

SUMMARY OF THE PROJECT IN DESIGN * (*)

ALIADOS - An innovation-investment platform for regenerative bioeconomy in Ecuador

PITCH ELIGIBILITY DATE		COUNTRY(IES)
06/03/2022		Ecuador
ALIGNED WITH COUNTRY STRATEGY?		
Yes		
PARTNER(S)		
Aliados		
PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT		
C (**)		
TOTAL BUDGET	IDB Lab	LOCAL COUNTERPART AND COFINANCING
US 1,200,000	US 600,000	US 600,000
DESCRIPTION		

Problem: The problem that this project will address is a lack of income for small family farmers in the Amazon caused by limited capacity to aggregate and produce agricultural products in a sustainable way using regenerative methods and at the volumes and quality sought after by national and international markets. Smallholder farmers are still using subsistence farming practices that are not compatible with market requirements, or their increasing cost of living. This is pushing many smallholders to migrate towards more unsustainable and extensive practices that produce an initial higher cash flow but deplete soil fertility and forest cover and lead to lower productivity very quickly - generating a vicious cycle of forest degradation. Uncontrolled agricultural expansion in the Amazon is a leading cause of severe environmental decline, including biodiversity and habitat loss and carbon emissions tied to climate change.

The premise of this project is that the future of agriculture depends on innovative solutions and diverse partnerships in the food system that maintain and regenerate biodiversity values. **The objective of this project is therefore to a) establish a Pilot Innovation-Investment Platform for regenerative agriculture in the Amazon that increases farmers' income from improved access to responsible markets and b) to create the conditions to scale the Platform's impact at the regional level.**

Solution: The platform will provide an integrated solution of specialized technical assistance, access to finance and access to responsible markets for regenerative farming and bioeconomy business to flourish in the Amazon. This project is one of the first attempts in the region to test the integration of technical assistance for regenerative agriculture, finance, and market access in a single solution. The Platform brings local and global partners into a collaborative "innovation ecosystem" to convert breakthrough innovations into viable bioeconomy solutions.

Beneficiaries: The primary beneficiaries of this project are Kichwa indigenous communities and farmers located in the Upper-Napo watershed in the Napo, Orellana, and Morona Santiago provinces in Ecuador. The total number of Kichwa in the Ecuadorian Amazon total roughly 55,000. This project will directly benefit around 2,000 Kichwa indigenous families located in the buffer zone of the Sumaco-Galeras National Park, owning between 3,000 - 60,000 ha's of mainly intact forest, per community. These communities currently have poverty rates of between 50-60%, with very limited local employment opportunities.

*The information mentioned in this document is indicative and may be altered throughout the project cycle prior to approval. This document does not guarantee approval of the project.

**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.

Partner: Aliados is an organization that has over a decade's experience working across a variety of organic and agroforestry value chains and our work to date has generated more than \$3M for 2,100 indigenous farmers, over 50% of whom are women. Working first with Runa LLC and guayusa tea, Aliados increased Amazonian farmer income by \$395 per year for 2,000 families from agroforestry. Then, working with Terrafertil/Nestlé and goldenberries, Aliados has tripled farmer's incomes, generating \$2,500 per year of additional income for Andean farmers. Aliados is also setting up a new wild jungle peanut value chain in the Amazon with offtake commitments of up to 90,000 kg per year from Terrafertil.

The IDB Lab contribution is US \$300,000 non-reimbursable Technical Cooperation and US \$300,000 Contingent Recovery Investment Grant. Will support the following key components of this project:

- a) Strengthening Aliados' business, financial, and operational model: Includes the creation of the Aliados' business plan and financial model for triple-bottom-line impact to demonstrate the effectiveness of its model and position the organization to replicate its solution at the regional level: what does Aliados offer, to who, how, value creation, revenue generation, financial model, impact, and strategic pathway to scale. This includes systematizing the Aliados innovation-investment platform model into an organized stepwise process, focused on maximizing economic, social, and environmental impact and supported by a payment-for-success model.
- b) Implement a digital system to strengthen M&E and data management across various levels, including social and environmental impact, product traceability and climate change adaptation and mitigation impacts.
- c) Test a Contingent Recovery Investment Grant (CRIG) blended finance mechanism to (i) support farmers and bioeconomy ventures with inputs, seed capital and TA to establish regenerative farm production and bioeconomy businesses and effectively link to national and international responsible markets. In this case Aliados will be repaid through a success fee on overall transaction volumes; (ii) invest in the strengthening of start-up and established companies that want to be integrated in the bioeconomy of the region.

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