

EXECUTIVE SUMMARY

GUATEMALA

ESG BRANDS™: BANANA PLANT-BASED INNOVATION TO MITIGATE CLIMATE CHANGE (GU-G1021)

The textile sector plays a substantial role in global climate change, contributing to 8-10% of total carbon emissions, positioning it as the second most polluting industry globally. Additionally, sustainable alternatives such as organic cotton are intensive in land management and water resources. Proactively to combat these issues, the industry is increasingly turning to agri-residues for alternative fibers, forging a sustainable solution.

In Guatemala, few linkages exist between banana production and the textile industry, despite the historical artisanal textiles tradition on using natural fibers, and the importance of both sectors for the economy and employment. Additionally, the banana trade is facing extreme economic and climate change pressures impacting financial stability of both large and small farms, especially affecting, and increasing instability of field workers and subsistence small-holder farmers.

ESG Brands aims to combat climate change while creating job opportunities in Guatemala and revitalizing the region's raw material market. The Company envisions a green-degumming processing technology approach that integrates the banana plant waste from Guatemala's agribusiness sector into the textile industry's supply chain. This transformative approach not only lessens the strain on water resources but also aligns with sustainable practices, contributing to a more environmentally friendly and socially responsible textile industry. By recycling banana waste into fiber, ESG aims to replace cotton with banana fiber, while ensuring the reduction of carbon emissions and having water as a co-product.

The project objective is to prove an innovative and circular banana fiber model for climate change mitigation and socioeconomic impact in the local agribusiness and textile economy of Guatemala. The project consists of three components, the first one to conduct investments to set up the pilot facility, establish operations, and develop life cycle assessment and environmental impact measurement methodologies, aiming to proof the concept of the circular economy model. The other two components aim to create a culture of trust and of innovation among stakeholders and investors, aiming to proof the concept of the shared-value model of ESG Brands, engaging banana farms as key partners in the value chain and conduct a pilot to define a specific model of sourcing from small-holder farmers and support them in generating new source of income from banana-plant waste.

The project has a total cost of US\$1,516,000, of which US\$700,000 will be provided by IDB Lab in the form of Contingency Recovery Investment Grant (CRIG) with resources from the Clean Technology Fund (CTF) funds and US\$816,000 of cash financing provided by the counterpart. The project will be part of the "Green Innovation Center (GreenHub) 1.0 of Latin America and the Caribbean" portfolio (RG-O1700), a facility managed by IDB Lab approved in 2022, managing the resources of the CTF of the Climate Investment Fund (CIF) to support the development of climate change mitigation innovations. Any amounts recovered from the CRIG will be returned to the CTF trust fund.