and pressures local communities and agro-extractivists to migrate to more structured chains and activities such as cattle ranching, soybean, timber, and mining, which often contribute to accelerating deforestation. For example, in 2019/20, 81% of rural credit contracts in the Amazon were directed towards cattle ranching. Meanwhile, small cooperatives have limited access to credit due to high-risk financing, excessive guarantees, and misinformation.

Finance is nonetheless increasingly available to support these kinds of sustainable initiatives. In the 2019-2020 biennium, the climate finance sector has managed to mobilize USD 632 billion worldwide, according to the Climate Policy Initiative. However, this amount is still far from the estimated USD 4.5-5 trillion needed to comply with the Paris Agreement. These resources cannot come from the public sector alone, and mobilizing private capital and investments is critically needed. In recent years, a greater maturity of the capital market in the context of sustainable business and the increased interest from some economic sectors in ESG (Environmental, Social and Governance) issues, as well as the development of new technologies for low-cost financial operations, has led to a significant increase in the search for financing alternatives. In this context, Blended Finance is an attractive alternative.

In this model, philanthropic capital takes on a concessional position and absorbs greater risk or lower return to make projects more attractive to private capital, leveraging and giving more security to the traditional commercial investor while supporting institutional strengthening. VERT Capital is one of the key national players in this field, being among the leading issuers of green and social bonds, with 5 of the 7 social bonds issued in Brazil in 2021 emitted by VERT. VERT is also one of the partners of this project. However, even with the strong business flow potential for positive impact investments, blended finance mechanisms are still in their infancy. This is especially true in the context of the Amazon and socio-biodiversity chains, which lack the institutional infrastructure but where the creation of blended finance mechanisms could play a significant role in unlocking the development of these territories with significant environmental benefits.

Considering this context, this NGI project aims to (1) take advantage of the strong and trusting relationship with local communities that Natura has built up over the last 20 years of operating in the Amazon region, which takes the form of joint price fixing, the establishment of annual agreements and contracts, support for the development of the production chain (logistics, administrative management and quality of raw materials), the sharing of benefits for a better understanding of the needs of the cooperatives/associations and (2) build on VERT's experience in reducing bureaucracy to access credit using technological tools and Funbio's experience in technical assistance and extensive work in the region. With this partnership, the objective of the project is to strengthen Amazon socio-biodiversity organizations, businesses, and supply chains, promoting a development model in the Amazon that combines access to credit and conservation with income generation for local communities and which will serve as a demonstration model to continue attracting market investments by other investors and donors (3) Funbio with a large experience, more than 25 years working in Amazon to operate the Enabling Conditions Facility (a non-reimbursable fund).

[1] WWF. (2022) Living Amazon report, 191pp.

[2] [Science Panel for the Amazon Assessment Report. \(2021\). Chapter 4: Amazonian ecosystems and their ecological functions. 33 pp.](#)

[3] Science Panel for the Amazon Assessment Report. (2021). Chapter 2: Evolution of Amazonian biodiversity

[4] Macedo, M., Castello, L., Maretti, C. C., Oliveira, D., & Charity, S. (2015). State of the Amazon: Freshwater Connectivity and Ecosystem Health. WWF Living Amazon Initiative. <https://doi.org/10.13140/RG.2.1.1192.9122>

[5] Science Panel for the Amazon Assessment Report, 2021

[6] MAAP Project. (2022). MAAP #158: Amazon deforestation & fire hotspots– 2021. <https://maaproject.org/2022/amazon-deforest-fires-2021/> and Weisse, Mikaela & Goldman, Liz (2022). Forest Loss Remained Stubbornly High in 2021. Global Forest Watch. <https://www.globalforestwatch.org/blog/data-and-research/global-tree-cover-loss-data-2021/>

[7] MAAP Project. (2022). MAAP #168: Fuegos en la Amazonía 2022. https://maaproject.org/2022/amazonia_fuegos/

[8] Pacheco et al. (2017). Beyond zero deforestation in the Brazilian Amazon: Progress and remaining challenges to sustainable cattle intensification. Center for International Forestry Research (CIFOR). https://www.cifor.org/publications/pdf_files/infobrief/6394-infobrief.pdf

[9] <https://bibliotecadigital.economia.gov.br/handle/123456789/1024>

[10] Conexsus works to mobilize partnerships and apply financial instruments that encourage associations, cooperatives, and small and medium-sized businesses to connect with markets. Belterra is another organization that establishes partnerships with small and medium-sized farmers to provide technical assistance and rural extension specializing in regenerative agriculture, facilitating access to credit and markets that buy products from Agroforestry Systems. Sitawi develops innovative financial solutions for positive socio-environmental impact, such as the Collective Lending Platform, and acts as a banking correspondent to facilitate the loan contracting process.

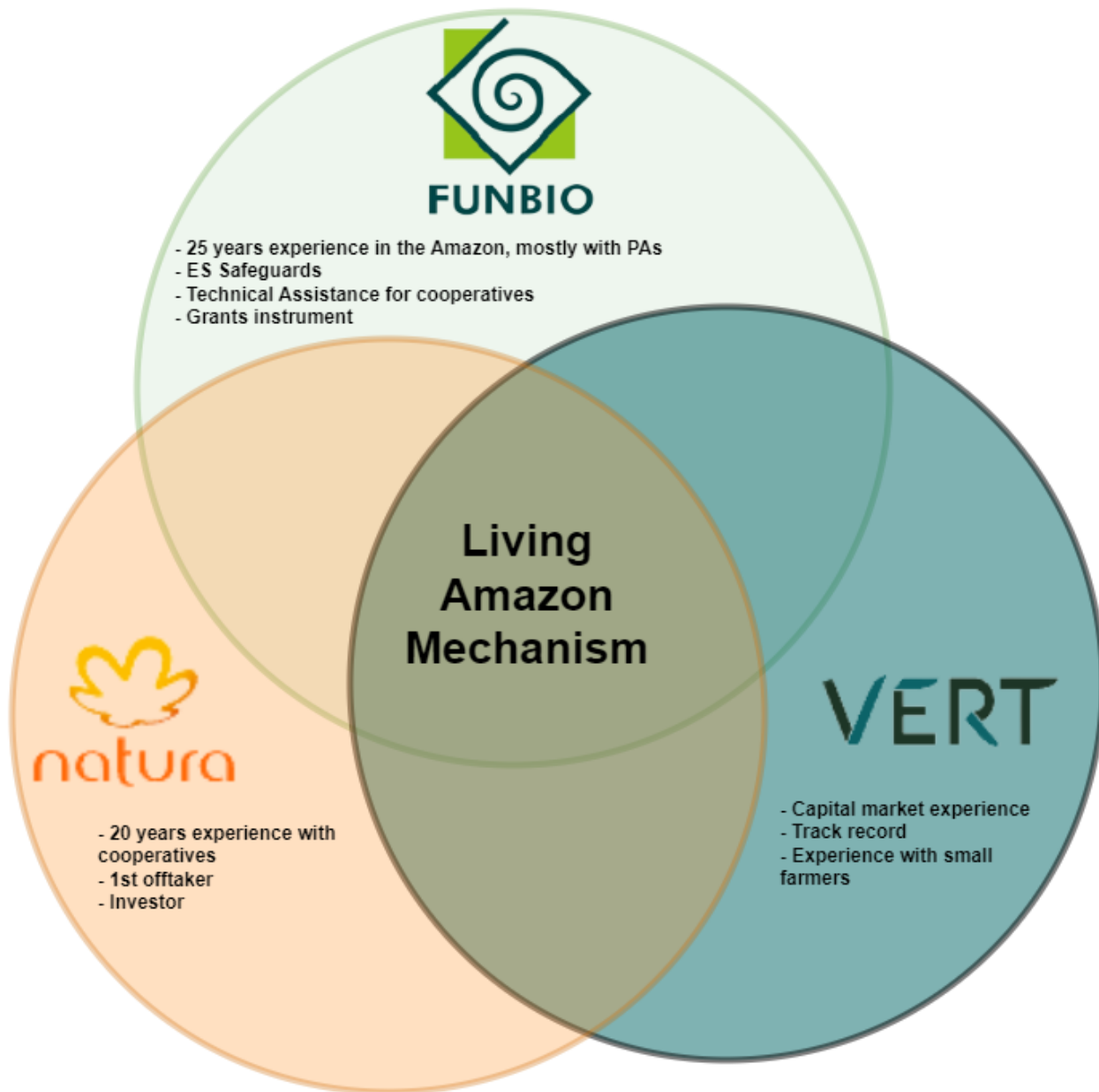
[11] CONAB. Boletim da Sociobiodiversidade. Brasília, DF, v. 5, n. 5, out. 2021.

B. PROJECT DESCRIPTION

Project description

This section asks for a theory of change as part of a joined-up description of the project as a whole. The project description is expected to cover the key elements of good project design in an integrated way. It is also expected to meet the GEF's policy requirements on gender, stakeholders, private sector, and knowledge management and learning (see section D). This section should be a narrative that reads like a joined-up story and not independent elements that answer the guiding questions contained in the PIF guidance document. (Approximately 3-5 pages) see guidance here

The overarching goal of the project is to protect the Amazon rainforest by bridging the gap between the credit market and sustainable producers in the region to improve livelihoods and create the conditions to strengthen Amazon socio-biodiversity organizations, businesses, and supply chains, promoting a development model in the Amazon that empowers conservation stewards by combining conservation with income generation. The project was designed in partnership with three institutions: Natura, a major cosmetic company with two decades of experience in working with cooperatives in the Amazon; VERT, a financial market company specializing in agricultural finance; and Funbio, which has decades of experience in the Amazon with protected areas, their financing and sustainable production. In the arrangement, Natura operates as an off-taker and investor but ensures the viability of its business model by sharing investments and risks.



This arrangement makes it possible to engage with the local communities and their cooperatives with the know-how of Natura and Funbio to guarantee their interest, which has already been made clear with the engagement already made during the development of this proposal (see the stakeholder engagement session). This is different from large but unfocused government initiatives that end up giving much more support to common and unsustainable practices than to investing in adequate development of sustainable alternatives. The low participation of the kind of cooperatives the project aims for (local communities inside PAs with sustainable practices) in government initiatives happens because they are marginalized in programs with requirements, procedures, and even language that are barriers to the participation of the cooperatives. On the contrary, this project has been built with more than 20 years of specific experience with these communities and cooperatives, with a bottom-up approach and including the private sector (both as an off-taker and as financial support) to lessen the dependence on government initiatives. Nevertheless, by preparing the cooperatives to access upfront finance and to have robust ES safeguards and gender

integration, they will also be more prone and prepared to uptake government initiatives in the future, and when this happens, government initiatives will also start to be more sustainable and nature-friendly. This project starts this virtuous cycle.

The Living Amazon Mechanism (Amazônia Viva in Portuguese) is a blended finance mechanism composed of two different components – (1) Upfront finance for sustainable products and (2) Enabling Conditions Facility (ECF) –aligned under the same governance process. The combined action of these two components offers synergies that make it possible to create a virtuous circle of capacity-building, advance financing, and structural investment that strengthens sustainable value chains. The partners in this consortium (Natura, Funbio and Vert) are complementary and capable of working on all fronts of the project to implement an instrument that unites the capital market and philanthropic capital with the sustainable development of territories in the Amazon region. One of the unique features of the Mechanism is to introduce a large off-taker (Natura) right away, investing in the financial operation and acquiring inputs from the local communities.

THEORY OF CHANGE

The Living Amazon Mechanism is built on a theory of change (FIGURE 2) that starts from the identification of barriers, how to face them, and finally, creating a virtuous circle of sustainable investments and socio-environmental benefits with the opportunities provided by (a) a booming market of socio-biodiversity products, (b) increased interest from some economic sectors in ESG and capital markets, (c) the development of new sustainable financing mechanisms – credit + enabling conditions and (d) strong support to protect the Amazon forest. It aims to contribute to solving the problems of deforestation and forest degradation resulting from unsustainable practices and provide sustainable economic alternatives based on a standing forest that provides revenues to vulnerable families, building production and financial capacities and ensuring that basic needs are covered in local communities.

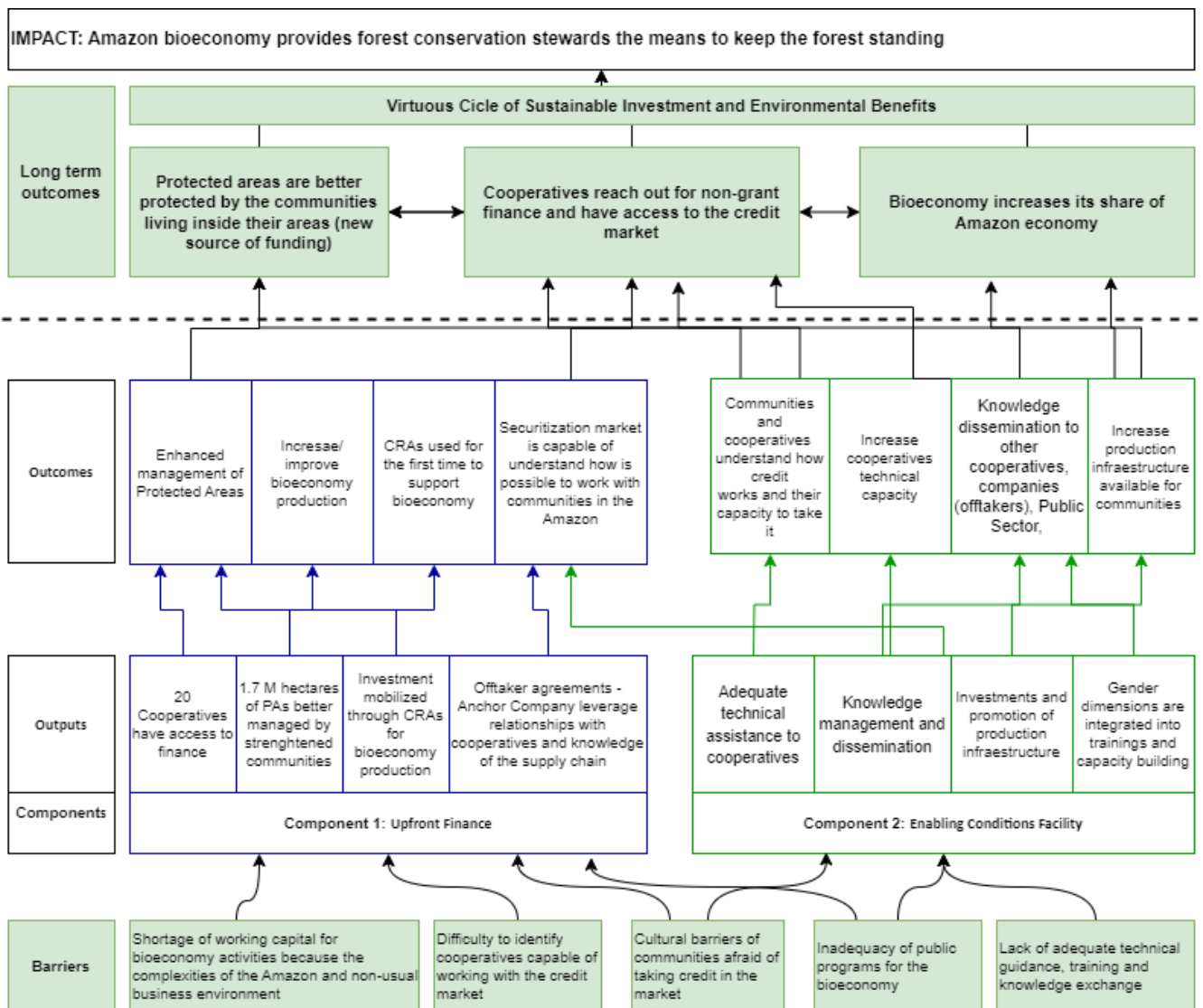


FIGURE. THEORY OF CHANGE

The Mechanism is based on recognizing that several barriers exist to a thriving bioeconomy that supports communities in protecting the forest. One of those barriers is the shortage of working capital for bioeconomy activities. This is due to the complexities of the Amazon, including in terms of isolation, lack of infrastructures, and other administrative, technical, and logistical issues, as well as the unusual business environment, with credit issuers unused to work with extractive and agro-forestry products, unaware of the demand and therefore rates of return, and identifying too many risks to investments. Conversely, it is also difficult for credit issuers wanting to invest to identify cooperatives capable of working with the credit market, as many lack the financial and administrative capacities and the technical capacity to produce quality products. In addition, there is a cultural barrier of communities afraid of taking credit in the market, as they have difficulties understanding the stakes and negotiating with credit issuers. The enabling business environment is also insufficient, with inadequate public programs for Bioeconomy and, in general, a lack of adequate technical guidance, training, and knowledge exchange between the different stakeholders.

The project has set the following specific outcomes: (1) increase/improve production from the Amazon socio-biodiversity in the Amazon Region, (2) contribute, together with its network of partners, to the preservation of 1,7M hectares of the Amazon, through improved practices and alternative economic opportunities that preserve a standing forest (3) Securitization market capable for working with cooperatives in Amazon (4) CRA used as an instrument of credit to support cooperatives and associations in Amazon (5) Local Communities and cooperatives understand how credit works and their capacity to take it (6) Increase cooperatives technical capacity (7) Knowledge dissemination to other cooperatives, companies (off-takers), Public Sector (8) Increase production infrastructure available for communities.

To achieve these outcomes, the Living Amazon Mechanism proposes to develop strategies and invest in initiatives that strengthen cooperatives and that promote the following outputs: (a) 20 Cooperatives having access to credit; (b) Investment mobilized(include how much) through CRAs for socio-bioeconomy production; (c) Offtaker agreements - Anchor Company leverage relationships with cooperatives and knowledge of the supply chain;(d)Adequate technical assistance to cooperatives(e)Knowledge management and dissemination (f)Investments and promotion of production infrastructure –Theory of Change (Figure 2).

The first component will allow the reduction of several barriers, including providing working capital, providing a proof of concept to show that cooperatives can receive credit, reducing their own cultural barrier, and contributing to a strengthened enabling environment. The second will allow for building capacities, reducing the cultural barrier, strengthening the enabling environment, and providing adequate technical guidance, training, and knowledge exchange.

The components together will allow the project to achieve several short-term and long-term outcomes. First, protected areas will be better protected by communities with increased interest and opportunities by receiving additional funding based on standing forests, thanks to better access to finance derived from the upfront financing and built capacities. Second, cooperatives will receive non-grant finance and access the credit market through a better understanding by the securitization market of how to work with local communities in the Amazon, the use of CRA innovatively, and better understanding and capacities by communities to receive finance. Third, the share of the bioeconomy in the Amazon economy will increase through better infrastructures and products, resulting in increased/improved bioeconomy production. Altogether, the objective is to reach a virtuous circle in which sustainable investments bring socio-economic benefits to communities that are enabled to continue, increase, and improve their sustainable production, generating additional benefits, and so on.

The project activities deliver Global Environmental Benefits by increasing the capacity of local communities to stand against deforestation and forest degradation inside protected areas because of economic pressures by providing an alternative of sustainable production. This results are in key areas inside one of the most crucial biomes for biodiversity conservation and climate regulation.

Component 1 – Upfront Finance

The project outcome in this component is generally to increase access to finance for local cooperatives working with sustainable production in Amazon. This component will work with the group of 38 cooperatives that already have established relationships with Natura, and, additionally, already work with sustainable practices, this is an eligibility criteria, as the project will not support any unsustainable practice. These organizations find it difficult to expand their business due to a lack of resources to improve their infrastructure and a market relationship with different off-takers. They are excluded from the facilities of a well-established market and cannot benefit from the

rules and the opportunities. They cannot serve new markets, mainly due to a lack of working capital and training to meet the growing demand at the required quality level. The objective of the component is to allow access to credit lines to up to 20 of these cooperatives and it will attempt to address the follow barriers:

The objective of the component is to allow access to credit lines to up to 20 of these cooperatives, and it will attempt to address the following barriers:

- (1) Shortage of working capital for bioeconomy activities because of the complexities of the Amazon and non-usual business environment.
- (2) Difficulty in identifying cooperatives capable of working with the credit market and capable of selling their production to buyers.
- (3) Cultural barriers of communities afraid of taking credit in the market.

To face barrier 1, this component aims to test an innovative financial mechanism for nature-positive supply chain financing that involves a company buying the products and funding from Capital Markets. For this purpose, and based on the expertise of VERT using their extensive knowledge and tools, a financial instrument used in Brazil for agricultural products was chosen, the Certificate of Agribusiness Receivables (CRA). The CRA is a robust financial mechanism with strong regulation in Brazil, low investor risk, and fit for purpose (agricultural/extractivist production). However, it is an innovative use of the mechanism, which was designed for agricultural production and is used here for NTFPs with the goal of protecting standing forests. The proposal has an interesting balance of being very innovative on the one hand by using CRAs with local, sustainable cooperatives, and, on the other hand, using a very common financial mechanism that is well-known by the credit market. Natura will be one of the investors, and Funbio will act on behalf of GEF through the NGI (if this project is approved). The Brazilian Development Bank (BNDES) and International Finance Corporation (IFC) are also in advanced negotiations to become investors in this component, showing the instrument's appeal even before it started. In this regard, the support from GEF is crucial, as it not only funds the component but also brings credibility.

The main objective of the CRA is to provide upfront financing to Cooperatives without much bureaucracy. This is made possible by issuing a Rural Producer's Cedula (CPR) with periodic installments that will be determined considering the Cooperatives' production. It is a loan with a fixed rate. The cooperatives will sign a term of adhesion. Once the cooperatives have been identified and the financial operations details approved by all parties, CPR is signed, and the Cooperatives receive their loans.

The loans to the cooperatives will be used to purchase stock (e.g., packaging material, seeds, and fuels), raw materials (e.g., seeds), early harvest, logistical costs inherent to production activities, taxes and licenses relating to production activities, and costs relating to production infrastructure, vehicles, etc. The duration of the loans will depend on each cooperative's forest-compatible products, and once the loan gets paid, the respective cooperative will be able to renew the loan until the end of the three-year period of the CRA.

To face barrier 2, the cooperatives to be chosen to take out the loans **already have a supply relationship with Natura** and are the most well-structured. The strategy to implement the ECF (Component 2) will be to provide immediate technical assistance to cooperatives and agro-extractivist associations to improve their management practices, including financial management, so that they can effectively use the CRA. Cooperatives and agro-extractivist associations will be prioritized based on the possibility of implementing the CRA (e.g., interest in taking the CRA, level of maturity to take credit, etc.).

The initial focus will be on the 20 organizations selected based on growth potential and the possibility of implementation of the CRA during project execution. This allows for a bottom-up approach. The list of intervention territories and principal cooperatives that form the 38 organizations within which 20 will be prioritized can be found in Annex 1. PPG will allow the design of the criteria for identification and start collecting the information for selecting the 10 first cooperatives so that when the project starts, those 10 can receive their loans quickly. One of the eligibility criteria is that only cooperatives working with sustainable practices can participate in the project.

In order to reduce risks, the CRA operation will have two distinct phases, lasting a total of 6 years. The first phase will last 3 years, and it will support at least 10 cooperatives, and a second phase after 3 years will add another 10 cooperatives (after three years of investments in the ECF component). In the first, half of the GEF NGI funds (USD 3 million) will be used, and in the second, an additional USD 3 million will be allocated for this component.

The identification will involve face-to-face visits and credit analysis carried out with the help of technology for a robust credit model, as well as due diligence analysis, which aims to reduce credit bureaucracy and improve the borrowers' credit experience.

It's important to highlight that, since 2004, Natura has already signed 104 benefit-sharing contracts, generating more than USD 17 million for local people who participate in our value chain and contribute to maintaining the biodiversity of the Amazon. Natura maintains a team dedicated to carrying out this work in a direct relationship with these local communities. Regarding the risk of lack of demand, it is important to say that in 2023, Natura announced its Sustainability Vision 2030, called "Commitment to Life," which proposes, among other topics, to increase revenue streams with 55 additional bioingredients (up from 38) and to share USD12 million (or more) in value with communities. In addition, Natura has an internal target to reach USD 14 million in annual purchases by 2030, which already ensures that the increase in production volume will have a guaranteed buyer. The project used current purchases to be conservative in the estimates. Including an additional off-taker for products would allow for maximizing the integral use of the products of the producers and/or supply chain, supporting markets that transform by-products and other products not used by the cosmetic industry either.

Finally, the most important is that the project partners recognize that women's empowerment through socio-bioeconomy is a significant opportunity and will strive to prioritize associations that give an important role to women, be it cooperatives only composed of women, led by a woman or with a gender-balanced management composition. It is currently difficult to provide a detailed strategy. During the PPG phase, a gender assessment and action plan will be developed to ensure these aspects are prioritized in the NGI project. The assessment will also look at how to empower young people as another important target.

To face barrier 3, the CRA is also a sensible choice to show the credit market that engaging with sustainable cooperatives is close to business-as-usual, which is important to demystify working with those stakeholders. ECF will work in synergy with VERT to deal with the difficulties, doubts, and fears of cooperatives regarding credit operations. An easy-to-understand manual will be prepared to describe step-by-step operations, and a specialized consultancy will be working together with the cooperatives, monitoring the financial execution and organizing the cash flow with them.

An important aspect of the component will be to provide evidence that the sustainable cooperatives that received loans are reimbursing within the stipulated rules. For this purpose, and after analyzing the suppliers and formalizing the documents, VERT, through its securitization company, will monitor the portfolio and control the conditions, criteria, and indicators of the loans. This component will receive support from different services within VERT, including technology, data processing, legal, and others. Through technology and the team's experience, operations will be efficiently controlled, enabling reports to be sent with transparent and reliable information to the market and investors.

VERT will work closely with the cooperatives to understand their payment capacity on a timely basis. Both will gather information about the production and the technical gaps that need to be filled in. In case of default, VERT will understand the reasons for such default and provide a proper plan to either renegotiate the CPR or look for some kind of collateral (such as an assignment of an offtaking agreement). The Indenture, the document representing the CRA, will set up the rules of what can and cannot be done in case of default. Natura will be a subordinated investor, meaning that in case of default, the first loss will be on their investment. This highly decreases the risks for other investors, including the GEF.

Component 2 – Enabling Conditions Facility (ECF)

The project outcomes in this component are described in four themes: (1) Local Communities and cooperatives understand how credit works and their capacity to take it; (2) Increase cooperative's technical capacity; (3) Knowledge dissemination to other cooperatives, companies (off-takers), Public Sector; (4) Increase production infrastructure available for communities. The ECF will operate through work plans (including a gender action plan) developed with the cooperatives, other relevant local actors, and interested off-takers. The ECF will be financed exclusively by non-reimbursable funds, initially from Natura, Fundo Vale, and Porticus, and Funbio will execute it.

The strategy to implement the ECF will be to provide immediate technical assistance to cooperatives and agro-extractivist associations to improve their management practices, including financial management so that they can use the CRA (component 1) effectively. ECF will diagnose the cooperatives and develop trainings for them to use systems, support the cooperatives with accountants and/or administrators to organize their documentation and train them to keep them properly updated. Training on how to use online systems and understand the jargon used, for example, in the programs of food purchases. Trainings in better management skills and better production practices. Explain in culturally adequate terms how the financial mechanism works, what are their rights and duties. This support will make the operation of receiving the upfront finance less difficult for the communities to understand, and therefore lessen the fear they have. This will also show them they are not being marginalized.

Cooperatives will be prioritized based on the same criteria as Component 1, including the eligibility criteria of working with sustainable practices, and the possibility of implementing the CRA (e.g., interest in taking the CRA, level of maturity to take credit, etc.). As mentioned above, the initial focus will be on the 20 organizations selected based on growth potential and the possible implementation of the CRA during project execution. This allows for a bottom-up approach. On the other hand, this list may grow as the operation expands and scales.

The ECF component will also be responsible for the project's knowledge management, as it is a crucial activity to collect, organize, and analyze data for dissemination. The project will produce knowledge for cooperatives regarding best production practices and how to use financial instruments (CRAs) to improve production, working to lower the cultural barriers. The project will also showcase the model and the innovative use of the CRAs in the capital market to demonstrate how they can approach these cooperatives using shelf instruments. Finally, the project will also showcase the model for potential off-takers to scale up the initiative. Funbio and the project partners will produce targeted knowledge products. As the knowledge products are targeted to different audiences, the dissemination of this will also have to be tailored to each different group. During the PPG phase, a Communication Strategy will be developed to plan in detail how this will be achieved, but it's already possible to describe some methods that may be used: for the dissemination among cooperatives and communities in the Amazon region, online materials that can be disseminated through phone apps are known to be easily distributed and have a far reach, including to other biomes. This can also be catalyzed by other Funbio projects that work with communities in the Amazon, like the Arpa program and the Copaibas project. To disseminate the lessons learned and how CRAs can be used by the capital market and ESG advocates, the strategy will be very different. Even if using online sources, brief explanations (one-pagers) with hard numbers about the financial results of the mechanism may be a key aspect of targeting this audience. Finally, to target potential new off-takers other than Natura, the project needs to reach the productive private sector, which can be done through industry events and organizations like the National Confederation of the Industry (CNI), which holds regular events on ESG with industries, another means to reach the industry is the dissemination of the results to subnational states in the Amazon which can be easily done through the Amazon Consortium of States that has Funbio as their executor partner and are much engaged in promote bioeconomy in the region. Finally, although the specific financial structure may not be exactly replicable in other countries, the phased approach, the financial instrument in tandem with a grant instrument, the need for a first off-taker are probably important in other countries as it is in Brazil and there is an opportunity for international dissemination which can be in COPs and regional events like RedLAC assemblies and CAFÉ Assemblies where Funbio always participate or even a GEF Technical BBL Series. The Communication Strategy will detail those and other means to disseminate the unique knowledge this project will provide. The Communication Strategy will be funded by the ECF.

The objective of the component is to prepare cooperatives to increase their maturity to deal with refundable resources and credit market rules, and it will attempt to address the following barriers:

- (a) Cultural barriers of communities afraid of taking credit in the market.
- (b) Inadequacy of public programs for the bioeconomy.
- (c) Lack of adequate technical guidance, training, and knowledge exchange.

Activities under the Enabling Conditions Component to face the barriers:

The ECF will be a non-refundable instrument that will seek to work closely with cooperatives and local communities in the territories where Natura operates to understand demands and act assertively and appropriately to provide the necessary technical assistance and facilitate investments in productive

infrastructure. The ECF will not be funded with GEF resources, relying completely on co-finance from project partners.

The idea is to develop a broad, innovative enabling conditions mechanism whose concept can be used and disseminated to several partners. Once implemented, there will be an effort to share knowledge across different sectors of society, covering public and private entities to show how we can measure the costs to prepare cooperatives like this to receive and operate private credits.

Based on visits and surveys, work plans and detailed actions will be drawn up for each territory and its cooperatives in consultation with the cooperatives and agro-extractivist associations and interested off-takers to identify bottlenecks, lines of action, financial demand, targets, and indicators to be agreed locally and implemented within the stipulated timeframe. During the PPG phase, during the engagement of stakeholders, these will start to be identified alongside a specific gender assessment and action plan, and a full ESS assessment. Although the Gender Action Plan does not exist at PIF stage, the requirements for the plan includes how to improve women and youth participation in trainings, decision making, monitoring and evaluation, access to finance, access to knowledge and lessons learned. The Gender Action Plan will also define a specific gender budget to implement the plan, which will be financed by the ECF component. The ECF will deliver the activities in line with prioritized actions approved by the Deliberative Council, in which local communities will also have representatives. Natura's long-term relationship with supplier communities plays a key role in this initial set-up since trust to work together is available, and consultations around structuring the Mechanism support this assumption.

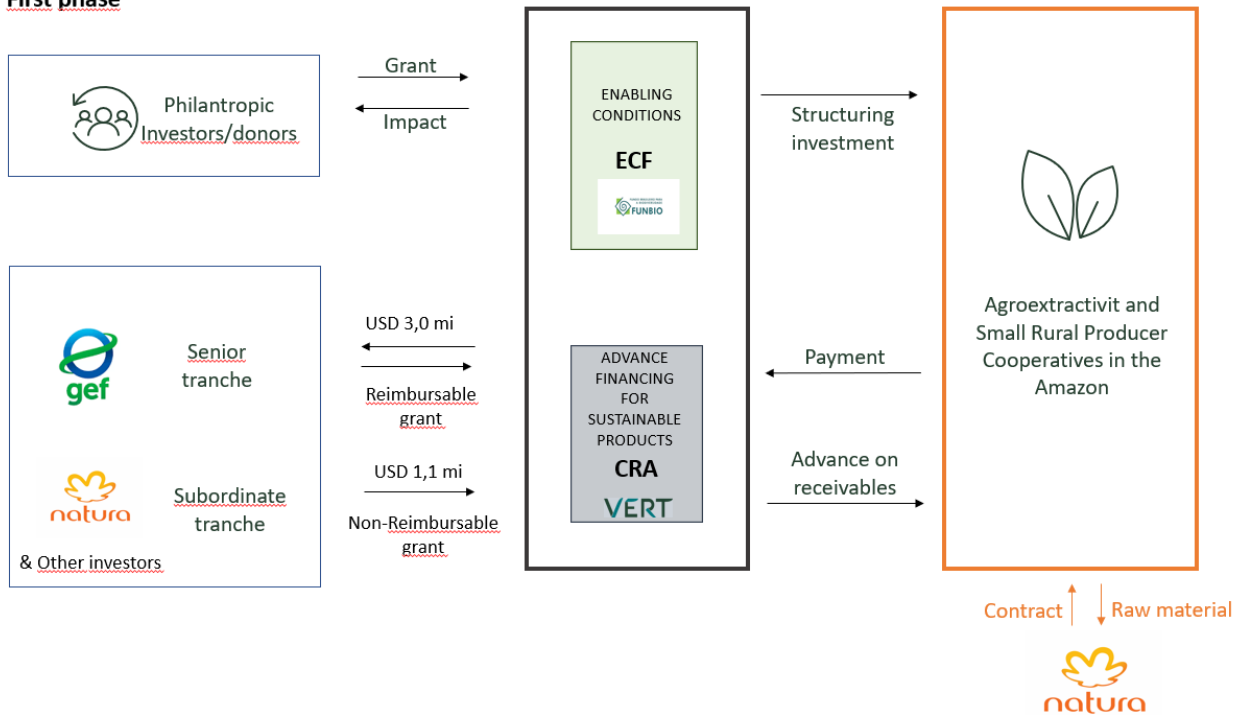
To carry out the work plans and the Gender Action Plan, Funbio will execute the ECF mostly directly through contracting services, consultants, and acquisition of goods. When specific solutions are required, indirect execution will occur through call for project proposals in a targeted manner. This means seeking local entities with the capacity to implement planned actions in line with the interests of the Mechanism.

In addition, in the long run, it is understood that not only within the scope of communities, associations, and cooperatives, there are difficulties in obtaining accreditation or enabling conditions for serving the market, but the territories themselves have their structuring limitations. In this way, it is also envisaged that the ECF contributes to broader initiatives in the territories where the Mechanism will be present to transpose systemic bottlenecks.

The operationalization will follow the figure below:

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First phase



Second phase

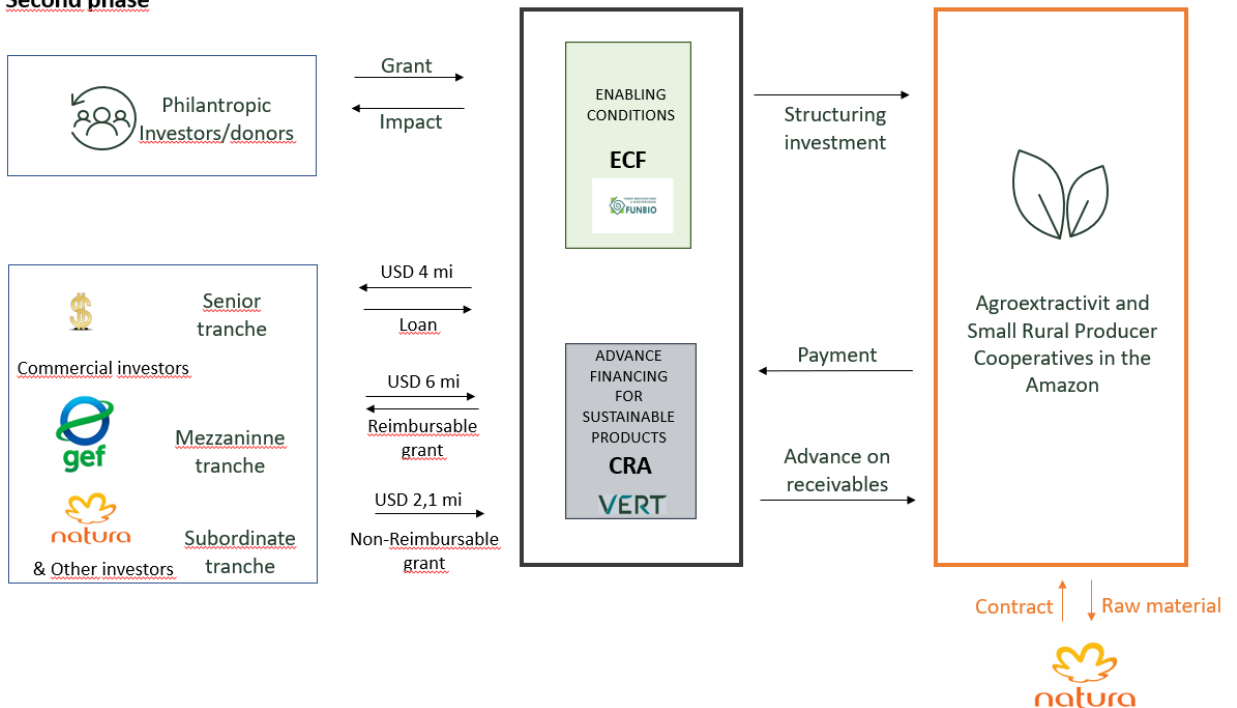


FIGURE: OPERATIONALIZATION OF THE LIVING AMAZON MECHANISM.

The GEF resources will provide additional global environmental benefits as they will support this novel approach (CRAs) to empower communities in protected areas where sustainable production of NTFPs has a great untapped potential. This strategy goes beyond existing ESG standards that are unable to scale up, share knowledge and are usually not sustainable in the long run. This project focuses on bridging the gap between local cooperatives, companies, and the capital market, which exceeds what individual companies can achieve.

Governance

The Living Amazon Mechanism's governance is designed to consider each instrument's particularities while ensuring their complementarity and mutually reinforcing features. The governance will also guarantee continuous engagement with the cooperatives and oversight of project execution. Finally, the governance must be flexible to include new participants, either new cooperatives, investors of Component 1, donors of Component 2, or new off-takers. During the PPG phase the governance structure will be further detailed.

The project's governance will be made up of four main bodies: The Steering Committee, the Deliberative Council, the Executive Committee, and the Territorial Council.

The Steering Committee: manages the project and interacts with the other bodies to carry out the actions. It will comprise members of Natura, Vert, and Funbio, the project's co-founders. This Committee will also be the guardian of the project's framework: fundamental purposes, concepts, and GEF Policies.

Members: Natura (1), Funbio (1); Vert (1)

Frequency of meetings: on demand or at least 2/year

- Evaluate new potential partners (off-takers and investors)
- Evaluates/filtering pipeline expansion (cooperatives/associations/territories/countries), new CRAs issuance, new lines of action
- Evaluates topics in general that may distort the Mechanism's strategic mission and involve reputational risks.
- Decisions are made by consensus
- Guarantee GEF policies are observed and only activities generating GEBs are financed.

The Deliberative Council will be made up of investors and donors, including Natura and Funbio if representing any investor like GEF to approve investment plans proposed by the VERT and the plans for the ECF execution, guaranteeing the ECF is supporting the demands coming from the territory council in tandem with the investment made through component 1 and the CRAs. The functioning of this Council will be detailed during the PPG phase, as it needs to work at the pace of the private sector to ensure the implementation of component 1. Nevertheless, the basic functions of the Council are established:

Members: Natura (1), Investors (minimum 2), NGO representative (1), Cooperative representative (1)

Frequency of meetings: bi annual

- Analyzes and approves strategic investments for execution of the resources annually
- Monitors implementation and results (including performance, incidents, complaints)
- Observes that synergies between CRAs and ECF are prioritized and community demands taken into consideration
- Deliberates on strategic decisions (expansion of the pipeline in existing CRAs to new territories or chains, new off-takers, new CRAs, new areas of ECF activity)
- Deliberative character
- Two-year term renewable for another two years for members

The Executive Committee (operational instance composed of FUNBIO and Vert) will be responsible for drawing up and presenting the plans for both components (Advance Finance components and the ECF) to the Investors Council, as well as their execution plans. In addition, it will report and be accountable for the mechanism's performance. As part of the

Executive Committee, FUNBIO will also play the role of Executive Secretariat, operating the project in partnership with companies contracted for technical execution and transferring the financial resources approved by the Deliberative Committee.

Members: VERT and FUNBIO and consultant (if necessary)

Frequency of meetings: monthly

- Vert: structures and manages the CRAs approved by the Deliberative Council
- Funbio: prepares and executes ECFs investment plans
- Ensures the synergy of the mechanism
- Presents resource execution plans to the deliberative council

Finally, the Territorial Council is a cross-cutting, non-deliberative body that will work together with local cooperatives/associations and their communities that have benefited from the mechanism or have the potential to do so. In this Council, the moderation of GRAS - Natura's body with expertise in communities - will be fundamental, as well as the participation of civil society organizations and representatives of academics in the region. The Council will use GRAS experience in adequate engagement with local communities in order to have quality feedback for the work of the executive committee. Its aim will be to understand the demands of the cooperatives and the representatives of the families involved in production. It will report to the Executive Committee in order to bring clear demands to respond to the needs the cooperatives face. Representation of women and youth will be guaranteed and with an equal footing. The Council will be made up of a representative of the territories, cooperatives, off-takers, and academy.

Members: Natura, others off-takers, cooperatives representatives (max. 6)

Frequency of meetings: bi-monthly or on demand

- Dialogues with the Executive Committee and Deliberative Council, providing information and local demands
- Analyzes product demand and supply issues;
- Analyzes barriers and sales opportunities and new business.

- Advisory only; does not have a deliberative character

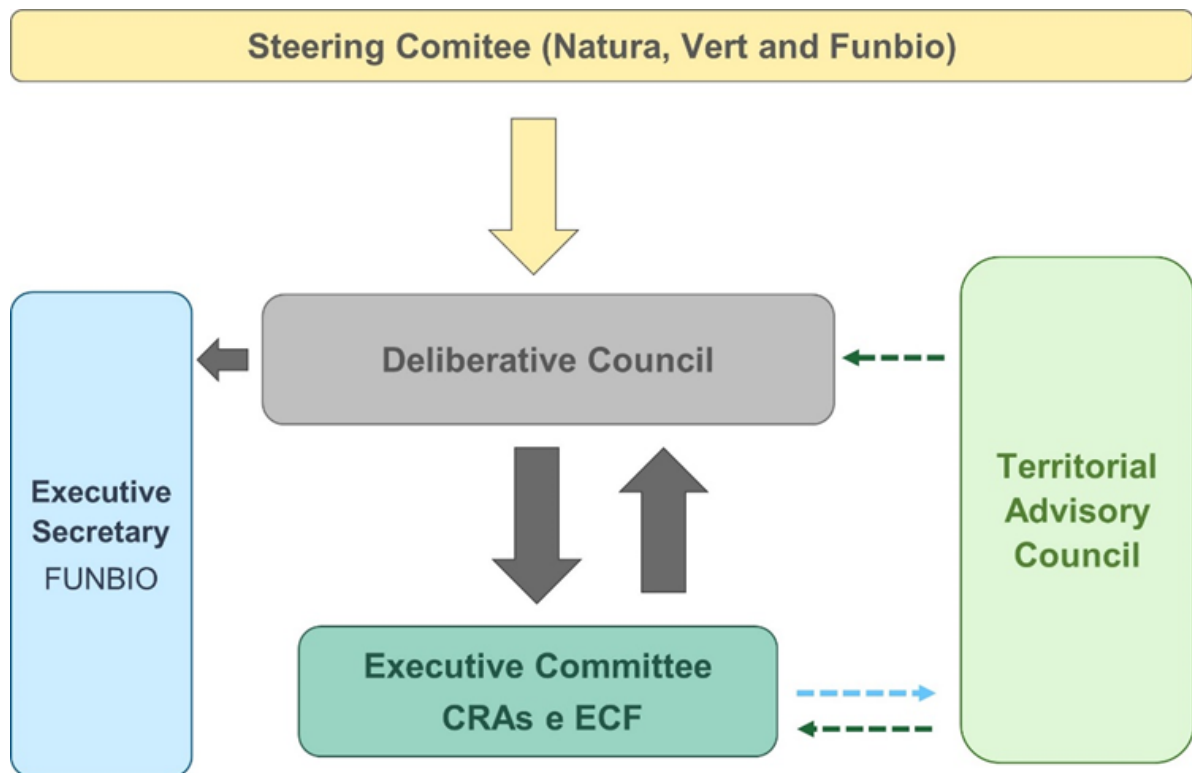


FIGURE: GOVERNANCE OF THE PROJECT.

Executive Secretary

Members: Funbio or consultant (PMO)

Frequency of meetings: on demand

- • - Records and keep all documentation of the Deliberative Council and
- • - Manages knowledge of the Mechanism
- • - Schedule and prepare minutes of Deliberative Council meetings

Scaling-up potential

The project innovates in several ways: using a shelf instrument of capital markets (CRA), the tandem work of the upfront finance with the ECF, and the initial participation of an important off-taker. To scale up the project into other areas of the region, the knowledge dissemination of the lessons learned is critical.

If the project succeeds in showing the capital market how to use the CRAs for upfront finance, those players could replicate the instrument. This is also aligned with Funbio's experience with funds or organizations promoting impact investments, where a widespread complaint is there are enough financial resources but no good projects. A project assumption is that this complaint is not exactly the case. Still, there is a gap between what impact investors want and what local communities can deliver. This is the rationale for using a common financial instrument as the CRA rather than some tailor-made instrument that cannot be easily replicable. It is also the rationale to work with local communities to

prepare them for different ways to finance their sustainable production by using the capital market. CRAs are also a good proposition because they can have different investor tranches, senior for organizations like the GEF, but junior or subordinate to attract different investors with different appetites for risks. This flexibility is needed to encompass the diversity of the Amazon region. The project can also show potential off-takers that it is possible to expand their production based on sustainable production of primary goods with robust ESS. Finally, government initiatives, which often overlook local communities and sustainable production in the Amazon, will be able to learn an alternative way to do this; in the future, governments may focus on ECF-like initiatives while the private capital can work out the upfront financial structures. In an innovative project like the Living Amazon Mechanism, there are multiple paths for scaling up, even the continuity of the mechanism, with other funding partners after this first project, which has already happened with other successful projects with Funbio participation.

Coordination and Cooperation with Ongoing Initiatives and Project.

Does the GEF Agency expect to play an execution role on this project?

If so, please describe that role here. Also, please add a short explanation to describe cooperation with ongoing initiatives and projects, including potential for co-location and/or sharing of expertise/staffing

The Living Amazon Mechanism will build on several ongoing initiatives and projects from the partners implementing the project. The Brazilian Biodiversity Fund (FUNBIO) is the GEF Agency for the project. It has extensive experience in the Amazon, financed by several international institutions including the GEF. The Amazon Regional Protected Areas Program (ARPA) has been supported for more than two decades by the GEF. The Program aims to create and consolidate protected areas in the Amazon, increasing their management effectiveness, with support to numerous RESEX and their sustainable extractive activities. ARPA has set up a Transition Fund (TF), managed by FUNBIO, a long-term sinking fund designed to provide resources and incentives to protected areas over a 25-year timeframe. FUNBIO also manages the COPAÍBAS Program (Traditional Communities, Indigenous Peoples and Protected Areas in the Amazon and Cerrado biomes - Comunidades Tradicionais, Povos Indígenas e Áreas Protegidas nos biomas Amazônia e Cerrado), financed by Norway's International Climate and Forest Initiative. The objective is to help reduce deforestation by supporting strategies that promote the conservation of forests and areas of native vegetation in the Amazon and the Cerrado while promoting better living conditions for traditional populations and indigenous peoples. Its fourth component aims to strengthen value chains and local production arrangements for socio-biodiversity strategically. In addition, FUNBIO was selected by the Pará government in 2021 to fundraise, manage, and account for the Eastern Amazon Fund (FAO), an innovative private financial mechanism based on collaborations to strengthen public policies and social initiatives focused on the environment and development, with special attention to the commitments made by the State until 2036. Finally, Funbio was also selected to execute the Floresta Viva Program (Forest Live Program) with BNDES and multiple private sector companies. The Program already has USD 100 million for forest recovery and may double that in the next years due to the attention the Program is attracting. In this Program, the Amazon region will receive investments, and although it is not directly focused on supply chains, if the Brazilian NDC is to be achieved, 12 million hectares of forests will need to be recovered, a supply chain for restoration needs to be developed and blended finance and private sector engagement is a strategy regarded as crucial for this outcome.

The Mechanism will also benefit from cooperation and coordination with the initiatives and vision of Natura, the main off-taker of the advance financing component of the project, also providing non-reimbursable funds to the Enabling Conditions Facility. In 2021, the company celebrated more than two decades of relationship with Amazonian socio-biodiversity. Natura has invested more than R\$2.55 billion in the region, developed 41 bio-ingredients from Amazonian biodiversity, acquired from 85 supply chains and supply chains, and has established relationships with 40 communities and more than 8,155 families. In its public performance, Natura reports annually on a total of 11 KPIs specific to Amazon. One of its key commitments is 'to contribute

to the development of the Pan Amazon region as a hub for social biodiversity-based technologies and sustainable businesses, in conjunction with a network of partners.' A regards communities, its commitment is to 'create an extensive network involving partnering communities (agro-extractivist, recycling cooperatives and the local ones around our operations), enterprises and other sectors of society, with the objective of promoting new development models based on quality relationships and collaborative initiatives.' Coordinating with Natura regarding selecting the cooperatives and associations is key to ensuring a successful NGI project, as it is built on trust and ongoing support.

The activities related to education and capacity-building are completely linked to the advance financing component, managed by VERT. A significant part of VERT's mission is linked to educating the market, both borrowers and investors, as it believes it is possible to build a more accessible and democratic capital market. VERT is among the leading issuers of green and social bonds, with 5 of the 7 social bonds issued by VERT in Brazil in 2021. In addition, the VERT Group, along with six other companies, made a US\$3 billion commitment to producing soy and cattle free from deforestation and conversion of natural habitats in South America as part of the Innovative Finance for the Amazon, Cerrado, and Chaco (IFACC) initiative.

In conclusion, the Living Amazon Mechanism is well placed to coordinate with other ongoing efforts at multiple levels and can show the path ahead for private sector engagement in conservation

Core Indicators

Indicator 1 Terrestrial protected areas created or under improved management

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
1780833	0	0	0

Indicator 1.1 Terrestrial Protected Areas Newly created

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Ha (Achieved at MTR)	Ha (Achieved at TE)
0	0	0	0

Name of the Protected Area	WDPA ID	IUCN Category	Total Ha (Expected at PIF)	Total Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)
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Indicator 1.2 Terrestrial Protected Areas Under improved Management effectiveness

Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)
1780833	0	0	0

Name of the Protected Area	WDP A ID	IUCN Category	Ha (Expected at PIF)	Ha (Expected at CEO Endorsement)	Total Ha (Achieved at MTR)	Total Ha (Achieved at TE)	METT score (Baseline at CEO Endorsement)	METT score (Achieved at MTR)	METT score (Achieved at TE)
Reserva De Desenvolvimento Sustentável	101761	Protected area with sustainable use of	873,577.00						

Do Rio Iratapuru		natural resources							
Reserva De Desenvolvimento Sustentável Uacari	352138	Protected area with sustainable use of natural resources	620,301.00						
Reserva Extrativista Médio Juruá	351769	Protected area with sustainable use of natural resources	286,955.00						

Indicator 11 People benefiting from GEF-financed investments

	Number (Expected at PIF)	Number (Expected at CEO Endorsement)	Number (Achieved at MTR)	Number (Achieved at TE)
Female	10,000			
Male	10,000			
Total	20,000		0	0

Explain the methodological approach and underlying logic to justify target levels for Core and Sub-Indicators (max. 250 words, approximately 1/2 page)

The proposition of indicators is based on the context of cooperatives and associations that already have commercial relations with Natura. This solid partnership between Natura and socio-productive organizations allows access to key information, such as the number of families involved, the number of cooperative members or associates participating, and the number of women who are part of this arrangement. Some of these organizations are located in protected areas of sustainable use, which contributes to reducing pressure on deforestation and keeping the forest standing. It is important to note that the indicators and targets presented are not limited to the communities where the cooperatives and associations operate, as they impact the entire production chain, benefiting the territory as a whole.

Indicator 1. The area under improved management was considered the area of three protected areas: the Sustainable Development reserves (Uacari and Iratapuru River) and the extractive reserve of the Middle Juruá where most of the supply communities are located. During the PPG and the selection of the 20 cooperatives to be supported by the mechanism, this number will be refined. This number is a conservative estimate.

Indicator 6. This indicator will be defined in the PPG phase in which the areas under management by the cooperatives/associations will be analyzed to verify the potential of mitigated Greenhouse Gas Emissions.

Indicator 11. For the number of people benefiting from GEF-financed investments disaggregated by sex, the basis used was half of the number of families that are members of the cooperatives/associations in the 38 potential target cooperatives. During the PPG phase, this number will be refined, but there is no expectation for substantial changes. As usual in Brazilian estimates, the average number of family members considered is 5 per family, and 4,000 families were considered.

NGI (only): Justification of Financial Structure

Please describe the financial structure and include a graphic representation. This description will include the financial instrument requested from the GEF and terms and conditions of the financing passed onto the Beneficiaries.

The Living Amazon Mechanism is a blended finance mechanism composed of two different instruments, aligned under the same governance and has its structure is represented at the image below.

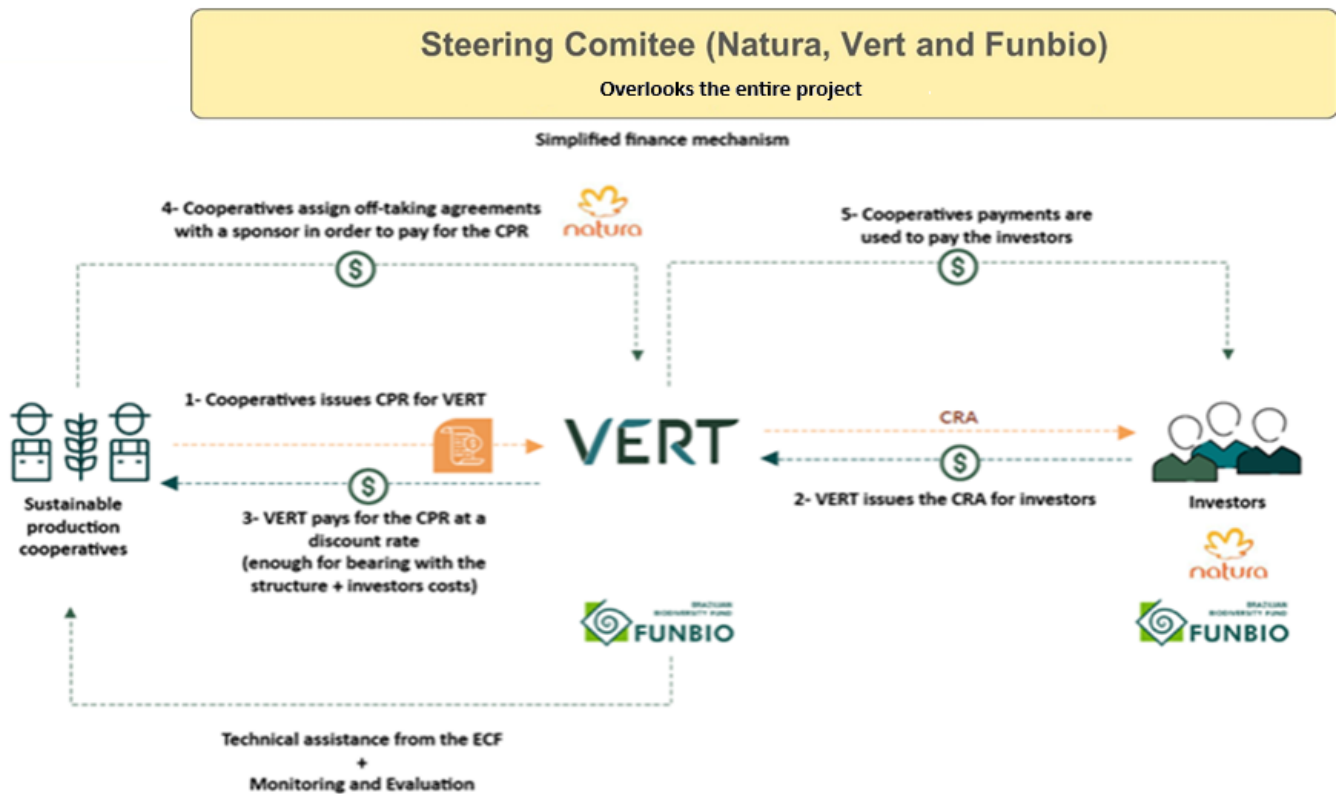


FIGURE. LIVING AMAZON MECHANISM STRUCTURE.

In step 1- eligible cooperatives sign a CPR for Vert to be able to receive upfront finance. In step 2, VERT issues the CRAs to offer for investors; in phase 1, this will be only Natura, Porticus, and Funbio. In Phase 2, the offer will be for any interested investor, including a senior tranche, a mezzanine trance (where GEF resources will be allocated), and a junior tranche for Natura and Porticus. After this step, Vert will use the resources from the investors to pay the CPR, giving the cooperatives the upfront finance they need to operate. The fourth step is the signature of off-taking agreements from the cooperatives with Natura, which will be used to pay back VERT. The fifth step is VERT paying the investors accordingly with the conditions issued with the CRAs (waterfall, interest, if any, etc.) at maturity.

The resources from the GEF/NGI will be significant in the case of the CRA, i.e., a reimbursable resource in two ways: (1) providing an average interest rate on loans for cooperatives below the interbank rate, which today stands at 13,25% p.a. (2) attracting commercial investors by testing the model providing scalability for operation. This will be the first time CRAs are used to finance sustainable cooperatives in the Amazon.

The mechanism also seeks to mobilize other off-takers, in addition to Natura and other partners, to expand opportunities for communities based on principles and rules that guarantee competitiveness and the generation of value for a 'win-win' business model. The mechanism has already been presented to various potential investors, and advanced discussions are in place with the Brazilian National Bank for Economic and Social Development (BNDES), Fundo Vale, a business promotion and investment fund linked to the mining company Vale and created to generate positive social and environmental impacts, which focuses specifically in the Amazon and Porticus, a philanthropic fund linked to the C&A retailer, to support the mechanism financially and provide co-financing to the GEF investment. BNDES (USD still to be determined); Fundo Vale (USD 0,6 million), Porticus (USD 0,5 millions). There is high confidence, in Funbio's experience with those organizations, that this will happen, but it's important to note that the GEF PIF approval highly increases these chances and accelerates the proceedings.

The project lasts 8 years. The first year being for preparation and structuring of the launch of the CRAs in the first phase, followed by 3 years of financing in the first phase of the CRA. Between the second phase and the first, the project estimates another year of preparation for the new series of CRAS of the second phase with the GEF participating in the 2nd loss (mezzanine tranche) for 3 year more. In the second phase GEF participation on the finance structure will fall below 50%.

Conditions to transition from Phase 1 to Phase 2 will include:

- Good payment performance (under the 1st loss tranche of Natura) of the portfolio during Phase 1: i.e. the loan portfolio loss is no bigger than 20% of the 1st loss tranche)
- Delays of more than 90 days after maturity should be below 20%
- 3 rounds of securitization happened in 3 years short term working capital
- Cooperatives need to be in a compliance with all terms and conditions of the financing and compliance with GEF policies
- CRAs are used only in the eligible investments for Bioeconomy in the Amazon
- Mobilization of additional investment from Senior investors in Phase 2, so as to have GEF total investment of US\$6,000,000 be less than 50% of all investors.
- Compliance with all applicable Laws and Regulations
- No

Risks to Project Preparation and Implementation

Summarize risks that might affect the project preparation and implementation phases and what are the mitigation strategies the project preparation process will undertake to address these (e.g. what alternatives may be considered during project preparation- such as in terms of consultations, role and choice of counterparts, delivery mechanisms, locations in country, flexible design elements, etc.). Identify any of the risks listed below that would call in question the viability of the project during its implementation. Please describe any possible mitigation measures needed. (The risks associated with project design and Theory of Change should be described in the "Project description" section above). The risk rating should reflect the overall risk to project outcomes considering the country setting and ambition of the project. The rating scale is: High, Substantial, Moderate, Low.

Risk Categories	Rating	Comments
Climate	Moderate	Climate change is affecting the climate of the Amazon and

		<p>increasing the occurrence of Extreme Events such as fires, droughts and floods. For example, the dry season has expanded by approximately 1 month in the southern Amazon since the mid1970's. These changes may cause damage to the project, affecting production, storage, infrastructure, and impacting timelines. Mitigation As the project goal is to keep sustainable production which keeps forest standing, the project is mitigating climate change and increasing local resilience. The effects that more common extreme events can have on productions and distribution are part of the due diligence regarding the capacity of the cooperatives to make repayments</p>
Environment and Social	Moderate	<p>Environmental and Social (E&S) Risks associated with supported activities (see detailed description in Annex D). There are almost no issues identified in the ESS Screening at PIF stage and all are addressable, nevertheless, working with ILPCs will always need a robust ESS system. During the PPG the full Funbio ESS Assessment will be made. If any safeguard is triggered, mitigation measures will be included into project activities or a ESS action plan. In any case Funbio's grievance channels will be open and communicated to stakeholders during the project's duration</p>
Political and Governance	Low	<p>The political framework is supportive to the project, with CRA having been strengthened recently and Bioeconomy as one of the strategies for protecting the Amazon forest being one of the priorities of the new government. The project will occur primarily in the State of Pará, the Governor of which is also a</p>

		strong supporter of policies to counteract deforestation in the Amazon.
Macro-economic	Low	Brazilian economy is recovering from the last shocks. Interest rates are lowering, employment is increasing and an overarching change in fiscal policy and tax reform are underway to dynamize the economy. This positive scenario poses a low macroeconomic risk for the project.
Strategies and Policies	Low	The project strategy was built to develop a mechanism that is not too specific as not to be able to be replicated or scaled up and not dependent on one off-taker. At the same time, the project strategy uses the existence of a vital off-taker to test the mechanism in the first years with known cooperatives and a known-to-the-market financial structure. This is only possible by a strong partnership of the institutions involved, Natura, Vert, and Funbio and because all of them are experts in their fields and have used lessons learned from previous experiences (in the case of Funbio and Natura, two decades and in case of VERT since CRAs existed in Brazil)
Technical design of project or program	Moderate	The Amazon logistics and operational complexity are certainly a challenge. However, Funbio, Natura and VERT know the territory very well, with existing relationships in the past 20 years in the case of Natura and Funbio. VERT also has already structured CRAs and is working with small and medium-size producers, understanding their needs and the way to approach them. In addition, the fact that the mechanism includes both advance financing and technical assistance is expected to

		<p>ensure that potential beneficiaries will be inclined to join. Start of implementation - mismatch between ECF and the community funding via CRA. This is a risk only in the first year of the project, as the implementation of the CRA takes about three months to start, and the ECF can take longer in the experience of Funbio. To mitigate this risk, Funbio will plan ahead during the PPG and potentially start the ECF execution before the CRA, as the resources for the ECF are not from the GEF and don't need to wait for the time from CEO Endorsement to the disbursement of the GEF trustee, which can take a few months (or more if the CEO Endorsement is close to the end of the fiscal year). Risk that no other relevant off-taker is interested to participate in the Mechanism. Identification of an off-taker that needs sufficient production and has sufficient funds to allocate in a philanthropic instrument, in the next 3 years may appear difficult at first sight. Nevertheless, this risk is extremely low as donors have already expressed interest in the mechanism to provide additional financing to the philanthropic instrument, such as BNDES, Fundo Vale and Porticus.</p>
<p>Institutional capacity for implementation and sustainability</p>	<p>Moderate</p>	<p>Funding still at an early stage and potential risk of communities not adhering to the CRA instrument Mitigation The mechanism is set up by a qualified team with experience to structure highly complex financial and technical mechanisms, in the most diverse instruments. Both partners (Natura and VERT) have expertise in market and philanthropic distribution with existing extensive networks of local producers in the</p>

		target geographic areas, that allow for a smooth exchange with stakeholders. The CRA is a known instrument in Brazil for agricultural producers, so although the use made of it in this instrument is innovative, it benefits from being well-known.
Fiduciary: Financial Management and Procurement	Moderate	There is a complex financial arrangement in the project. To mitigate risks: The Vert team has expertise in communicating financial information to markets in a transparent way and is regularly audited. The existing Brazilian regulations for market companies like VERT are robust, and no outstanding issues are expected. Vert is an expert organization regarding CRAs and used to work with smallholders. The cooperatives that will be targeted in this project are known and have worked with Natura for many years. Also, the areas where the project is going to invest have been well-known by Funbio for decades. Funbio will also be monitoring the whole arrangement during the project's duration. There is no procurement other than consultants for monitoring, and this will be managed directly by Funbio, following Funbio's procurement policy. During the PPG Funbio will apply all the policies in this regard including a complete due diligence and anti-money laundering and prevention of finance of terrorism Policy.
Stakeholder Engagement	Moderate	Risk or delay in community adherence Mitigation Preserve the relationship between local communities and Natura, understanding the strengths and weaknesses in the mechanism for constant improvement and dialogue.

		<p>The ECF will constantly engage with the local communities during project duration</p>
<p>Other</p>	<p>Moderate</p>	<p>Risk of execution arrangements: the project relies on multiple partners to achieve success in a complex structure. Mitigation measures are design to cope with cooperatives defaults; substitution of the securitization firm and for the misuse of the resources in unsustainable practices. Currency Risk There is always a macroeconomic risk as the project is designed in a different currency than the country's Currency where execution happens, Funbio tracks this risk at least twice a year for every project. Brazil has seen a depreciation of its currency in the last years but at a steady rate rather than rash fluctuations, which are the ones that pose more risk to implementation. In the case of a Reimbursable Grant with a six year maturity there is a risk of fluctuations close to repayment period. Risk If Vert ceases to manage securitization: 1- Certain circumstances are pre-approved in the Termo de Securitização. In these cases, it is a simple notification from the fiduciary agent to VERT and Funbio and then Funbio automatically steps in to replace VERT (there is no need to schedule an investors' general meeting) 2- An investors' general meeting is scheduled by the fiduciary agent to replace VERT. The procedures for this substitution will be defined upfront and reflected in the Termo de Securitização. Risk of cooperative defaults: There is a payment waterfall in the CRA that respects the following concept: 1- Costs and expenses 2- Senior tranche repayment 3- Subordinated tranche</p>

		<p>repayment This means that as the loans are repaid, VERT will use the proceeds respecting the waterfall. If the proceeds have default rates in excess of the subordinated ratio, GEF will start to be impacted. The size of the impact will depend on the default rate. Risk of CRA is given to a producer that uses it for non-relate conservation measures - Sustainable production is an eligibility criterion for proeject support. There is a clause that sets the Use of Proceeds of the CRA. VERT has a fiduciary duty and is liable to follow this in the Termo de Securitização. Funbio will be on the ground executing the ECF and will monitor the producer activities.</p>
Financial Risks for NGI projects	Low	<p>Default from the cooperatives: The few cases where defaults did occur were related to floods, fires and other extreme events and were normalized without exception in the following harvest. In addition, Natura is a subordinate investor and first loss will be attributed to Natura investments, making the remote possibility of a default that cannot be remediated in the next harvest (it has never happened before) be absorbed by Natura. GEF, as the senior investor will have a very low risk of being affected by a default. Brazilian interest rates are lowering, employment is increasing and an overarching change in fiscal policy and tax reform are underway to dynamize the economy. The capital market expectations are positive for the next years.</p>
Overall Risk Rating	Moderate	<p>Project has some moderate risks that will need to be monitored during project execution</p>

C. ALIGNMENT WITH GEF-8 PROGRAMMING STRATEGIES AND COUNTRY/REGIONAL PRIORITIES

Describe how the proposed interventions are aligned with GEF- 8 programming strategies and country and regional priorities, including how these country strategies and plans relate to the multilateral environmental agreements.

Confirm if any country policies that might contradict with intended outcomes of the project have been identified, and how the project will address this.

For projects aiming to generate biodiversity benefits (regardless of what the source of the resources is - i.e., BD, CC or LD), please identify which of the 23 targets of the Kunming-Montreal Global Biodiversity Framework the project contributes to and explain how. (max. 500 words, approximately 1 page)

Parties to the UNFCCC have recognized the critical role forests play in combatting climate change, including through the Ministerial Katowice Forests for Climate Declaration and the Glasgow Leaders Declaration on Forests. Promoting adequate framework to increase resource mobilization, the Program will also contribute to the implementation of Articles 5 and 6 of the Paris Agreement.

This NGI Project is fully aligned with the GEF- programming strategy, including its Amazon, Congo, and Critical Forest Biomes Integrated Program, which is “to invest in the protection and effective governance of critical forest biomes that sustain the health of the planet and flow of vital ecosystem services that underpin human well-being”. Specifically, it will contribute to the key intervention “Support conservation-friendly livelihoods at the local level and improve the sustainability of the “productive” sectors to ensure that they are compatible with the conservation of primary forests.”

It continues the GEF’s historical commitment to the Amazon, which supports since 2002 the Amazon Region Protected Areas Program (ARPA), the world’s largest tropical forest conservation initiative. ARPA is currently part of the Amazon Sustainable Landscapes Program (ASL), financed by GEF through a GEF-6 pilot Integrated Approach Program with 3 countries including Brazil, a GEF-7 Impact Program with 7 countries and a GEF-8 Integrated Program with 7 countries confirmed (possibly 8). Coordination at regional level (one of the objectives of the ASL) has recently been in the spotlight through the Presidential summit in Belem in August 2023 and pre-summit in Leticia.

Bioeconomy is also a key sector that has received strong support. For example, the Green Climate Fund is financing Bioeconomy in the Amazon through a grant to the Inter-American Development Bank. The Science Panel for the Amazon published an interesting policy note^[1] with recommendations on a new Bioeconomy. A Bioeconomy network is also being organized, as a follow-up to the Panamazonia Bioeconomy Conference of June 2023.

Brazil has a strong commitment to the Amazon, demonstrated by the Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm, with four phases from 2004 to 2019 and relaunched with a fifth phase in 2023), which aims to reduce deforestation rates and to bring about the conditions for a transition towards a sustainable development model in the region. The recent creation of a National Secretary of Bioeconomy also shows the national commitment to support the sector. Many legal instruments support bioeconomy in Brazil, including the National Plan for the Promotion of Sociobiodiversity Product Chains, Minimum Price Guarantee Policy for Socio-Biodiversity Products, Bioeconomy Production Chains Program; and at State level the Pará’s 2021 bioeconomy strategy and subsequent Bioeconomy Plan (PlanBio Pará). The fact that legislative proposals establishing a National Bioeconomy Policy (PLP 150/2022) and a National Policy for the Development of the Biodiversity Economy (PL 1855/2022) were proposed to Congress also demonstrates commitment from Parliamentarians.

The Living Amazon Mechanism aims to contribute to transformational changes by providing proof of concept in the innovative use of a well-known investment instrument in Brazil, the CRA, to support

biodiversity-friendly practices and sustainable livelihoods for local communities in the Amazon. The mechanism brings together a large cosmetics company, a financial institution and small and medium local entrepreneurs, to show how the private sector can contribute to forest protection.

Although Brazil does not have yet a commitment tied to the Kunming-Montreal Global Biodiversity Framework, which will happen when a new Brazilian NBSAP is developed in the next years, the Brazilian NDC commitment under the Paris Agreement to stop deforestation in the Amazon by 2030 has been reaffirmed by the new government. This commitment is in complete alignment of GBF goals. Specifically, the project contributes to several of the Kunming-Montreal Global Biodiversity Framework, but mainly to Target 10 by increasing the areas under sustainable forest management, Target 15 by ensuring that the private sector increase positive impacts on biodiversity, Target 19c by providing blended finance and investing in biodiversity and Target 19d by promoting an innovative financing scheme, and Target 20, by providing capacity-building. It indirectly contributes to Target 16 by providing sustainable choices to consumers.

[1] https://www.theamazonwewant.org/spa_publication/policy-brief-supporting-socio-bioeconomies-of-healthy-standing-forests-and-flowing-rivers-in-the-amazon/

D. POLICY REQUIREMENTS

Gender Equality and Women’s Empowerment:

We confirm that gender dimensions relevant to the project have been addressed as per GEF Policy and are clearly articulated in the Project Description (Section B).

Yes

Stakeholder Engagement

We confirm that key stakeholders were consulted during PIF development as required per GEF policy, their relevant roles to project outcomes and plan to develop a Stakeholder Engagement Plan before CEO endorsement has been clearly articulated in the Project Description (Section B).

Yes

Were the following stakeholders consulted during project identification phase:

Indigenous Peoples and Local Communities: Yes

Civil Society Organizations: Yes

Private Sector: Yes

Provide a brief summary and list of names and dates of consultations

Organization	Sector	Date of consultations
D’IRITUIA	cooperative or association	June, 2023
COOMAC	cooperative or association	June, 2023
ASPROC	cooperative or association	June, 2023

ASSOAB	cooperative or association	June, 2023
RECA	cooperative or association	June, 2023
CEPOTX	cooperative or association	June, 2023
ATAIC	cooperative or association	June, 2023
COPPALJ/COOPRESP	cooperative or association	June, 2023
CAMTAUÁ	cooperative or association	June, 2023
APACC	cooperative or association	June, 2023
COMARU	cooperative or association	June, 2023
COFRUTA	cooperative or association	June, 2023
CART	cooperative or association	June, 2023
Memorial Chico Mendes	Civil society organization	June, 2023
BNDES	Development Bank	2022/2023
Porticus/Good Energies	Private Sector	2023
Fundo Vale	Private Sector	2023
IFC	Private Sector	2023
Veja/Vert	Private Sector	2023

– Stakeholder Engagement and Private Sector

The Living Amazon Mechanism brings in its innovative profile the proposal to attract investors interested in boosting the socio-economy, enabling access to credit for productive organizations and cooperatives in the Amazon region, in order to, among other objectives, increase its institutional maturity and the gain in scale of its production in order to meet the demand of already established markets and stimulate the reach of new ones.

To enable the structuring of the Mechanism, it was essential to involve key stakeholders, such as those from the private sector and local communities. And the expertise accumulated by Natura, VERT and FUNBIO in their performance profiles favors a better articulation to mobilize and engage these different actors.

The Mechanism design was proposed based on the relationship between Natura and Amazon region. In the late 90s, Natura made the historic decision to incorporate ingredients from Brazilian biodiversity into products manufacture. Motivation, in addition to contributing to sustainable development through the transformation of social and environmental challenges into more balanced and fair business opportunities, from the social, economic and environmental point of view, was also the challenge of innovating in sustainable technologies. Natura was a pioneer in developing a business model that seeks to value the economy of the standing forest from the union of science, nature and traditional knowledge, thus establishing a virtuous circle based on socio-biodiversity.

The ingredients of Brazilian biodiversity were actually used in 2000, when the Ekos brand was launched. From this moment, Natura begins to develop a business model in Amazon region which seeks to value the economy of sociobiodiversity from the union between science, nature and traditional knowledge.

To structure and form this sustainable business model, the company developed the Natura Policy on Sustainable Use of Socio-Biodiversity Products and Services to ensure fair and ethical relations with all the actors (extractive communities, farmers, researchers, suppliers, government, among others) and the correct use of biodiversity resources. Besides that, Natura was co-founder and has been a member since 2007 of the Union for Ethical BioTrade (UEBT), an international non-profit association that promotes the “Respectful

Supply” of ingredients from biodiversity. Through it, it undertakes to ensure that sourcing practices promotes the conservation of biodiversity, respects traditional knowledge and ensure the equitable distribution of benefits throughout the supply chain.

It is also important to mention that the migration of part of the team to the Amazon region and the creation of the Relationship and supply of Sociobiodiversity Management (GRAS) made up of 23 company employees improved the model of purchasing socio-biodiversity assets directly from agro-extractive associations and organizations. This strategy allowed Natura to expand sustainable production chains with investments in training, productive efficiency and contribution of technologies, allowing these organizations to produce wealth locally and generate social development.

In 2020, the Natura&Co group, in order to protect the Amazon and face the climate crisis, conserving and restoring its biological diversity and promoting the strengthening of local communities, signed the document “Commitment to Life”, committing itself to goals of expanding its supply chain over the next decade, by increasing the number and volume of ingredients, partner communities and impacted territories. In addition, the group also assumed a commitment to the conservation and regeneration of the forest, with the increase of resources allocated in the region, with a decent income for the agroextractivist communities and with the collective mobilization for the end of deforestation in the Legal Amazon by 2025. To give scale to these objectives, Natura in partnership with Mauá Capital and the support of The Lab of the Climate Policy Initiative (CPI) proposed a hybrid financial mechanism that resulted in the project object of this proposal: the Living Amazon Mechanism. Bearing in mind the two components of the Amazônia Viva Mechanisms - an instrument for investment and another for donations.

In this arrangement, Natura's presence, in addition to aggregating to the Mechanism with the link already established with local communities, also aims to attract new buyers who agree with the positive impact model of the Amazon. In parallel, the partnership with VERT and FUNBIO strengthens the proposal with their experiences, making the Mechanism even more attractive to potential investors and financiers.

It worth noting that the relationship arrangement with local communities structured by Natura in the Amazon region is one of the main features of the project that favors alignment between the territorial needs and the strategic issues to be funded by the Living Amazon Mechanism. It is very relevant for maintaining the engagement of the main beneficiaries of the Mechanism and the achievement of project outcomes.

For this reason, during 26th and 27th of June, 2023 project partners held a Local Communities Workshop, in Benevides state of Pará. In this event, we met about 14 representatives of cooperatives and associations that already have a business relationship established with Natura and presented the structure of The Living Amazon Mechanism. The objective of the workshop was to present the Mechanism and to listen to comments, criticisms and suggestions from representatives about all the structure, to align the local demands with proposal design.

In general, the local communities were receptive to the proposed Mechanism and their collaboration was fundamental to customizing both instruments: the funding structure of the CRA and the actions supported by the ECF.

– **Stakeholder Engagement Plan**

The stakeholder engagement plan is encompassed by the established Governance structure. Within its regulations, a donors council is stipulated, composed of representatives from all interested parties (including the private sector, investors, local entities, and the communities benefiting from the project), in addition to an executive committee and a territorial council.

It is primarily through this territorial council that the intersection between different groups of stakeholders and local communities will take place, a function that will be enhanced by the experienced role of the Relationship and Socio-Environmental Supply Management (GRAS) in Natura. This set of structures aligns to ensure effective communication and participation within a consistent system of cooperation among all involved parties.

With the aim of ensuring effective participation from various stakeholders, all interested parties have been meticulously identified and mapped, including the geographic location of cooperatives and associations present in the involved local communities.

The devised institutional arrangement establishes the foundation for conducting a participatory and interactive process. In this regard, it envisions not only the holding of regular committee meetings but also the active promotion of exchanges between these committees. This dynamic will be facilitated through planned and executed consultation processes with the support of the Territorial Committee and the GRAS, both of which will also have their documentation recorded.

With the aim of enriching these consultations and strengthening the foundation of decisions to be made, the provision of project-related information is anticipated. This comprehensive range of information will encompass everything from investment monitoring to the execution of planned actions.

It is important to emphasize that this in-depth and extensive access to information not only fosters a robust understanding among all involved parties but also provides the necessary groundwork for an informed decision-making process supported by the entire community of stakeholders. In this manner, each decision is enriched with the diverse perspectives and knowledge of the interested parties, promoting a more inclusive approach and a more effective implementation of project actions.

In the PPG phase a Stakeholder Engagement Plan will be developed for the project.

(Please upload to the portal documents tab any stakeholder engagement plan or assessments that have been done during the PIF development phase.)

Private Sector

Will there be private sector engagement in the project?

Yes

And if so, has its role been described and justified in the section B project description?

Yes

Environmental and Social Safeguard (ESS) Risks

We confirm that we have provided indicative information regarding Environmental and Social risks associated with the proposed project or program and any measures to address such risks and impacts (this information should be presented in Annex D).

Yes

Overall Project/Program Risk Classification

PIF	CEO Endorsement/Approval	MTR	TE
Medium/Moderate			

E. OTHER REQUIREMENTS

Knowledge management

We confirm that an approach to Knowledge Management and Learning has been clearly described in the Project Description (Section B)

Yes

ANNEX A: FINANCING TABLES

GEF Financing Table

Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	Grant / Non-Grant	GEF Project Grant(\$)	Agency Fee(\$)	Total GEF Financing (\$)
Funbio	GET	Brazil	Biodiversity	NGI	Non-Grant	6,000,000.00	540,000.00	6,540,000.00
Funbio	GET	Brazil	Biodiversity	NGI	Grant	200,000.00	18,000.00	218,000.00
Total GEF Resources (\$)						6,200,000.00	558,000.00	6,758,000.00

Project Preparation Grant (PPG)

Is Project Preparation Grant requested?

true

PPG Amount (\$)

120000

PPG Agency Fee (\$)

10800

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	Grant / Non- Grant	PPG(\$)	Agency Fee(\$)	Total PPG Funding(\$)
Funbio	GET	Brazil	Biodiversity	NGI	Grant	120,000.00	10,800.00	130,800.00
Total PPG Amount (\$)						120,000.00	10,800.00	130,800.00

Please provide justification

Sources of Funds for Country Star Allocation

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Sources of Funds	Total(\$)
Total GEF Resources					0.00

Indicative Focal Area Elements

Programming Directions	Trust Fund	GEF Project Financing(\$)	Co-financing(\$)
BD-1-5	GET	6,200,000.00	46600000
Total Project Cost		6,200,000.00	46,600,000.00

Indicative Co-financing

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Investment Mobilized	Amount(\$)
Private Sector	Porticus - CRA	Loans	Investment mobilized	500000
Private Sector	Fundo Vale - ECF	Grant	Investment mobilized	600000
Donor Agency	IFC - CRA	Loans	Investment mobilized	1000000
Donor Agency	IFC - ECF	Grant	Investment mobilized	300000
GEF Agency	Funbio - ECF	Grant	Investment mobilized	3000000
Private Sector	Natura - ECF + M&E	Grant	Investment mobilized	600000
Private Sector	Natura - CRA	Loans	Investment mobilized	600000
Private Sector	Natura - off taker agreements	Loans	Investment mobilized	36000000
Private Sector	Investment banks/impact investment	Loans	Investment mobilized	4000000
Total Co-financing				46,600,000.00

Describe how any "Investment Mobilized" was identified

Investors of component 1 and CRA instrument are Natura (600,000), Porticus (500,000) and IFC (1,000,000). Natura has other 36,000,000 that's the purchases agreements with the cooperatives for 6 years.

Other investors as investment banks or impact investment organizations will contribute to more USD 4,000,00 for the CRA instrument as senior investors in phase 2 (see project description)

All the grants are allocated to fund component 2, the Enabling Conditions Facility.

At PIF stage all co-finance is investment mobilized with no "in-kind" or recurrent expenditures.

There are ongoing negotiations with BNDES to co-finance both components and Funbio will sought to secure this additional co-finance during the PPG phase, the size of this potential co-finance is still open.

Overall the project co-finance ratio USD 7,51 (assuming exchange rate of R\$5,00:1USD). This ratio will likely to increase in the PPG and further in the implementation phase.

ANNEX B: ENDORSEMENTS

GEF Agency(ies) Certification

GEF Agency Type	Name	Date	Project Contact Person	Phone	Email
GEF Agency Coordinator	Funbio	9/18/2023	Fabio Leite	+5521996310309	fabio.leite@funbio.org.br

Record of Endorsement of GEF Operational Focal Point (s) on Behalf of the Government(s):

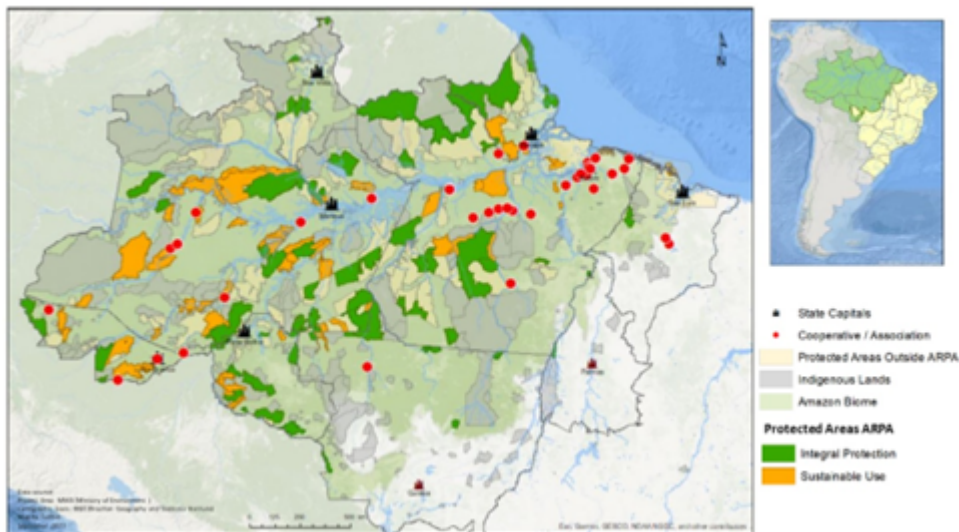
Name	Position	Ministry	Date (MM/DD/YYYY)
LÍVIA FARIAS FERREIRA DE OLIVEIRA	Operational Focal Point for GEF	Finance Ministry	9/17/2023

NGIs do not require a Letter of Endorsement if beneficiaries are: i) exclusively private sector actors, or ii) public sector entities in more than one country. However, for NGI projects please confirm that the agency has informed the OFP of the project to be submitted for Council Approval

Yes

ANNEX C: PROJECT LOCATION

Please provide geo-referenced information and map where the project interventions will take place



ANNEX D: ENVIRONMENTAL AND SOCIAL SAFEGUARDS SCREEN AND RATING

(PIF level) Attach agency safeguard screen form including rating of risk types and overall risk rating.

Title

ESS Screening

ANNEX E: RIO MARKERS

Climate Change Mitigation	Climate Change Adaptation	Biodiversity	Land Degradation
Significant Objective 1	No Contribution 0	Significant Objective 1	No Contribution 0

ANNEX F: TAXONOMY WORKSHEET

ANNEX G: NGI RELEVANT ANNEXES

Please use the most up to date templates per the most recent call for proposals.

Annex G.1: Template for Indicative Financial Termsheet

Instructions. This termsheet to be submitted with the PIF/PFD should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. An equivalent termsheet used for internal Agency purposes is acceptable but must include sections on Currency Risk, Co-financing Ratio and Financial Additionality.

[https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20\(VERT\)_v2%2018.9.23_manuvf.docx - ftnref1](https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20(VERT)_v2%2018.9.23_manuvf.docx - ftnref1)

[https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20\(VERT\)_v2%2018.9.23_manuvf.docx - ftnref1](https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20(VERT)_v2%2018.9.23_manuvf.docx - ftnref1)

[https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20\(VERT\)_v2%2018.9.23_manuvf.docx - ftnref1](https://funbio-my.sharepoint.com/personal/fabio_leite_funbio_org_br/Documents/-%20AGEF/-%20Pipeline/NGI%20Vert-Natura/ReviewSheet/Anexos%20edital%20GEF%20NGI_atual%20(VERT)_v2%2018.9.23_manuvf.docx - ftnref1)

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Project/Program Title	Living Amazon Mechanism
Project/Program Number	
Project/Program Objective	The overarching goal of the project is to protect the Amazon rainforest by strengthening Amazon socio-biodiversity organizations, businesses, and supply chains, promoting a development model in the Brazilian Protected Areas System in the Amazon that empowers conservation stewards (ILPCs) by combining conservation with income generation. The estimate improvement of the effectiveness of protected areas (Resex, RDS and APAs – IUCN categories IV and VI) reaches 1.7M hectares and provides global environment benefits.

	<p>The project strategy to achieve this goal is to use a non-grant instrument to support a common financial instrument in Brazil (CRA - agribusiness receivables certificate) in an innovative way, the first time for sustainable production in the amazon and leveraging Natura (Brazilian major cosmetic industry) strong and trusting relationship of 20 years built with local cooperatives.</p> <p>The GEF NGI will be used to invest in the CRA and attract additional investment.</p>																																																				
Country [ies]	Brazil																																																				
GEF Agency presenting the Project	FUNBIO																																																				
Project Financing	<p>Co-financing: Natura and other investors and subordinated tranche (1st loss). GEF will have a mezzanine tranche (2nd loss) during the second phase.</p> <p>The financing will use two mechanisms: CRA and ECF</p> <p>CRA</p> <table border="1" data-bbox="304 1032 1358 1267"> <thead> <tr> <th>Sources of Co-financing</th> <th>Co-financer</th> <th>Type of co-financing</th> <th>Amount mobilized in USD</th> </tr> </thead> <tbody> <tr> <td>Private Sector</td> <td>Natura</td> <td>Debt</td> <td>\$ 600.000,00</td> </tr> <tr> <td>Private Sector</td> <td>Porticus</td> <td>Debt</td> <td>\$ 500.000,00</td> </tr> <tr> <td>GEF agency</td> <td>Others (IFC, BID invest)</td> <td>Debt</td> <td>\$ 1.000.000,00</td> </tr> <tr> <td>Private Sector</td> <td>Commercial/Impact Funds</td> <td>Debt</td> <td>\$ 4.000.000,00</td> </tr> <tr> <td>Private Sector</td> <td>Natura</td> <td>Debt</td> <td>\$ 36.000.000,00</td> </tr> <tr> <td></td> <td></td> <td></td> <td>\$ 42.100.000,00</td> </tr> </tbody> </table> <p>ECF + M&E</p> <table border="1" data-bbox="304 1346 1358 1547"> <thead> <tr> <th>Sources of Co-financing</th> <th>Co-financer</th> <th>Type of co-financing</th> <th>Amount mobilized in USD</th> </tr> </thead> <tbody> <tr> <td>Other</td> <td>Others (IFC, BID invest)</td> <td>Grant</td> <td>\$ 300.000,00</td> </tr> <tr> <td>Private Sector</td> <td>Natura</td> <td>Grant</td> <td>\$ 600.000,00</td> </tr> <tr> <td>Private Sector</td> <td>Fundo Vale</td> <td>Grant</td> <td>\$ 600.000,00</td> </tr> <tr> <td>GEF agency</td> <td>Funbio</td> <td>Grant</td> <td>\$ 3.000.000,00</td> </tr> <tr> <td></td> <td></td> <td>Total</td> <td>\$ 4.500.000,00</td> </tr> </tbody> </table> <p>Total Co-financing: USD 46,600,000</p> <p>ECF will be a Grant mechanism and CRA will be the Investment platform. GEF investment in the form of reimbursable grant will be exclusively used to invest in the CRA. The Securitization company will issue the CRA and the Fiduciary Agent the Trustee.</p> <p>B. Indicative Trust Fund Resources Requested under the NGI Program in the form of Non-Grant Instruments</p> <p>US\$ 6,000,000</p> <p>C. Indicative Trust Fund Resources Requested under the NGI Program in the form of Grant</p> <p>Monitoring and Evaluation: US\$ 200,000</p> <p>Total Project Financing:</p> <p>US\$ 52,800,000 (A+B+C)</p>	Sources of Co-financing	Co-financer	Type of co-financing	Amount mobilized in USD	Private Sector	Natura	Debt	\$ 600.000,00	Private Sector	Porticus	Debt	\$ 500.000,00	GEF agency	Others (IFC, BID invest)	Debt	\$ 1.000.000,00	Private Sector	Commercial/Impact Funds	Debt	\$ 4.000.000,00	Private Sector	Natura	Debt	\$ 36.000.000,00				\$ 42.100.000,00	Sources of Co-financing	Co-financer	Type of co-financing	Amount mobilized in USD	Other	Others (IFC, BID invest)	Grant	\$ 300.000,00	Private Sector	Natura	Grant	\$ 600.000,00	Private Sector	Fundo Vale	Grant	\$ 600.000,00	GEF agency	Funbio	Grant	\$ 3.000.000,00			Total	\$ 4.500.000,00
Sources of Co-financing	Co-financer	Type of co-financing	Amount mobilized in USD																																																		
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Currency of the Financing	Reais (BRL)
Currency risk	<p>The CRA (Agribusiness Certificate Receivables) will be issued in Reais. In order to mitigate the FX risk the subordinated tranche will absorb eventual fluctuations. Alternatively, the instrument can have a USD vs BRL hedge considering a portfolio approach. Such risk management decision process will consider cost, margins, counterparty and currency risks and will be finalized ahead of CEO endorsement.</p> <p>The GEF reimbursable grant will be paid back by the structure (in case of non-default by Coop or losses due to FX). Defaults and eventual FX losses will be absorbed by Natura and others in the subordinated, the first loss, up to its total amount.</p>
Co-financing ratio	<p>Every GEF 1 USD mobilizes USD 7,51 cofinance (assuming exchange rate of R\$5,00:1USD). This ratio will likely to increase in the PPG and further in the implementation phase.</p> <p>Additionally, co-financing ratio for the CRA - USD1,02</p>
Phases of this Investment	<p>GEF USD 6,000,000 will be used in two phases:</p> <p>The first phase will invest US\$ 3,000,000 of GEF Financing and additional US\$ USD1,000,000 from Natura and other investors in at least ten cooperatives. In the second phase, additional GEF investment US\$ 3,000,000 will be invested to reach the US\$ 6,000,000 total amount requested from the GEF to support at least 20 cooperatives. The second phase will additionally raise USD 4,000,000 in Senior investors from commercial and impact funds. The phased process is necessary to prepare the second phase cooperatives to be able to use the CRAs, this capacity building will be made through the ECF in the first years of the project and the private sector to invest</p> <p>Each cooperative can access on average USD 400,000.</p> <p>The project lasts 8 years. The first year being for preparation and structuring of the launch of the CRAs in the first phase, followed by 3 years of financing in the first phase of the CRA. Between the second phase and the first, the project estimates another year of preparation for the new series of CRAS of the second phase with the GEF participating in the 2nd loss (mezzanine tranche) for 3 year more. In the second phase GEF participation on the finance structure will fall below 50%.</p> <p>The aim of the Living Amazon Mechanism is to structure a series of CRAs over 8 years. The first phase will be important for the creation and operationalization of the model, verifying the adherence of the communities and the investor market and thus creating a track record for potential new issues in the future. Each series of CRA intends to have a term of 3 years. The preparation-year period will be necessary for structuring and assuring the payback of the structure. The idea is that, over time, with the track record of the mechanism for local investors, adhesion of off takers and communities, the presence of concessional investors will become less necessary, opening space to increase the percentage of private investors in this type of investment.</p> <p>Conditions to transition from Phase 1 to Phase 2 will include:</p> <ul style="list-style-type: none"> - Good payment performance (under the 1st loss tranche of Natura) of the portfolio during Phase 1: i.e. the loan portfolio loss is no bigger than 20% of the 1st loss tranche) - Delays of more than 90 days after maturity should be below 20% - 3 rounds of securitization happened in 3 years short term working capital - Cooperatives need to be in a compliance with all terms and conditions of the financing and compliance with GEF policies - CRAs are used only in the eligible investments for Bioeconomy in the Amazon - Mobilization of additional investment from Senior investors in Phase 2, so as to have GEF total investment of US\$6,000,000 be less than 50% of all investors. - Compliance with all applicable Laws and Regulations

- No “Case for Substitution of VERT” as explained in this term sheet has been triggered. If triggered, another Securitization company, has been selected and is in place to start Phase 2.
- Cooperatives need to indicate potential demand and use of proceeds for Phase 2.

Timeline CRA	Number of cooperatives	Total amount	Mezzanine tranche	Subordinate Tranche	Senior Tranche
			GEF /NGI (Funbio)	Natura and others	Commercial and imp Funds
Phase 1 -Year (1-4)	at least 10	USD 4,1 mi	USD 3mi	USD1,1 mi	0
Phase 2 - Year (5-8)	at least 10 new	USD 4mi	USD 3mi	USD1 mi	USD4 mi
Total	at least 20	US\$11,1mi	USD 6mi	USD2,1 mi	USD4 mi

Financial additionality and minimum concessionality of GEF resources

GEF is essential for two main objectives: (i) accelerate that blended finance structures become mainstream in Brazil; (ii) equalize the interest rates in Brazil in a more sustainable way for the Cooperatives.

GEF will play a strategic role in terms of leveraging Natura and others grant investors in the subordinated ratio. IFC and others are in negotiations to participate in the subordinate tranche and in the future in the senior tranche, also depending on future demand and the success of the project.

It is still a new financing mechanism and creating a track record with GEF will enable the program to further develop in the following years. When this track record is created, we will be able to attract private capital at scale to invest in the senior tranche.

The SELIC - Special System for Settlement and Custody, which is the central depository for most securities issued by the National Treasury is currently settled in 13.25% p.a.

The rural credit operated by than banks is currently around 14-15%. p.a. This instrument aims to provide loans to the communities at a 8% p.a. rate. This rate is important for the Cooperatives to be able to pay back the loans. The capital markets rate for rural issue with roughly the same characteristics is around 14.25% p.a.^[1] 17.5% p.a.^[2] The 8% p.a. interest rate is similar to the one provided by the government in 2023, which varies from 7% p.a. to 12.5% p.a. as per below^[3].

There is no risk of crowding out because these cooperatives did not access credit from the market or the government. One of the reasons the project was designed this way is to create the capacity of the cooperatives to do so and not depend on blended finance in the future.

The GEF reimbursable grant will be paid back by the structure (in case of non-default by Coop or losses due to FX). Defaults and eventual FX losses will be absorbed by Natura and others in the subordinated, the first loss, up to its total amount.

Use of proceeds

The financial Structure: The Living Amazon Mechanism consists of two mutually reinforcing instruments: the issuance of a financial security called Certificate of Agribusiness Receivables (CRA) and the set-up of a Technical Assistance facility called Enabling Conditions Facility (ECF). The GEF Non-Grant financing will be to exclusively invest in the CRA as the [second loss/mezzanine] investor. The Grant financing will be to fund M&E.

Use of proceeds of the GEF investment in the securitized assets.

A financial instrument (agri asset backed security), to be structured in the form of a CRA (Certificate of Agribusiness Receivables), issued by a securitization company and backed by the Agribusiness loans originated by local credit

	<p>cooperatives to finance working capital and input purchases of smallholder farmers in the supply chain of Natura in the Amazon. The CRA acquires the loan portfolio of the credit cooperatives, and securitizes it in the local capital markets.</p> <p>The loans will finance BioEconomy activities as purchase of raw materials, repairs, product processing, adding value to products, marketing, invest in new markets, among others, but always associated with sustainable production.</p> <p>The mechanism will be able to work in protected areas in the Brazilian Amazon to deliver the intended GEBs.</p> <p>The CRA will be structured, issued, and managed by VERT Securitizadora. The underlying assets (the Agribusiness loans) are the loans, that are formalized as Financial CPRs (Rural Producer Banknotes), which means the rural producer banknotes have financial settlement and are issued electronically by the cooperatives, which in this case, are Natura's suppliers. These suppliers are composed by 20 agro extractivist associations or cooperatives in the Amazon, formally constituted.</p> <p>This financial structure can ensure that CRAs in this project are used ONLY for its intended use that deliver GEBs. There is a clause that sets the Use of Proceeds of the CRA. VERT has a fiduciary duty and is liable to follow this in the <i>Termo de Securitização</i>.</p>
<p>Financing instruments requested from the GEF TF (other than grants)</p>	<p>The GEF Non-Grant instrument used in this project will be reimbursable grants. The GEF investment will be used to invest in the CRAs in two phases as explained in section “Phases of Investment” of this termsheet.</p> <p>The reimbursement of the GEF reimbursable grant will occur at maturity of the investment [8 years] and will consist of GEF investment amount i.e.US\$ 6M minus losses in the CRAs not covered by the 1st loss tranche during Phase 1 and Phase 2.</p> <p>The instrument for this project is planned to start with an investment of USD 4.1 million in the first 4 years (1 year structuring + 3 years investment), of which USD 3 million from GEF/NGI and USD 1.1 million co-financing from Natura and others, directed for prioritized 10 cooperatives and agro-extractivist associations. A second series will be launched after 4 years (1 year between phases + 3 years of investment) to another, at least, 10 more cooperatives. In the second series, the GEF will invest the existing US\$3 M from the first phase and additional US\$3 M. Co-financing would be US\$ 2,1 M from Natura and others and Senior investors for US\$ 4,0 M. In the second phase GEF will be a minority investor.</p>
<p>Waterfall of Payments</p>	<p>There is a payment waterfall in the CRA that respects the following concept:</p> <p>First Phase (year 2-4):</p> <p>Costs and expenses – legal and administrative costs, registration costs related to the issuance of the CRA.</p> <p>Senior tranche repayment (GEF) - 2nd loss</p> <p>Subordinated tranche (NATURA and others) - 1st loss</p> <p>Second phase (year 6-8):</p> <p>Costs and expenses – legal and administrative costs, registration costs related to the issuance of the CRA – phase 2.</p> <p>Senior tranche – 3rd loss</p> <p>Mezzanine tranche repayment (GEF) - 2nd loss</p> <p>Subordinated tranche (NATURA and others) - 1st loss</p>

	<p>This means that as cooperatives returned the capital, VERT will use the proceeds respecting the waterfall. So, if the proceeds have default rates in excess of the subordinated ratio, GEF resources will start to be impacted. The size of the impact will depend on the default rate.</p>
<p>Cases for substitution of VERT</p>	<p>In the case VERT steps down from its role, there can be two scenarios:</p> <p>Certain circumstances are pre-approved in the Termo de Securitização In these cases, it is a simple notification from the fiduciary agent to VERT and Funbio and then Funbio automatically will search other securitization to replace VERT (there is no need to schedule an investors' general meeting as this would be pre-approved). This notification should occur at least three months before the fact. If the investors receive this notification they will start to select a new financial firm to keep the project going. New financing will stop until another financial institution is hired. Funbio can't issue CRAs or grant loans for the cooperatives.</p> <p>The CRAs will be issued as a bankruptcy remote vehicle as per the Brazilian regulation (segregate entity and fiduciary regime – in Portuguese patrimônio separado and regime fiduciário). In the case VERT ceases to manage and collect the portfolio, an investors' general meeting is scheduled by the fiduciary agent to replace it. The procedures for this substitution will be defined upfront and reflected in the Termo de Securitização.</p> <p>Finally, there are many credit securitization companies in the country and as it is a relatively small financing, it would not be difficult to transfer it to others. Funbio will have the role of finding a new company and its Asset Manager Committee, composed by capital markets experts, have experience in this.</p> <p>During the PPG phase an alternative will be further explored, which would be to hire a Back-up servicer in the USA, this could add a significant cost to the project and a cost benefit analysis is needed.</p>
<p>Financing requested from the GEFTF in the form of</p> <p>Grant for Technical Assistance</p>	<p>Grant amount of US\$ 200K</p>

Terms and conditions for the financing instruments from GEF

Amount of the GEF financing in the form of NGI REIMBURSABLE GRANT:

US\$6,000,000 in Reimbursable Grants

(a) Maturity:

up to 8 years

(b) Principal repayment:

The reimbursement of the GEF reimbursable grant will occur at maturity of the investment [8 years] and will consist of GEF investment amount i.e. US\$ 6M minus losses in the CRAs not covered by the 1st loss tranche during Phases 1 and Phase 2.

[1] <https://ri.vert-capital.com/#/detalhes/340/731>

[2] <https://data.anbima.com.br/certificado-de-recebiveis/CRA022009KI/caracteristicas>

[3] <https://www.gov.br/agricultura/pt-br/assuntos/noticias/presidente-anuncia-plano-safra-2023-2024>

Annex G.2: Reflows table

Instructions. Any financial returns, gains, interest or other earnings and remaining principal will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. and the GEF Non-Grant Instrument Policy.

Item	Data
GEF Project Number	
Estimated Agency Board approval date	April 2024
Investment type description (financial product: debt, equity, guarantee, other)	Reimbursable Grants Used to invest in second loss/mezzanine Agriculture Receivables Certificate – CRA
Expected date for start of investment	December 2024
Amount of investment (USD GEF funds) (include technical assistance and non-grant portions)	Non Grant: US\$6,000,000 Grant (TA): US\$200,000
Maturity (indicate the grace period if needed)	8 years CRA maturity and 8 years project
First repayment year	2032
Final repayment year	2032
Repayment method description	Principal Payment: Bulletpayment The reimbursement of the GEF reimbursable grant will occur at maturity of the investment [8 years] and will consist of GEF investment amount i.e.US\$ 6M minus losses in the CRAs not covered by the 1 st loss tranche during Phase 1 and Phase 2. Interest payment: N/A
Frequency of reflow payments (if amortized)	One time at maturity
A. Total principal amount to be paid-reflowed to the GEF Trust Fund (Please provide actual amount with assumption of exchange rate if applicable) in whole USD. [include EXCHANGE RATE]	US\$6,000,000
B. Total interest/earnings/premiums amount to be paid-reflowed to the GEF Trust Fund (Please provide actual amount with assumption of exchange rate if applicable) in whole USD.	N/A

Total reflows to the GEF Trust Fund (Sum A + B) in whole USD	US\$6,000,000
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Annex G.3: GEF Agency Eligibility to Administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as noted in the NGI Policy, summarized below:

1. A GEF Agency is eligible to administer projects using non-grant instruments if it can demonstrate the following:

- a. Ability to monitor compliance with non-grant instrument repayment terms;

FUNBIO can monitor compliance of Non-grant Instruments through full audit reports, structured reporting requirements built into semiannual financial and impact reports and analytic reviews thereof. Also Funbio already monitors asset managers in Brazil and abroad regarding its own assets. The CRAs will be accounted the same way. In the case of this project Funbio will also participate in the Investor Committee which will have access to updated reporting from Vert. The repayment terms are defined in the CRAs structure and can be easily monitored. Finally, Funbio will not be alone in the investor committee and the terms will be the same for Natura and Funbio, the only difference being the 1st loss allocated to Natura.

- b. Capacity to track financial returns (semester billing and receiving) not only within its normal operations but also for transactions across trust funds;

Funbio already tracks financial returns and per Funbio policy, every project has its own segregated bank account, which makes it easier to track returns and keeps clear accounting. In this project case, only the GEF Trust Fund will be used, the donations for the ECF will be completely segregated from the GEF funds.

- c. Experience and positive track record with the use of non-grant instruments.

This is the first Funbio experience with a non-grant instrument project. Therefore, Funbio has no track record, during the PPG phase Funbio will hire a consultant to support the detailed structure of the financial instrument, including to support this part of the contract with Vert. The objective is to follow international standards for safety and transparency. Funbio Committee of Audit and Finance and Funbio Deliberative Board will also oversee this operation which is not unusual for them.

2. For concessional finance (i.e., projects under the Blended Finance Global Program), a GEF Agency must further demonstrate:

- a. Ability to receive and account for financial returns and transfer such returns from the GEF Agency to the GEF Trust Fund;

FUNBIO has ability to receive financial returns from financial assets and to transfer such returns to the GEF Trust Fund, CRAs are an usual asset in Brazil. Funbio has asset management since its inception 27 years ago and financial returns are managed according to plan. Funbio also transfers funds regularly to the GEF Trust Fund as the interests of bank accounts holding GEF resources for project implementation needs to be transfer back to the trustee regularly. This is a regular activity of Funbio finance staff.

- b. Capacity to perform investments in the type of non-grant instrument to be used with GEF funding;

Funbio has the capacity to perform the investments described in the NGI proposal by working with a financial institution partner. Funbio does not have invest in CRAs in the past for the sole reason there wasn't, in the past, a CRA investment not linked with supply chains that are usually vectors of deforestation and forest degradation, but the type of instrument is not new.

- c. An analysis of the investment/due diligence for GEF investments ahead of CEO endorsement;

Funbio Asset Management Committee, which is composed of market experts appointed by Funbio Deliberative Council can analyze the investments as this is their function. This committee does investment analysis for Funbio in a regular basis. They can perform an analysis of Vert investments. Vert, the project partner has all the capacity to analyse the cooperatives and proceed with due diligence of all of them, Funbio will monitor that in the Investor Committee together with Natura.

d. Additional requirements on the suitability of the Agency such as co-financing, co-investment requirements, additional safeguards, strengthened due diligence, and strengthened reflow reporting by executing entities. These may be included in the call for proposals or be specific to the design of individual projects.

FUNBIO is audited annually by independent companies audits and has various procedures aimed at controlling the quality of services provided by the institution. The institution follows a Compliance Manual and has a set of policies, guidelines and internal controls that govern its activities and that are in compliance with internal laws and regulations, always aiming for best practices governance, project and risk management, mapping and mitigation of possible conflicts of interests, preventing and combating corruption, financing terrorism and other illicit.

FUNBIO's operation is verified by several mechanisms such as, for example, segregation of duties and internal auditing. Anti-corruption policies adopted by FUNBIO, as well as its other policies, are public and available in the website.

Project monitoring will include the state of the investments made every six months. Reflow will happen at one time after the sixth year of CRAs investments.

e. Commitment to transfer reflows to the GEF Trust Fund as agreed under the FPA;

During the PPG phase, FUNBIO will work with VERT and each cooperative/association to define a suitable schedule of payments for each of them (quarterly, semi-annual or annual). The reflows will be transfer to the GEF Trust Fund after 6 years. Funbio FPA is clear about reflows to the GEF Trust Fund and has been observed in the last 8 years without any issue regarding reflows.

3. In case of concessional finance for public sector recipients, additionally, the Agency will be required to demonstrate:

a. Track-record of lending or financing arrangements (other than grants) with public sector recipients; and

The project does not finance the public sector.

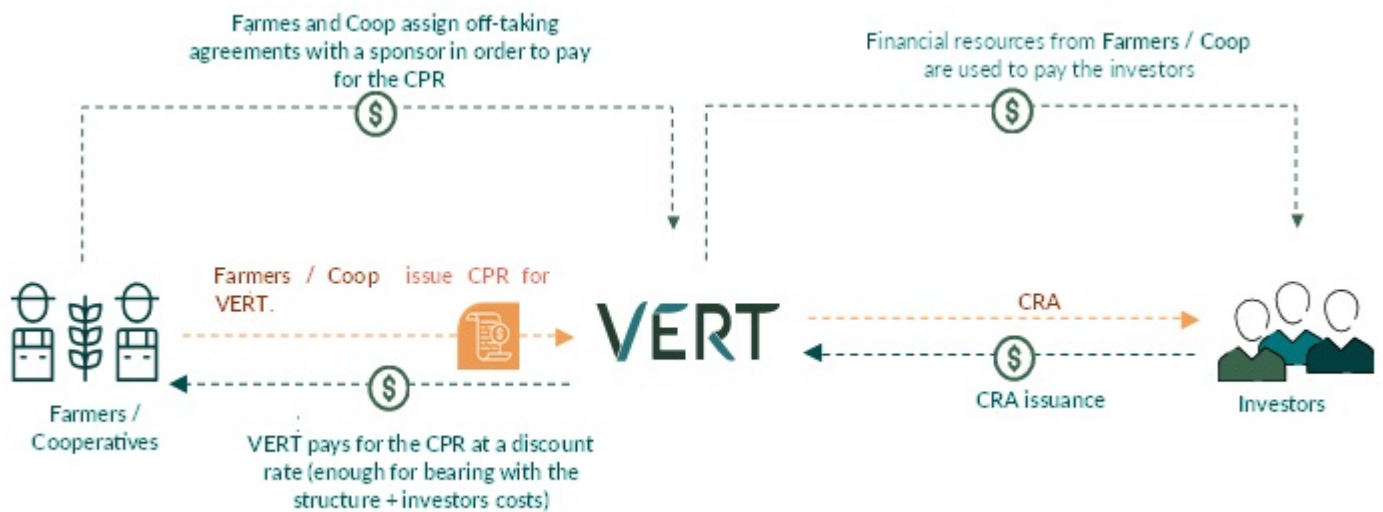
b. Established relationship with the beneficiary countries' Ministry of Finance or equivalent.

The project does not finance the public sector.

Annex G.4: Management Capacity of Executing Agency and Governance Structure

For projects requesting equity instrument, structured finance, or SPVs please provide following information

a) Diagram of the overall governance structure of the investment (reporting lines, contractual arrangements, and decision-making bodies);



VERT must always report do Fiduciary Agent as well as Investors. There's a monthly report that must be sent do Brazilian SEC (CVM) that contains the data about the CRA Issue that is also share with Investors.

Investor must be called in case of any material change inside the Issue (alterations in the Indenture, such as maturity date, interest rate, new issues, etc), as well as the regulatory requirements^[1]¹⁴.

The securitization company is a regulated entity: both the rules about the Securitization Company as well as CRA can be seen in Resolution 60 from CVM: https://www.gov.br/cvm/en/foreign-investors/regulation-files/resol060Traduo_v.SDM22032023.pdf

The fiduciary Agent is also regulated by CVM: <https://www.gov.br/cvm/en/foreign-investors/regulation-files/ResolutionCVM17.pdf/view>

VERT issues monthly reports: which can be checked at our website (<https://vertc-ops-prd-sp-media.s3.amazonaws.com/emission/340/documents/RMA%20BNDES%2007.2023.pdf>).

b) Investment layers (tranches) if applicable

First loss tranche (Subordinated) – US\$ 2,1 mi

Second loss tranche (Mezzanine) – US\$ 6,0 mi

Third loss tranche (Senior) – US\$ 4,0 mi

c) Bio of the key persons including fund manager for equity investments

Name	Bio and Job position

<p>Fernanda Mello</p>	<p>As the Co-CEO of VERT, Fernanda brings over 24 years of experience in the financial market and a substantial background in agricultural financing operations. She was involved in the first public offering of CRA (Agricultural Receivables Certificate) in Brazil. She holds a degree in Business Administration from FGV-SP.</p>
<p>Martha de Sá</p>	<p>As Co-CEO of VERT, Martha has been in the financial market since 2007. She was also a founding partner of Octante and worked in the New Business division of Mauá Investimentos. Martha has an extensive background in agricultural credit and has a strong presence in the fintech sector. She holds a degree in Business Administration from FGV-SP, with additional courses completed at Luigi Bocconi and Grenoble École de Management. She is a Chartered Financial Analyst certified by the CFA Institute and holds the CGA designation from ANBIMA.</p>
<p>Victoria de Sá</p>	<p>Victoria de Sa is currently responsible for the Structuring area in VERT. She is a founding partner of VERT, a company that manages over R\$ 55 billion (USD 11 billion) in assets (including CRAs, CRIs, FIDCs, and debentures). She is an active participant in strategic working groups at Anbima. Victoria also serves as the co-director of ABSia (Brazilian Association of Real Estate and Agribusiness Securitization Companies) and has accumulated over a decade of experience in the financial and legal sectors. She holds a degree in Law from USP and has completed courses at the University of Leipzig in Germany.</p>
<p>Andrea Morata Videira</p>	<p>A professional with 28 years of experience in the financial market, having worked in various roles at WestLB Bank, Concórdia Bank, BESAF - BES Financial Assets (now Haitong DTVM), and Funcef. She has a strong background in Third-Party Asset Management, acquired during 12 years in managerial positions in Middle Office, Risk, and Product areas. She is currently responsible for all the management and administration areas at VERT.</p>
<p>Felipe Rogado</p>	<p>Partner and Director at VERT Capital, specializing in securitization, structured funds and asset management. He has 10 years of experience in the financial industry. Experience in origination, structuring, and distribution of structured operations in the fixed-income capital market (DCM), particularly in securitization instruments.</p> <p>Also serves as a Professor at FK Partners, providing education in financial analysis and reporting.</p> <p>Previously, worked at BNP Paribas for over 5 years, holding positions from Analyst Junior to Senior Analyst in credit analysis, including financial projections for major Brazilian corporations.</p> <p>Holds the CGE certification for Structured Funds Managers from ANBIMA and is a CFA Charterholder, certified by the CFA Institute.</p>

	Academic Background: Graduated in Business Administration from EAESP - FGV in 2013. He has the following certifications: CGE - Certified Structured Funds Manager (ANBIMA) and CFA Charterholder (CFA Institute).
Gabriel Lopes	Gabriel holds a degree in Law from USP. He has previously worked with corporate and agricultural credit operations at Banco Original, and also gained experience at the former Duarte Garcia, Caselli Guimarães e Terra Advogados, where he focused on Contract and Business Law. Currently, he is the partner in charge of the Sales department. He's been in VERT for 7 years.

d) Track-record of the Executing Agency (fund manager (s) and key persons for equity investments)



BRL 56,7 bln = USD 11,34 bln

e) Specific clauses to be included in the Limited Partner Agreement or equivalent establishing documents for vehicles other than funds

N/A

f) For SPV financing, collateralization considerations, cash sweep events/periods, and key considerations in asset financing

Subordinated tranche (first loss) – US\$ 2,1mi

Second loss tranche – US\$ 6,0 mi

Third loss tranche – US\$ 4,0 mi

[1] Article 25. The special shareholders meeting is exclusively responsible for resolving on: I – the separate equity financial statements presented by the securitization company, accompanied by the report of the independent auditors, within 120 (one hundred and twenty) days after the end of the fiscal year to which they refer; II – alterations in the issuing instrument; III – dismissal or replacement of the securitization company in the management of the separate assets, pursuant to art. 39; and IV – any resolution pertaining to the administration or liquidation of the separate assets, in cases of insufficient resources to settle the issue or declaration of bankruptcy or judicial or extrajudicial recovery of the securitization company, being able to deliberate including: a) the contribution of capital by shareholders; b) the payment in kind to shareholders of the amounts included in the separate assets; c) the auction of the assets comprising the separate equity; or d) the transfer of management of the separate assets to another securitization company or to the fiduciary agent, if applicable. § 1 The instrument of issue may establish other matters within the competence of the special meeting of investors, in addition to those provided for above