

TC Document

I. Basic Information for TC

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| ▪ Country/Region: | BRAZIL |
| ▪ TC Name: | Brazil - Amazon Bioeconomy Marketplace |
| ▪ TC Number: | BR-T1549 |
| ▪ Team Leader/Members: | Estrazulas De Souza, Francisco Hugo (INT/TIN) Team Leader; Gonzalez Saldarriaga, Sebastian (INT/RIU) Alternate Team Leader; Caicedo Sierra, Miguel Felipe (ORP/GCM); Celeste Marzo, Cristina (LEG/SGO); Debade, Xavier Yves (CSD/CCS); Esteves, Yasmin (INT/INT); Hincapie Salazar, Daniel (CSD/ACU); Maria Locano (INT/INT); Persson, Svante P. (LAB/DIS); Rospide, Maria De La Paz (INT/INT); Vanesa Garcia (INT/RIU); Watson, Gregory (CSD/CCS); Yader Hernandez (INT/RIU); Mazzei, Leonardo Debade, Xavier Yves (CSD/CCS); Esteves, Yasmin (INT/INT); Hincapie Salazar, Daniel (CSD/ACU); Maria Locano (INT/INT); Persson, Svante P. (LAB/DIS); Rospide, Maria De La Paz (INT/INT); Vanesa Garcia (INT/RIU); Watson, Gregory (CSD/CCS); Yader Hernandez (INT/RIU); Mazzei, Leonardo |
| ▪ Taxonomy: | Client Support |
| ▪ Operation Supported by the TC: | N/A |
| ▪ Date of TC Abstract authorization: | February 24, 2023 |
| ▪ Beneficiary: | Bio-businesses in the Amazon Region of Brazil |
| ▪ Executing Agency and contact name: | Inter-American Development Bank |
| ▪ Donors providing funding: | Green Climate Fund (GRN) |
| ▪ IDB Funding Requested: | US\$950,000.00 |
| ▪ Local counterpart funding, if any: | US\$0 |
| ▪ Disbursement period (which includes Execution period): | 36 months |
| ▪ Required start date: | August 15, 2023 |
| ▪ Types of consultants: | Individual and Firms |
| ▪ Prepared by Unit: | INT-Integration and Trade Sector |
| ▪ Unit of Disbursement Responsibility: | INT/INT-Integration and Trade Sector |
| ▪ TC included in Country Strategy (y/n): | No |
| ▪ TC included in CPD (y/n): | No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Social inclusion and equality; Productivity and innovation; Economic integration; Environmental sustainability; Gender equality; Diversity |

II. Objectives and Justification of the TC

- 2.1 The objective of this TC is to improve socioeconomic conditions, fight climate change, and help restore ecosystems in the Amazon region of Brazil by supporting the implementation and growth of export-oriented sustainable bio-businesses. To that end, the planned activities aim to support the development of an online Amazon

Bioeconomy¹ Marketplace² (ABM) to help the bio-business³ ecosystem in the Amazon region increase and diversify their exports and attract investment. The project will support small and medium sized businesses (SMEs), cooperatives and producers associations. It will leverage on the Inter-American Development Bank's (IDB) ConnectAmericas.com (CA)⁴ platform and its network of local partners in Amazon countries.

- 2.2 The Amazon region is a vast system that covers 6,700,000 km² (that is, about 40% of the South American territory). It is also a region with high socio-economic and environmental complexity and diversity. More than 35 million people live in it, including approximately 1.5 million indigenous people and 5 million Afro descendants. Women, and especially those who belong to indigenous communities in the biome, are critical to the sustainable preservation of the natural ecosystems and communities⁵ but are increasingly vulnerable to social and economic pressures of the region. The Amazon River, with over 1000 tributaries, connects large urban hubs, such as Manaus, Belem, and Iquitos, as well as countless villages and isolated settlements. The Amazon region is also home to earth's most extensive rainforest, harboring an estimated 20% of the world's known plant and animal species, and other invaluable natural assets. While it engulfs several countries and ecosystems, the Amazon forms a single ecological entity, and its many parts depend on the integrity of the whole.
- 2.3 The Amazon faces significant threats. On the one hand, the region remains poor relative to other regions of the countries that make up the Amazon. For instance, in Brazil, in the State of Amazonas around 51% of the inhabitants live below the poverty line. In fact, in 2018, the nine States that compose the Brazilian Amazon, scored almost 10% lower than the national average in terms of the Social Progress Index, which measures aspects like nutrition, access to basic healthcare, water and sanitation, among others⁶. On the other hand, deforestation has been accelerating at alarming rates in part due to the expansion of the agricultural frontier, extensive cattle ranching, mining, among other activities, some of which are illegal. In 2019, some 1.7 million hectares of Amazon Forest were lost.⁷ Also, average temperatures within the Amazon have increased by 0.5 Celsius since the 1980s, and rainfall anomalies have

¹ "Bioeconomy" means any economic activity based on the use of renewable natural biological resources, both terrestrial and marine, to obtain food, materials and energy in a sustainable manner without compromising their availability for future generations. It includes activities related to the invention, development, production and use of biological products and processes (<https://blogs.iadb.org/sostenibilidad/en/a-call-for-an-integrated-framework-for-the-bioeconomy-in-latin-america-and-the-caribbean-region/>).

² An online Marketplace is a website or app that facilitates shopping from many different sources. The operator of the marketplace does not own any inventory, their business is to present other people's inventory to a user and facilitate a transaction. Richard Kestenbaum. 2017.

³ "Bio-businesses" are firms that use sustainable production models and practices in AFOLU in the Amazon. Shifting to production models, technologies and practices that adopt a more sustainable use of natural capital and forests in the Amazon, can contribute to reducing the impacts of climate change by reducing deforestation, restoring soil and reducing GHG emissions. (<https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp173.pdf>)

⁴ Developed and run by the IDB, CA is the first social media platform designed to help Small and Medium sized firms carry out more and better international trade transactions. In its seven years of operation, the platform has reached 500,000 business profiles on the platform. CA has trained over 150,000 people through its courses and webinars, and over 2,000,000 users have engaged with its written and audiovisual contents.

⁵ [The Nature Conservancy 2019](#)

⁶ [Chathamhouse.ORG](#)

⁷ Source: IDB's elaboration based on Global Forest Watch data.

become recurrent causing harsher natural phenomena such as floods, landslides, and droughts.

- 2.4 A recent study commissioned by INT found that there are 60 products with a global market of US\$159 billion that can be produced in a sustainable way in the Amazon through bio-businesses.⁸ However, Amazon countries' market share of these products less than 1%.
- 2.5 Supporting the growth of sustainable economic activities in the Amazon region and their access to foreign markets and investors will help improve the livelihoods of the people who live in the amazon region, while reducing the pressure that human economic activity exerts on the region's ecosystem.
- 2.6 The Amazon Bioeconomy Marketplace will focus on bioeconomy products as well as products from bio-businesses that use technology, biology, science, data and innovation to become more sustainable in terms of sourcing, production and access to market. Bio-businesses may include cooperatives, SMEs, and producer associations. According to a recent McKinsey⁹ study, the opportunities for the development of biological applications in the next 10 to 20 years can exceed US\$ 4 trillion of direct economic impact worldwide. Tapping into these opportunities will require investments in technology, value chain and human capital development, the development of innovative financing mechanisms, and very importantly, market access.
- 2.7 The program will help bio-businesses improve their products and productive processes, business plans, pitches and documentation for investors, supply chain efficiency and sustainability, marketing strategies, and other tools to help these businesses access new markets in a sustainable manner (increase their exports in terms of volume, number of products exported, destination markets, and buyers). The technical assistance will focus on improvements to products and processes to be able to obtain certification, quality seals and other product verifications that will increase firms' competitiveness and market access capabilities. The development of the ABM will focus on aspects related to economic opportunities (e.g., employment generation, bio-business growth), environmental sustainability (e.g., sustainable management of natural resources), and social inclusion (e.g., opportunities for women, indigenous peoples, Afro-descendants, and other vulnerable or disadvantaged groups).
- 2.8 The program will coordinate with local organizations, including Apex Brazil (PEIEX Amazonas-*Programa de Qualificação para Exportação* to identify biobusinesses with export potential), *Ministério da Agricultura e Pecuária* to identify existing programs designed to support biobusinesses in the Amazon and complement their efforts, and to identify existing studies that can inform the component 1 activities, *Instituto de Pesquisa Ambiental da Amazônia* to identify new niche sectors and the certifications

⁸ Bio-businesses are defined as business models, practices and technologies that sustainably use natural capital and forest assets that lead to reduced emissions, higher carbon stocks, net gains in natural capital and increased climate resilience, in the context of the bioeconomy.

⁹ *The Bio Revolution. Innovations transforming economies, societies, and our lives.* McKinsey Global Institute.
(https://www.mckinsey.com/~media/mckinsey/industries/life%20sciences/our%20insights/the%20bio%20revolution%20innovations%20transforming%20economies%20societies%20and%20our%20lives/may_2020_mgi_bio_revolution_report.pdf)

that could help them reach new foreign markets, *Coalizão Brasil Clima, Florestas e Agricultura* to identify bio-businesses, among others.

- 2.9 The design of this TC incorporates the following lessons learned from CR-G1006: (i) the need for permanent support and personalized advice to bio-businesses from the moment of the application until the implementation of the improvements in the productive processes to obtain the certifications, and (ii) the importance of added value and differentiation as the key to success in international markets.
- 2.10 **Strategic Alignment.** This TC is consistent with the Second Update to the Institutional Strategy (AB-3190-2) as it aligns with the development challenges related with “social inclusion and equity,” “productivity and innovation” and, “economic integration”, as it aims to strengthen the productive processes of bio-businesses (with a particular focus on women, indigenous, and afro-descendant owned businesses) to increase access to foreign markets and investors. It also focuses on the cross-cutting issues linked to promoting “gender equality, diversity and inclusion” and “addressing climate change and environmental sustainability”, as it focuses on women and indigenous owned bio-businesses, and it aims to support and help grow businesses with sustainable productive practices. In addition, the TC contributes to the Corporate Results Framework (CRF) (GN-2727-12) on indicators such as: (i) enterprises provided with technical assistance, as the TC includes training activities for bio-businesses, (ii) farmers with improved access to agricultural services and investments, as the TC will strengthen local stakeholders that provide agricultural services, and it will strengthen the skills of bio-businesses so they can access investment, (iii) amount of international trade supported, as the focus is on increasing bio-businesses’ access to international markets, (iv) habitat that is sustainably managed using ecosystem-based approaches, as the program will focus on bio-businesses that have sustainable productive processes and, (v) women beneficiaries of economic empowerment initiatives, as the TC will focus and track impact on women owned bio-businesses.
- 2.11 This TC targets three of the four themes of “the Amazon Initiative” (GN-3036): (i) bioeconomy, (ii) sustainable agriculture and livestock management, and (iii) human capital. Also, the TC is aligned with the Amazon Bioeconomy Fund (a Program funded by the Green Climate Fund (GRN), consistent with Board approval GN-3081-1 and the GRN) as it supports the objective of “enabling the development of profitable, scalable and climate-friendly production models”¹⁰. This TC is part of “Component I, Activity I.3b: tools for connecting bio-businesses to stakeholders and markets” as it supports to “provide greater access to markets opportunities by connecting buyers and sellers.” Also, this project is aligned with the IDB’s Integration and Trade Sector Framework Document (GN-2715-11), the Environment and Biodiversity Sector Framework Document (GN-2827-8) and with the priorities identified in paragraph 2.56 of the Climate Change Action Plan 2016-2020 (GN-2848-8). It is further aligned with paragraph 2.75 of the CSD/CCS Sector Framework Document (GN-2835-10) and the project supports the recently approved decision of the Board of Executive Directors to drive the mainstreaming of natural capital and biodiversity. This project is aligned with the IDB Group’s Brazil Country Strategy 2019-2022 (GN-2973) in Strategic Area I: improve the business climate and narrow gaps in sustainable infrastructure to enhance competitiveness; and II: promote international and national integration to boost productive capacity; as well as in the cross-cutting themes of (a) gender and diversity,

¹⁰ <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp173.pdf> page 6.

(b) climate change, environmental sustainability, and (c) innovation and digital transformation.

- 2.12 This TC is complementary to the following technical cooperation provided by the Bank in the Amazon region: BR-T1537: Bioeconomy Program for Amazonia – BASA Institutional Capacity and Technical Assistance to Bio-businesses, BR-T1538: Bioeconomy Ecosystem Hubs: Our way of enhancing bioeconomy businesses in the Amazon, BR-T1540: Development of Bioeconomy Pole in Western Pará, RG-T4293: Innovation in Bio-Business Challenge: Capacity building for bioeconomy entrepreneurship in the Amazon basin, BR-T1492: Innovations for the Sustainable Development of Brazil's Amazon, RG-T4005: Science, Technology and Innovation to Protect the Biodiversity of the Amazon Basin, RG-T4154: Incubator of Indigenous Bioeconomy Companies for the Amazon Region, BR-T1451: Sustainable Bioeconomy Businesses Led by Forest-Dependent Communities, RG-G1033: Amazonia Regenerate Accelerator and Investment Trust (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, and Suriname), and RG-T3439: Bioeconomy: Exploring the Potential of Emerging Biotechnologies for Driving Sustainable Economic Growth.

III. Description of activities/components and budget

- 3.1 The activities in this TC will focus exclusively on implementing the three components described below in Brazil. Subsequent work required to develop and market the ABM¹¹, onboard bio-businesses from other Amazon countries (Peru, Suriname, Guyana¹²), and incorporate the bio-businesses supported under this TC into the ABM, is expected be funded with additional resources from the Green Climate Fund's program with the IDB (FP173).
- 3.2 Around 170 individual producers will receive training and support to implement sustainable production systems with specific indicators geared towards better management of land (deforestation). The project will identify, assess, and support an estimated 40 stakeholders (local and international organizations, government agencies, and producer associations or cooperatives) and will obtain extensive documentation on their status, business goals and productive capacities. It will also work closely with at least 35 domestic, regional, and international buyers to better

¹¹ The additional planned components are **Component IV: Local Partner Engagement and Capacity Building**. The objective of this component is to help strengthen the skills and processes of Amazon bio-businesses to increase their competitiveness and attractiveness to investors by collaborating with local and national partner organizations that will implement the technical assistance locally; **Component V: Online Business Matchmaking and Event Series**. Using the proven and successful track record of CA, the objectives of this component are to (i) generate export deals for Amazon bioeconomy products, (ii) generate lessons learned that will inform the design of the ABM, and (iii) generate knowledge that will be transformed into CA learning materials; **Component V: Online Business Matchmaking and Event Series**. Using the proven and successful track record of CA, the objectives of this component are to (i) generate export deals for Amazon bioeconomy products, (ii) generate lessons learned that will inform the design of the ABM, and (iii) generate knowledge that will be transformed into CA learning materials and **Component VI: Marketplace Design, Implementation, and dissemination**. The objective of this component is to increase exports of Amazon bio-business products by creating a dedicated, transactional marketplace that leverages on the IDB's CA platform where buyers from all over the world will be able to directly purchase these items from local producers. IDB Invest and IDB Lab will play a critical role in helping create a financing vehicle for the operation of the platform and to unlock greater private resources to the region. One of the key activities to be implemented under this component is the systematization of all the lessons learned through the implementation of components 1, 2 and 3, and ensuring that such lessons inform the design of the marketplace.

¹² Colombia and Ecuador are receiving TC support to implement components I, II and III from the Natural Capital Lab.

understand their needs and ensure demand for the products of the bio-businesses supported by the program. In addition, around 50 Amazon bio-businesses will receive support to strengthen their sustainable production capacities to obtain certifications and/or verifications required by buyers. The project also aims to ensure that at least 20% of participating producers are women, youth and/or native and indigenous populations.

- 3.3 **Component I: Market Analysis, Gender and Diversity Study, Actor Mapping, Strategy Development and Inventory (US\$150,000).** The objective of this component is to identify: (i) bio-businesses that have potential to export or receive investment, (ii) buyers and investors, (iii) local business/producer support organizations, (iv) types of technical assistance needed, (v) financial mechanisms to increase access to finance, and (vi) the role that women, LGBTQ+, local communities and people with disabilities could play in bio-business. This component will engage experts to produce the key knowledge and information for the project, by analyzing the most relevant literature and project assessments related to the Amazon bio-business economy, and incorporating primary information gathered through interviews, surveys and focus groups. It will also be complemented by similar work carried out previously in Colombia and Ecuador. The economic activities that will be considered during market analysis include but are not limited to: non-timber natural forest products extracted sustainably from the forest (e.g., cocoa, fish, acai, copazu, coffee, Brazilian nut, castanha do para, among other fruits, nuts, edible leaves, roots and shoots); products from sustainable agroforestry systems (e.g., cassava and cocoa); products from sustainable aquaculture systems (e.g., pirarucu, surubim, tambaqui, tilapia, carp, shad, black prochilodus and tucunare), and sustainable ecotourism services and handicrafts. The component will produce a comprehensive market analysis and enabling conditions assessment. This will include data and information on products supply and demand, as well as the capacities and needs of bio-businesses, and recommendations on appropriate financing products and structures in Brazil.
- 3.4 **Component II: Bio-business Identification, Quality Verification and/or Certification (US\$475,000).** The objective of this component is to help emerging and more developed bio-businesses enhance their access to new markets and become more attractive to LFI and potential investors, by providing them with relevant technical assistance, verifications, certifications and quality badges. To that end this component will: (i) identify bio-businesses that have the potential to be verified or certified, (ii) support continuous improvement of production processes, (iii) generate valuable data that helps create new digital tools for producers, (iv) implement verification and/or certification programs in selected Amazon territories and track their progress, and (v) capture lessons for the expansion of verification and/or certification programs in the Amazon. Through this component, this TC will provide financial support (subgrants) and technical assistance to selected pilot bio-businesses to help cover the costs of certification and verification. This component will also train local organizations to assess and support SMEs, strengthening local stakeholders for accountability on impact and regeneration of the amazon ecosystems.
- 3.5 **Component III: Access to Finance Readiness (US\$325,000)** The objective of this component is to increase the availability of financing for Amazon bio-businesses. To that end, this component will engage consultants to: (i) map local financial institutions (LFIs), (ii) develop financing mechanisms in coordination with IDB Invest to incentivize lending to bio-businesses, (iii) identify investors interested in the Amazon, (iv) explore with LFIs the possibility of issuing a first-of-a-kind Amazon-linked bond, as well as

other performance-based financial instruments. IDB Invest and IDB Lab will help lead the implementation of this component to assure to leverage their know-how and projects within the countries.

- 3.6 **Budget.** The total estimated cost of the TC is US\$ 950,000 financed by the Green Climate Funding (GRN) consistent with GN-3081-1.

3.7 Indicative Budget

| Activity/ Component | Descriptions of activities | GRN | Total |
|---|--|----------------|----------------|
| Component I Market Analysis | Identify: (i) bio-businesses that have potential to export or receive investment, (ii) buyers and investors, (iii) local business/producer support organizations, (iv) types of technical assistance needed, (v) financial mechanisms to increase access to finance, and (vi) the role that women, LGBTQ+, local communities and people with disabilities could play in bio-business | 150,000 | 150,000 |
| Component II Bio-business Identification, Verification or Certification | (i) Identify bio-businesses that have the potential to be verified or certified, (ii) support continuous improvement of production processes, (iii) generate valuable data that helps create new digital tools for producers, (iv) implement verification and/or certification programs in selected Amazon territories and track their progress, and (v) capture lessons for the expansion of verification and/or certification programs in the Amazon | 475,000 | 475,000 |
| Component III Access to Finance Readiness | (i) map local financial institutions (LFIs), (ii) develop financing mechanisms in coordination with IDB Invest to incentivize lending to bio-businesses, (iii) identify investors interested in the Amazon, (iv) explore with LFIs the possibility of issuing a first-of-a-kind Amazon-linked bond, as well as other performance-based financial instruments. | 325,000 | 325,000 |
| Total | | 950,000 | 950,000 |

IV. Executing agency and execution structure

- 4.1 The Inter-American Development Bank, through the Integration and Trade Sector (INT/INT), will be the Executing Agency, in accordance with the guidelines established in the Technical Cooperation Policy (GN-2470-2) and the Technical Cooperation Operational Guidelines (GN-2629-1).
- 4.2 The execution by the INT is justified because of the regional dimension of the ABM in which impartiality and effective cross-border coordination are critical to attain regional objectives. Likewise, INT, through the implementation of RG-T4009 has accumulated highly relevant experience that enables it to successfully implement the activities in Brazil. In addition, INT has vast experience implementing programs that provide co-financing to exporters to help them make the investments necessary to increase their competitiveness and become compliant with public and private standards required in international markets (for example, investments to improve production processes, obtain certifications, incorporate more sustainable practices, among others).
- 4.3 All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and (c) GN-2303-28 for logistics and other related services.
- 4.4 All knowledge products generated as part of this technical cooperation will be the property of the Bank and may be made available to the public under a creative commons license. However, at the request of a beneficiary, in accordance with the provisions of paragraph 5.5 of AM-331, the intellectual property of said products may

also be licensed to one or more beneficiaries through specific contractual commitments that will be prepared with the advice of the Bank's Legal Department.

V. Major issues

- 5.1 Implementation of a regional project implies a higher level of complexity, as well as risks related to the coordination with local actors. These risks will be mitigated by having strong local partners such as APEX, SEBRAE and international NGOs, who have a strong local footprint with teams deployed within each Brazil. Moreover, the TC will be closely coordinated with the different IDB Country Office and the Amazon Coordination Unit (CSD/ACU).
- 5.2 There are also risks associated with the sustainability of the project. To mitigate them, the team has taken three concrete actions. First, the project's components were designed to deliver (independently) outcomes that can complement other IDB Amazon related projects and/or that can be used by ongoing IDB operations or initiatives. In fact, this TC was designed in coordination with other areas of IDB as a requirement to be eligible for GCF Amazon Bioeconomy Fund resources. Second, funding for the scale-up of Components I and II to other countries and for the remaining Components, is being mitigated initially through the GCF Amazon Bioeconomy Fund resources¹³ and, eventually by other available sources such as the new multi-donor fund being created at the IDB for the Amazon Initiative. Third, the development of this project will be supported by INT's ongoing flagship initiatives such as CA, and business summits and match-making events and, by others under the leadership of IDB Lab and IDB Invest.

VI. Exceptions to Bank policy

- 6.1 This TC does not involve or require any exception to the Bank's policies.

VII. Environmental and Social Strategy

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client - BR-T1549](#)

[Results Matrix - BR-T1549](#)

[Terms of Reference - BR-T1549](#)

[Procurement Plan - BR-T1549](#)
