



PRIVATE SECTOR ENGAGEMENT: MOBILIZING FINANCE FOR AMAZON BIODIVERSITY CONSERVATION

How USAID uses risk mitigation: The case of the Althelia Biodiversity Fund (ABF) Brazil. The ABF Brazil mobilizes blended finance to support sustainable activities that protect, restore, or otherwise improve biodiversity and community livelihoods in the Brazilian Amazon.

WHY MOBILIZE PRIVATE FINANCING FOR A SUSTAINABLE AMAZON?

Despite significant philanthropic resources to further sustainable development of the Amazon, threats to biodiversity remain and are increasing. [Assessments](#) show that the lack of financing and credit is a major barrier for the expansion of conservation enterprises in the Amazon. To ensure responsible, sustainable development, joint solutions and blended financing structures with the private sector are needed. The practice of “impact investing” is rapidly expanding in Brazil, largely in the country's southern and central urban centers in sectors such as health, information technology, and education. The risks and challenges of working in the hard-to-reach Amazon have precluded most impact investors from expanding into the region and into economic activities that support protected area management and biodiversity-friendly enterprises. Unlocking private finance for Amazon conservation enterprises and new, sustainably-driven economic models that are compatible with conservation are critical to maintaining the natural resources of the Amazon region.

ABOUT THE ALTHELIA BIODIVERSITY FUND BRAZIL

[ABF Brazil](#) is a Brazilian impact investment fund (Fundo de Investimento em Participações - FIP), with Mirova Natural Capital as the investment advisor operating under its brand name, [Althelia Funds](#), and Vox Capital as the fund administrator. The fund intends to address inherent financial challenges by providing flexible, long-term, patient capital for sustainable businesses that seek transformational, positive impact on Amazon biodiversity and communities. The term of the fund is 11 years, with the first five years as the investing period. ABF Brazil intends to raise \$100 million, largely in private capital.

ABF Brazil intends to invest in four key areas: 1) Conservation and community livelihoods; 2) Smallholder production systems, such as agroforestry; 3) Sustainable farming and reforestation to recover degraded lands; and 4) Innovation in biodiversity services, finance and technology. The fund expects to strengthen the autonomy of forest-dependent communities, companies and entrepreneurs; restore degraded lands; and reduce threats to standing forest and biodiversity, ultimately replacing illegal, unsustainable practices with legal, sustainable alternatives.

The fund plans to use an innovative structure for the payment of performance fees, coupling carried interest with an impact performance fee, encouraging a focus on long term biodiversity impacts. Across the entire portfolio of investments, the fund will monitor and report annually on seven thematic areas with environmental, social, and economic indicators. Starting in Year Three, these results will be independently audited each year.

USAID'S ROLE IN THE ALTHELIA BIODIVERSITY FUND BRAZIL

Following a needs assessment under the Partnership for Conservation of Amazon Biodiversity (PCAB), a multi-year (2014-2024), \$80 million ceiling bilateral agreement with the Government of Brazil, we recognized the need to catalyze private sector leadership towards conservation and sustainable development. [USAID](#) helped convene partners for the co-design of ABF Brazil, led by Althelia Funds jointly with the [International Center for Tropical Agriculture](#) (CIAT), in consultation with a broad array of partners, including the [Partnership Platform for the Amazon](#). During co-design, USAID provided recommendations on the Fund's environmental, social, and governance policies and its impact approach, which is aligned with [USAID's Biodiversity Policy](#).

Using its Development Credit Authority (DCA), USAID provided a 50 percent loan guarantee, helping reduce risk for the fund. In addition, USAID provided a \$15 million grant to CIAT to further biodiversity conservation and sustainable development goals in the Brazilian Amazon and learn from innovative blended-finance models. Given the closely aligned goals of the fund, CIAT invested \$15 million in ABF, becoming the cornerstone investor. Together with Brazilian scientific and government partners, USAID and CIAT will do a third-party, ten-year evaluation of a subset of fund investments. The evaluation will include state-of-the-art geospatial analysis of land use change, degradation, and biodiversity monitoring of key species.

These roles complement the portfolio of ongoing activities in Brazil under the [Partnership for Conservation of Amazon Biodiversity](#) (PCAB), that aim to strengthen protected areas management, including diverse types of sustainable use, as well as with indigenous and traditional territories. All PCAB activities meet USAID's Biodiversity Policy and Biodiversity Code.