

SUMMARY OF THE PROJECT IN DESIGN * (*)

Innovation in Bio-Business Challenge: Capacity building for bioeconomy entrepreneurship in the Amazon basin

PITCH ELIGIBILITY DATE		COUNTRY(IES)
01/05/2023		Brazil; Colombia; Ecuador; Guyana; Peru; Suriname
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
IDB Lab		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
C (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 5,000,000	US 5,000,000	US 0
DESCRIPTION		

The problem Home to the world’s largest tropical forest, the Amazon is highly vulnerable to climate change. The combination of increased temperatures and deforestation are creating adverse climate feedback loops. Increasingly warmer and drier conditions will further result in forest degradation and loss of ecological functions, ultimately bringing the Amazon forests to the point of no return. Known as the tipping point, there may come a time when the forests die and are replaced by dry savannah-like landscapes. This would have grave consequences on biodiversity, agriculture, human health and livelihood, and would also affect the Amazon’s key role in absorbing and storing the world’s carbon.

In 2017, all 26 of the IDB Group’s borrowing member countries signed the Paris Agreement, signaling the LAC region’s strong interest and commitment to achieve its aims. In November 2021, during the 26th Conference of the Parties (COP26), the IDB Group announced an aspirational target to align all its loans and projects with the Paris Agreement targets by the start of 2023, reinforcing the LAC region’s strong interest and commitment to take action to address climate impacts. However, significant efforts are needed across LAC to reduce the carbon intensity of economic activity and strengthen climate resilience - particularly to ensure that all sectors contribute to the achievement of the Paris Agreement targets articulated in LAC’s respective Nationally Determined Contributions (NDCs) and corresponding Long-Term Strategies (LTS) (with the latter mostly still in development).

In March 2021, the Board of Executive Directors of the IDB approved a proposal for the “Establishment of the Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon” (GN-3036 4). This proposal introduced a detailed new conceptual framework for systematic, coordinated support for sustainable development in the Amazon region by the IDB denominated the Amazon Initiative (“Amazon Initiative”). The Amazon Initiative’s objective is to foster socio-environmentally sustainable and inclusive economic development models in the Amazon region that benefit its diverse communities (GN-3036-4 1.36).

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The Amazon Initiative responds to clear opportunities for constructing a common vision for the sustainable development of the Amazon and stronger regional and extra-regional collaboration models, with institutional strengthening, gender and diversity, and forest conservation as the core transversal pillars.

Because of the Amazon's diverse biological, land and water resources, the bioeconomy provides the ideal framework for the development of sustainable, productive models and practices in Agriculture, Forestry and Other Land Use (AFOLU) in the Amazon. Shifting to production models, technologies and practices that embrace a more sustainable use of the Amazon's natural capital and forests (bio-businesses), can contribute to lower the impacts of climate change by reducing deforestation, restoring soil, and reducing GHG (Greenhouse Gas) emissions. In parallel, being conscious of risks and vulnerabilities in the mainstreaming of more sustainable practices in AFOLU can help increase the region's resilience to future climate-related impacts already unavoidable to this day.

Restricted investments and access to finance for the bioeconomy. Since 2015, the environmental investment sector has been growing rapidly. This expansion includes investment blueprints for sectors in the bioeconomy, expanded capital in private investment funds and investments by various value chain actors, signifying that the pool of available capital is becoming larger. Yet, bio-businesses in general are still not organizationally or structurally ready to absorb the minimum levels of investment or the terms and conditions of funding that existing platforms are able to offer.

Lack of capacity, support, and training for the bioeconomy. Many factors critically limit the capacity of firms, MSEs in particular, to formulate successful growth strategies, such as capacity issues, technology deficits, low levels of social organization, insufficient alignment with international standards and norms, inadequate access to markets, logistic capacity, and limited use of certifications, among others.

The solution The overall goal of the proposed solution is to reduce GHG emissions and increase the resilience of targeted value chains and ecosystems in the Amazon region by enabling the conditions to increase the flow of funds to bio-businesses in the bioeconomy of the Amazon. The Facility will focus on supporting Bio-business pipeline development by supporting capacity of bio-businesses and bioprospection, knowledge dissemination and R&D, and by supporting tools that connect bio business to stakeholders and markets to help firms in the prototype phase or already operating with a minimum viable product to: (i) better connect with stakeholders and match their businesses with investors, (ii) have greater access to new markets opportunities, (iii) access incubators/accelerators that support their transformation into scalable businesses, capable of attracting and absorbing funding and private capital, and (iv) strengthen the presence of women, indigenous, afro-descendant and peasant communities among producers and companies with the possibility of investment, and promote the hiring of women and indigenous people in bio-business. Through these activities, the facility will help overcome technical and knowledge barriers faced by bio-businesses, ensuring required capacity building to increase the availability and accelerate potential bankable investments. The solution proposed is to develop an integrated approach for innovation in Amazon Bio-Businesses through the development of an early-stage entrepreneurship and innovation for impact ecosystem through a challenge that seeks to identify the initial batch of bio-economy innovators that will serve as champions and role models in a nascent ecosystem. Since the gap between impact investors and existing bio-business requires pipeline development and early adopters, this project consists of a sourcing campaign to attract private bio-business in early stage and their supply chains, to apply with ideas for innovative solutions and models to improve entrepreneur's readiness and capacity for scaling

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up the solutions and companies. The project will offer non-reimbursable financial support to help them overcome the prevailing financing challenges for the sector in each country, while fostering the development and adequate implementation of adaptation and mitigation activities to reduce the negative impacts of climate change. This facility and the competitive process of individual projects will be based on the following premises: 1) innovation, entrepreneurship and generation of financially viable businesses that bring about sustainable development to the Region; 2) conservation of the biodiversity present in the Amazon; 3) alignment with international standards and norms; and 4) Significant involvement of local indigenous and afro-descendant populations or peasant communities, 5) alignment with the definition of bio-business, bioeconomy and bio business investment included in this proposal.; 6) alignment with the eligible seven sector list; 7) the geographic location of the beneficiaries must be in the Pan Amazon in any of the target countries.

The beneficiaries The primary beneficiaries of this facility will be bio-business owners and their families whose adaptive capacity has improved, including natural and legal persons, classified as micro, small and medium enterprises (MSMEs) operating in the Amazon region and conducting eligible investments; beneficiaries may be individual structures, associative structures (cooperatives or similar structures), and 'anchor' companies belonging to bio-business value chains out of a universe of 57,299 bio-business, 58 per cent of which have female majority ownership.

The program is also expected to indirectly benefit all participants in the value chain, through better articulation and distribution of benefits, and the region's communities, thanks to the implementation of practices that promote the sustainable use and conservation of biodiversity. The facility will strive to support gender equality by incorporating mechanisms and a strategy that targets and monitors the participation of women and women-led enterprises as beneficiaries. This is a regional Facility consisting of multiple sub-projects. The number of the beneficiaries in this Facility will be determined on a project-by-project basis.

The partner This project is an IDB Group-wide effort, led and executed by IDB LAB, it will be conducted in close collaboration with the IDB Group Amazon Initiative (CSD/ACU), and includes team members from all these departments, who will participate in the preparation of the campaigns as well as the governance of the project. A coordinator will be hired to coordinate the overall administration of the Facility and articulation with IDB Lab country specialists and other team members. Funding for Individual Projects will be deployed to MSMEs (Micro, Small and Medium Enterprises) via individual projects receiving Technical Cooperation funds that will be approved by the IDB Lab General Manager in line with the established delegation of authority[1], prior non objection from the Amazon Coordination Unit (CSD/ACU), and only if Individual Projects meet the established eligibility criteria. Projects financed by the Facility are expected to be in the order of US \$250,000, to a maximum of US\$400,000.

The IDB Lab's contribution The total amount of funding requested will be the mobilization of US \$5,000,000 of Non-Reimbursable Technical Cooperation from the Amazon Initiative's Amazon Bioeconomy Fund (ABF). The project seeks to reinforce IDB's priority focus on climate change and biodiversity preservation, as announced at COP26, with IDB committing to ensure new operations will be fully aligned with the Paris Agreement by 2023 with the goal of helping LAC to address climate change issues and promote inclusive and sustainable recovery.

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