

## SUMMARY OF THE PROJECT IN DESIGN \* (\*)

### Eco-Empowering Rural Brazil: Green Finance for Community-Driven Clean Energy

PITCH ELIGIBILITY DATE		COUNTRY(IES)
08/27/2024		Brazil
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
Sicredi Paranapanema Serrana (Banco Cooperativo Sicredi S.A), Deutscher Genossenschafts Und Raiffeisenverband E V		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
FI-2 (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 720,000	US 420,000	US 300,000
DESCRIPTION		

**The problem** Brazil, known for its vast biodiversity and rich natural resources, faces significant development challenges in its rural areas. Despite being the largest economy in Latin America and the Caribbean, with a GDP of approximately US\$2.17 trillion, there is high disparity between urban and rural areas. Rural areas are home to 12% of the Brazilian population, or approximately 27 million people. These regions face considerable exclusion in terms of economic development, financial inclusion, and access to basic infrastructure.

**Challenges in access to clean energy.** Although Brazil has a high access to electricity in average, there is a marked territorial heterogeneity on access rates and on the quality of the available energy. In the northern region, in states such as Rondônia, Acre, Amazonas, and Pará, the population considered without access to energy exceeds two million people (this represents around 15% of the population).

**Producer organizations.** In Brazil, there is a long tradition of forming producer organizations in rural areas, which develop cooperation processes in one or more stages of agricultural value chains, and for which access to electricity is essential for economic and environmental sustainability. The current relevance of rural associativity is demonstrated by 1.170 agricultural cooperatives with 1.024.605 members.

The inclusive energy transition and access to renewable sources is a pressing and high priority challenge. The development of new models for renewables-based power generation in rural areas with producer organizations would make it possible to diversify the energy mix and reduce reliance on fossil fuels, while at the same time including citizen

participation.

**Clean energy financing for producers' organizations and the role of Savings and Loan Cooperatives (SLC's).** In most cases, own resources or external financing for the acquisition and installation of equipment, is insufficient for producers' associations.

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\*\*The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

**Community energy generation models and regulations.** Various studies of distributed generation projects show that a commitment with the community helps improve the design and sustainability of energy projects and avoids conflicts. This has given rise to energy communities and the concept of community distributed generation.

**The solution** To address these challenges, this project will promote green financial inclusion to facilitate the transition to clean and sustainable energy in rural areas of Brazil. The objective of the project is to promote access to clean energy sources for productive activities in rural organizations through green credit products, to increase the resilience of the rural and agricultural population in underserved rural areas.

The project will operate under innovative, community-based models that address both climate change mitigation and the decarbonization of production chains in rural areas. The initiative will support creation and financial sustainability of community clean energy solutions for productive activities, with a focus on producer organizations, by providing training, advisory services, and finance.

Within the framework of the LAC E-Coop initiative (RG-O1718, RG-T4357, RG-T4433), three innovations are promoted for market development and financing for the clean energy transition of producer organizations in rural areas of Brazil:

- Access to clean energy technologies: community-distributed energy generation systems, for productive purposes by promoting access to local innovations and technology suppliers;
- Capacity building of communities managing clean energy projects: implementation of the innovative model of energy communities in Brazil, through the strengthening of rural associations in the planning, implementation and monitoring of clean energy projects;
- Development of green finance products: technical assistance and green financing pilots to Savings and Loan Cooperatives, promoting new credit products adapted to the model and investment needs and repayment cycles of rural producer organizations.

**The beneficiaries** The project will directly benefit low-income, small-scale farmers, at the group and individual level, and indirectly their families, through deployment of the loan portfolio and the awareness-raising and technical assistance activities.

Specifically, the main beneficiaries will be rural organizations in the western region of Paraná, that work with Cooperativa de Crédito Sicredi Paranapanema Serrana and DGRV in the project "Juntos Redes Productivas". Currently, the project works with 7 rural organizations grouping 370 rural producers.

The expected results of the project are:

- 4.200 people who are part of producer associations have benefited directly and indirectly from the use of clean energy as a result of project activities
- 600 kW of installed clean energy capacity available to producers and producer groups
- 38 tCO<sub>2</sub> eq/MWh avoided by the installation of energy projects
- Wide dissemination of the project and the experience of clean energy financing among SICREDI SLC system.

**The partner** SICREDI is the leading network of Savings and Loan Cooperatives in Brazil with more than 105 SLC members that serve about 8 million clients. Although there are a few SLCs with skills and experience in products adapted to rural producers, they have very limited experience in clean energy financing. The German Confederation of Cooperatives

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(DGRV, for its acronym in German) has been working with SICREDI to identify pioneering SLC that have track record working with associations of producers and have a commitment to develop green finance lines for community based clean energy projects, such as Sicredi Paranapanema Serrana.

Sicredi Paranapanema Serrana is a savings cooperative established in 1985 by a group of rural producers. Today, it has more than 65.000 members, 410 employees and 34 agencies. The cooperative operates in 25 cities in the State of Paraná, 17 in the State of São Paulo and 9 in the highland's region of the State of Rio de Janeiro. 60% of the municipalities where it operates have less than 9.000 inhabitants, where traditional banks do not operate. Sicredi Paranapanema Serrana is one of the SLC of SICREDI and belongs to a three-tier cooperative system supervised by the Central Bank of Brazil, which includes 105 SLCs, 5 centrals, a cooperative bank, and a confederation. This structure allows it to offer a wide range of financial services tailored to the needs of its members, strengthening their economic capacity, and promoting regional development.

The cooperative works with the DGRV (Executing Agency of the LAC E-Coop Regional Project) in the initiative "Together Productive Networks", a project to support recycling and associations and Cooperatives of rural producers. Since 2022, the program has impacted more than 400 small producers and recyclers in more than 10 cities.

**The IDB Lab's contribution** The total amount of the project will be US\$720.000. IDB Lab's financial contribution will be US\$420.000 as a Contingency Recovery Investment Grant (CRIG), with US\$280.000 of resources from the LAC E-Coop Facility (RG-O1718)

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