



SUSTAINABILITY WEEK 2024

THE AMAZON'S LEGACY

MANAUS - BRAZIL





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Introduction

Dear colleagues and partners,

I am delighted to present the “Legacy of the Amazon: Insights from Sustainability Week 2024”. This document not only summarizes the discussions and conclusions of our Sustainability Week, the main event on the subject with a focus on impact but also reflects our unwavering commitment to the preservation of the Amazon and the sustainable development of its communities.

After months of planning, team building, establishing strategic partnerships, and defining a clear vision of the region’s challenges and needs, IDB Invest is strengthening its activities and increasing its commitment to promoting economic growth in the Amazon, which includes the eight countries that share the Amazon Basin.

The choice of the Brazilian city of Manaus to host Sustainability Week 2024 was a tribute to the uniqueness and global importance of the Amazon. The Amazon is a priceless treasure that

sustains our lives and connects eight countries in a common cause. The Amazon rainforest is not only home to more than 50 million people, but also absorbs 20% of the planet’s CO2 emissions and contains 40% of Latin America’s fresh water.

What we experienced during this event was a powerful demonstration of co-creation and collaboration. In a hybrid event, with an online and face-to-face agenda, we brought together business leaders, investors, policymakers, academics, researchers and representatives of communities and the third sector to generate practical and viable solutions. Our intention with this document is not to confine all the rich debates that took place that week to a single moment in time, but to continue a careful reading, provoking new reflections and discussions so that we can address the challenges ahead. That’s why we hired the team from Alter Conteúdo, a communications agency specializing in sustainability issues, to bring you

a faithful compilation of the highlights of SW24 that we want to reverberate in our future actions.

This publication is a legacy of collective effort, encapsulating the best practices, innovative ideas and commitments that emerged from Sustainability Week 2024. In five chapters - based on the event's central pillars: the Amazon, Bioeconomy, Inclusion, Impact Investing and Climate Change - we have brought together the most inspiring things discussed in Manaus. As such, this publication will serve as a valuable tool for all those committed to promoting more sustainable business practices that have a positive impact on the environment, the economy and people.

The event is the culmination of a dialog process with clients and stakeholders that we hope will continue at the SW platform, a space in which like-minded institutions and players committed to impact investments come together to collaborate, accelerate and amplify this agenda in the future. The difference between simply getting together in a room and sharing best practices and building a community of doers is fundamental. We are working together to create a path of increased collaboration, giving visibility to countless transactions that can be financed and attracting investors who share our vision of inclusive and sustainable development for Latin America and the Caribbean.

Our goal is clear: to co-create solutions with partners who share our commitments. This is a call to action. Now that we've absorbed,

learned from each other and explored these topics and case studies, it's time to act. Let's put this knowledge into practice. Let's continue to innovate, collaborate and co-create solutions.

We must think globally, act locally and implement solutions that meet people's needs. This is a call to action for all of us.

Let's make a difference together.

I invite all of you to join us on this journey.

With deep gratitude and determination, I hope you have a great read.



*Luiz Gabriel Azevedo
Chief Strategy Officer at IDB Invest*

SW24: From Manaus to the world

A hybrid event to share knowledge and enhance the reach of best practices for advancing sustainability

Sharing knowledge dedicated to advancing sustainability in Latin America and the Caribbean is one of the pillars of SW24. To promote collaboration and broaden the event's reach, IDB Invest has developed a dynamic digital agenda based on a hybrid participation model.

This agenda began even before the face-to-face panels in Manaus, with 12 virtual trainings in live sessions, open to the public, with more than 2,600 online participants from all over the world. Held the day before the face-to-face event, the trainings were conducted by IDB Invest experts and partner companies in Portuguese, English and Spanish and are available at the links below.

In addition, SW24 had live streaming from the main plenary room and exclusive 20-to-30-minute sessions, called impact talks, for the digital audience. There were 30 impact talks broadcast live from the city of Manaus, Brazil, via LinkedIn, X, Facebook and YouTube, ranging from one-on-one conversations with industry leaders to panel discussions and keynotes.



This hybrid format allowed IDB Invest to maximize the reach of the event, enabling worldwide participation and boosting the network effect, allowing like-minded individuals to share best practices and promote collaboration on impact initiatives. Through the virtual platform, the event was attended by people from 78 different countries.

The SW24 panels and talks held in the main plenary hall and the impact talks are available on [*IDB Invest's YouTube*](#) channel.

To check out the virtual trainings, click on the links below:

1. [*Reporting the impact of green and social bonds*](#)
2. [*Compliance programs for SMEs*](#)
3. [*Managing integrity risks: what is the role of the board of directors?*](#)
4. [*Governance for family businesses: the Bemol case*](#)
5. [*Good practice guide: Management of labor relations in the sugarcane chain*](#)
6. [*Human rights for business*](#)
7. [*Economic independence for young leaders*](#)
8. [*Managing gender-based violence and harassment grievances*](#)
9. [*Analysis of cumulative impacts*](#)
10. [*Guide to good practices: wastewater management for the agro-industrial sector*](#)
11. [*Transition planning: climate opportunity and risk management for Financial Institutions*](#)
12. [*Sustainability and innovation: the keys to sanitation in the global south*](#)
13. [*Measurement and management of the impact for financial institutions*](#)

The Amazon

Chapter 1

The Amazon, a place of challenges and solutions

Talking about the Amazon in Amazonian territory. This was the theme of the three days of debates, lectures, meetings and gatherings at Sustainability Week 2024 (SW24), which took place in Manaus, Brazil, from June 11 to 13. For many of the almost 1,000 participants from 38 countries who traveled to the Amazonian capital, it was their first trip to the Amazon region. And, as IDB Invest CEO James Scriven pointed out at the opening of the event, the Amazon needs no introduction.

Latin America and the Caribbean, the focus of the IDB Group's activities, are home to seven of the world's 25 biodiversity hotspots. In addition, the region concentrates 40% of biodiversity, 40% of fresh water and almost 50% of the planet's tropical forests. These natural assets, however, are not being put to good use: there is a lack of strategy, specific technical knowledge, installed

institutional capacity and available funding for the region's nature-based projects to reach their full potential.



"It's not necessary to present the Amazon to those who are here. In fact, it's the Amazon that needs to share some ideas with you, and one of them is that this is a unique space that brings together all the challenges of our continent."

James Scriven, CEO of IDB Invest

Biodiversity plays a crucial role in the region's development and provides livelihoods for various populations. Around 20% of jobs in the region are heavily dependent on ecosystem services, and a large part of these positions are filled by vulnerable populations, such as Indigenous peoples, who represent 10% of the region's more than 50 million inhabitants.

Silvia Vilas Boas, Finance, Strategy, Executive Governance and Transformation Vice-president at Natura, gave a testimony based on the experience of the company, which has been working with Amazonian communities for two decades and has a factory, distribution centers and an innovation laboratory based in the Amazon. "We have spectacular entrepreneurs here, who need support, opportunities for young people and communities to be able to improve their income and prosper," she said, quoting the example of the tribal chief of the Paiter-Suruí ethnic group, Almir Suruí.

As an Indigenous leader of the Suruí Territory, he defended the creation of policies to identify Indigenous entrepreneurs and encourage collective projects through the territories' management plan. "The biggest threat to the forest is the lack of employment and income policies. Indigenous peoples have potential within their territories, but they need support," said Almir Suruí. To reconcile local objectives with the major global ones, he believes that it

is necessary to bring the global agenda to the Amazon and include Indigenous peoples in the discussions, not only for consultations, but also for decision-making.



"When it comes to the Amazon, this is where we can think of supporting the autonomy of Indigenous peoples in the management of their territories. That's how we're going to help protect the standing forest."

Almir Suruí, tribal chief of the Suruí Territory (Rondônia)

Leonardo Mazzei, Director of Stakeholder Engagement at IDB Invest, pointed out that the choice of Manaus to host SW24 was not only symbolic, but also practical in the context of the challenges facing Latin America and the Caribbean. The region is at a crucial crossroads, with challenges that include inequality, politics, low growth and the relentless impacts of climate change, as recently occurred in Rio Grande do Sul.



"How can we support cooperatives so that young people don't have to leave their communities? We need to innovate in the financial instruments so that the resources reach the end to effectively change this reality."

Silvia Vilas Boas, Finance, Strategy, Executive Governance and Transformation Vice-president at Natura

To support innovative businesses in the region, the Amazon Financial Network (AFN) launched the **Tambaqui Tank**, an acceleration program for innovative business pilot projects, during SW24. Inspired by the U.S. game show Shark Tank, the Amazon version challenged participants to convince investors to finance their new businesses. In the first round, 31 proposals were submitted.



“The choice of Manaus is also practical, because it is from here in the Amazon that many of the solutions the world needs will emerge.”

Leonardo Mazzei, Director of Stakeholder Engagement at IDB Invest

The 31 proposals presented at the Tambaqui Tank sessions addressed solutions in financial inclusion, agribusiness and forestry, carbon finance, innovative financing and product design, and public-private partnerships. The estimated potential impact of these projects reaches 2.1 million direct beneficiaries, 1.2 million hectares of reforested and conserved land and 6 million metric tons of CO₂ sequestered by 2030.

Joining forces to make an impact

The innovative business projects were presented during the first face-to-face meeting of the Amazon Financial Network (AFN), created during COP 28 by IDB Invest and the International Finance Corporation (IFC) and expanded from 23 to 47 institutions in Latin America and the Caribbean during SW24. According to representatives of financing organizations, the addition of new participants to the network could help piece together the puzzle of reconciling economic growth with impact investments and climate change.

“I see this network becoming a catalyst for sustainable development in the region and also as a tool for mitigating risks collectively”, said Manuel Reyes-Retana, Regional Director for Latin America at the International Finance Corporation (IFC), the World Bank’s arm for projects in developing countries in partnership with the private sector.

Based on the projects presented to the Tambaqui Tank in Manaus, Marisela Alvarenga, CIO of IDB Invest, pointed out that the positive effects of the AFN go beyond the financial impact. “We also have the innovative solutions that we are creating through the network. I was looking at the different pitches, which are very good and range from investment funds and grants to certifications and carbon credits. There are so many ideas,” she said.



Presentation of proposals at the Tambaqui Tank sessions, launched during SW24

IDB Group initiatives to boost impact investments in the Amazon announced during SW24

- **Action Plan for the Mainstreaming of Natural Capital and Biodiversity 2024-2025:** will intensify the inclusion of biodiversity and natural capital from the Amazon region in the bank's operations.
- **Amazonia BeEco:** seeks to train 8,000 families in sustainable skills over the next four years and enable the sustainable management of at least 400,000 hectares of land in the Amazon region of Brazil, Colombia, Suriname, Ecuador, Guyana and Peru.
- **Amazonia ReGenerate Accelerator and Investment Fund:** with an initial contribution of US\$11 million, will invest in bioeconomy companies with high regenerative potential operating in Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname.
- **Tambaqui Tank:** the Amazon Financial Network's program to accelerate innovative business pilot projects with the potential to impact more than 2 million people, 1.2 million hectares reforested or conserved, and 6 million tons of CO2 sequestered by 2030.
- **Technical cooperation agreement with the Brazilian Forest Service and BNDES (National Bank for Economic and Social Development):** allocates US\$1 million in non-refundable resources to structure sub-national PPP projects for forest conservation and recovery of degraded areas.

Source: BID Invest

Amazonia Forever

Head of the IDB Group's Amazon Unit, Tatiana Schor is leading the bank's initiatives in the region in line with the Amazonia Forever program, launched by the IDB in 2023. The challenge, she said, is to remove the risks from the territory through closer action that facilitates synergies between the public and private sectors.

"One of the great challenges of building economic alternatives that conserve the forest is to understand that this means much more than creating forest economies. It means taking economic pressure off the forest, looking at cities and how to increase the productivity of urban services including the industrial ecosystem," said Schor.

In other words, even if the region's industrial sector apparently has nothing to do with forest conservation, the creation of jobs and the very economic dynamics created by industry can add value to forest products and restructure the economic dynamics of the entire region, she explained. "Therefore, the private sector has a fundamental role to play in shaping the regional economy," said Schor.

Amazonia Forever Program

Launched in June 2023, Amazonia Forever is an umbrella program of the IDB Group that aims to join forces with all relevant stakeholders to:

- upscale financing
- strengthen the planning and execution of projects to generate impact
- share knowledge and evidence-based innovations
- leverage expertise to support policy development
- enhance regional collaboration and coordination

Source: IDB

Among the efforts to upscale financing for the region, a key objective for the success of the program, the bank wants to promote new financial instruments and a favorable regional structure for issuing Amazon bonds.

One of these new instruments to mobilize capital for Amazonian countries is already under development. In partnership with the World Bank, IDB is working on the taxonomy for issuing a new financial instrument, an Amazon Bond, to raise funds to help countries meet their climate commitments.

The initiative is intended to capture part of the global demand for investments in the Amazon, but it is necessary to prevent the resources from being invested in unsustainable projects. "We understand that these resources need to be well used in the

Amazon Forever Program, in the pillars where they will have the most impact,” explained the president of the Inter-American Development Bank (IDB), Ilan Goldfajn. “It’s not just any bond, it’s a bond for the region and we have to define where it will go and how it will be used.”

The challenge of mobilizing partnerships and resources to make an impact

Throughout the 48 sessions, the region’s challenges and opportunities were discussed by 178 speakers with the aim of mobilizing partnerships and resources to develop the bioeconomy, promote inclusion, foster impact investments, accelerate decarbonization and mitigate the impacts of climate change.

Among the SW24 participants, which included global leaders from the business world, the public sector and civil society, a consensus was forming throughout the event’s panels. The climate agenda is a challenge that can only be tackled with collaboration, partnerships, innovation, new financial instruments and public and private resources. “It’s clear that without collaboration between the public and private sectors we won’t achieve the impact and scale we want,” said Ilan Goldfajn, IDB president.

The Climate Policy Initiative estimates that climate finance will require an annual volume of around US\$9 trillion by 2030. From 2031 to 2050, the forecast rises to 10 trillion dollars a year. In a video, Al Gore, former vice-president of the United States and creator of the Climate Reality Project, pointed out that 80% of the estimated climate finance for developing countries will be private.

The good news is that global climate finance doubled in the 2021/2022 biennium compared to the 653 million dollars invested annually in the previous biennium. Most of this growth is

due to an increase in resources directed towards mitigation, with the largest increases in the renewable energy and transport sectors.

US\$ 1.3 billion

was the annual average of the amount earmarked for global climate finance in the 2021/2022 biennium.

US\$ 9 trillion

is the estimated annual volume needed for climate finance by 2030.

Source: Climate Policy Initiative

Host of SW24, the governor of Amazonas, Wilson Lima, reinforced Al Gore’s words: the private sector is decisive in generating jobs and fostering local economies and development, which allows for a better quality of life and opportunities.



“Preservation doesn’t go hand in hand with poverty. The people of Amazonas need the minimum, they need the basics, drinking water, health, education, communication. They need opportunities, job creation.”

Wilson Lima, governor of Amazonas

Bioeconomy

Chapter 2

The value of conserving and investing in nature

How much is the ancestral knowledge that protects the standing forest worth? The search for an answer to this question is essential if the bioeconomy is to acquire the necessary dimension to mitigate the effects of climate change. The lack of a pricing system for the conservation and intelligent use of natural resources prevents them from being fully valued and integrated into local and global economies. In the debates that took place in Manaus, it became clear that, to move forward, more market mechanisms that assign financial value to environmental benefits will need to be created.

BIOECONOMY is the production, utilization, conservation and regeneration of biological resources, including related knowledge, science, technology and innovation, to provide sustainable solutions (information, products, processes and services) within and between all economic sectors and enable a transformation to a sustainable economy.

Source: International Advisory Council on Global Bioeconomy

To balance production with conservation, the bioeconomy requires an infrastructure that includes efficient transport networks to move products, the integration of local communities and research centers to foster innovation and attract investment, and even digital platforms to promote credit.

It's a new production system that needs to mobilize capital for these activities. That's why the value of standing, well-maintained ecosystems need to be priced so that, in addition to conservation, they have the financial, social and investment bases needed to create bioeconomic infrastructure.

However, the bioeconomy of payment for ecosystem services is still insufficient because there is a lack of proper recognition of the value of conservation and intelligent use of resources.

US\$ 15.4 trillion

per year is the estimated monetary value of ecosystem services in Latin America and the Caribbean, an amount not internalized in the region's national accounts systems.

Source: *IDB*

A new study carried out by the IDB, and the Igarapé Institute has identified opportunities to create sustainable economic alternatives for some 50 million people living in the eight countries of the Amazon. *"Re-imagining bioeconomy for Amazonia"* is the result of almost 100 interviews and a two-stage survey of more than a thousand respondents from the public and private sectors, academia and civil society in the region. The conclusion is that a more robust and resilient bioeconomy in the Amazon will require mixed financing, technical assistance, collaboration between sectors and countries, technology and innovation.

In contrast, the bioeconomy in the Amazon can provide new economic opportunities for local communities, helping them to maintain their traditional ways of life while participating in a modern, sustainable economy. Activities such as the collection and marketing of non-timber forest products, such as fruit and essential oils, and the implementation of agroforestry systems can increase productivity and provide income without deforestation.

Other opportunities include developing biotechnological products based on biodiversity, participating in conservation programs and paying for ecosystem services, strategies that promote sustainability and improve the quality of life of Amazonian communities. In addition, the development of ecotourism projects based on biodiversity and local culture can attract visitors and create jobs.

But the success of the Amazon bioeconomy, the study points out, will be determined not only by sustainable economic investment. Progress needs to be aligned with the region's natural and cultural heritage. For Tatiana Schor, Head of the IDB's Amazon Unit, the starting point for scaling up the Amazon bioeconomy is to understand how it can be defined without losing sight of the fact that a rigid definition could be

counterproductive when it comes to boosting sustainable economic activities

After listening to Amazonian communities, it became clear to the IDB that any definition of the bioeconomy must honor and incorporate the rights and knowledge of Indigenous peoples and local communities, not only as an environmental imperative, but also as a matter of social justice and cultural preservation. In addition, it is necessary to align the aspirations of the bioeconomy with the local political, economic and cultural contexts of the Amazon region.

The way to change the logic of the biome's destruction

The global shift towards green investments in nature-based solutions promises to open new channels of involvement in the bioeconomy. Large-scale reforestation projects, such as those carried out in the Amazon, exemplify the practical applicability of the bioeconomy: in addition to transforming degraded land into biodiverse forests that not only sequester carbon, but also revitalize entire ecosystems, they generate an impact both locally, in the territory, and throughout the ecosystem.

In the field of climate security, facing up to the challenge of new sustainable economies is the way to deal with the destructive impact of illicit economies on nature and regional biodiversity, especially in the Amazon. A path that involves offering alternatives to the people who live in the biome as a way of weakening the economy of illegal and inconsequential exploitation of natural resources.

Two initiatives announced by IDB Lab (the IDB Group's Innovation Laboratory) during the event have been developed to encourage the bioeconomy of families, communities and early-stage businesses located in the Amazon region. One of them, Amazon BeEco, will invest in community bio-businesses, foster the sustainable skills of 8,000 families and enable at least 400,000 hectares of land over the next four years. It is a regional effort to increase the income of families living in the Amazon regions of Brazil, Colombia, Suriname, Ecuador, Guyana and Peru.



“From nature-based solutions to biotechnology and regenerative agriculture, the bioeconomy permeates various sectors and has the potential to favor economic growth, quality employment and environmental management.”

Irene Arias Hofman, CEO of IDB Lab

Another initiative to boost the bioeconomy is the launch of the Amazonia ReGenerate Accelerator and Investment Fund, an investment fund for bioeconomy companies with high regenerative potential operating in Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname. The initial contribution is US\$11 million, with the expectation of reaching US\$30 million in 18 months, which will go to companies that are already operating with a minimum viable product (MVP). The idea is to fill financing gaps, scale businesses and boost the regenerative economy in Latin America and the Caribbean.

For Fábio Maeda, Director of Control and Risk at Banco da Amazônia, operating in the Amazon region requires not only financial investment, but also a strong component of technical assistance and technological innovation. The bank has been a pillar in the region for over 80 years, offering microcredit and technical support to small producers. Maeda emphasizes that to take full

advantage of the economic opportunities of the bioeconomy, a system is needed that values and prices ecosystem services, encouraging sustainable and efficient practices.

He also highlighted the importance of technological solutions to overcome the region's logistical challenges, which make it difficult to access remote areas. With 120 branches in the Amazon, the bank has realized the importance of adopting technologies such as digital signatures and online credit platforms, which not only facilitate access to credit, but also promote a more inclusive and efficient bioeconomy. Maeda believes that the combination of mixed financing, technical assistance and technology is crucial to transforming the Amazon into a model of sustainability and economic development.



“The Amazon has incredible potential to be a global example of the bioeconomy, but this will only be possible by valuing ecosystem services and using innovative technologies to overcome our unique challenges.”

Fábio Maeda, Director of Control and Risk at Banco da Amazônia

Inclusion

Chapter 3

Grow and share without leaving anyone behind

More than a legal or moral factor, diversity and inclusion are now competitive advantages, from working at the top to the viability of raising finance. A series of *studies on the subject carried out by McKinsey*, one of the most respected strategic management consultancies in the world, show that companies with greater gender and ethnic diversity are 39% more likely to achieve above-average profitability. What's more, for the first time in some areas, fair representation is on the horizon.

In Latin America and the Caribbean (LAC), there is still a lot of room for inclusion and growth without leaving anyone behind. Just to talk about

gender: women occupy only 15% of managerial positions and own 14% of companies, *according to a survey by the Inter-American Development Bank (IDB)*. Only one in ten companies has a woman as its chief executive.

Among the key factors for gender inequality are the very absence of women in leadership positions, a lack of training for the female workforce, especially in advanced technologies, and a corporate culture that does not favor diversity. The study recommends implementing legislation, incentives, transparent publication of salary information, training programs and a balance between paid and unpaid work.

Gender inequality in Latin American and Caribbean companies

- Women participation predominates significantly in areas considered soft, such as communication and public relations
- In harsh areas, such as foreign trade, women represent less than 35% of the people employed
- There is a higher rate of women in lower positions (36%) than in higher positions (25%).
- Women represent only 35% of the workforce that uses advanced Technologies
- Six out of 10 companies do not provide any type of maternity leave beyond what is determined by law
- Only 15% of companies analyze whether there are salary gaps within their organization

Source: *IDB*

For Patricia Yañez-Pagans, an Economist in the Development Effectiveness Division of IDB Invest, performance-based financial incentives are one of the possible strategies to promote specific inclusions, but she notes that data collection and continuous measurement of results are essential to adjust and improve these programs.

Exploring new possibilities

In regions with high social inequality, such as LAC, inclusion needs to go beyond the corporate environment, permeating sustainable development initiatives and community engagement. The construction of the Xochi highway in Guatemala is an example of how social and economic inclusion can be integrated into infrastructure projects.

With funding from IDB Invest, the project has two-thirds local labor among its workers, an effort to bring all the players into the development process. We need to educate the market about what it means to be partners in a project”, said Carlos Colom, Director of Infrastructure and Energy at the IDC Group.

An inclusive approach, in addition to a moral north, is also a strategy for creating a sense of belonging among the communities involved and sharing responsibility for the construction of the highway. This mitigates risks and increases the potential for profitability, since infrastructure projects of this magnitude face technical, social and environmental complexities, as well as the necessary permits, said the executive.



“Performance-based incentives are financial concessions that companies receive for achieving certain goals, such as hiring more women. These incentives help change the mindset of companies and accelerate the implementation of diversity programs.”

Patricia Yañez-Pagans, economist in the Development Effectiveness Division of IDB Invest

Transports

How Guatemala is building a highway with social and environmental sustainability

Brunno Motta

Economic participation, employment and ownership are at the heart of the innovative approach adopted in Guatemala to build a socially and environmentally sustainable highway on the country's southern coast. The Xochi Highway, known as the Road of Flowers, is a major transportation infrastructure project that began in October 2023 to improve regional connectivity and economic integration, but with the inclusion of impacted communities. Scheduled for completion in 2025, the 31-kilometer highway will connect San Antonio Suchitepéquez to San Andrés Villa Seca along the CA-2 Occidente highway.

From the outset, landowners in the path of the highway were given the option of receiving shares in the new development or monetary compensation, which contributed to a sense of shared ownership and economic benefit. Carlos Colom, Director of Energy and Infrastructure at the IDC Group, which is leading the project, said that the idea is not to provide the benefits to local communities only at the end, but to incorporate them into the development process.

"Securing the right of way was a collaborative effort with residents. Many became shareholders, guaranteeing long-term economic returns for their communities," said Colom.

Another central point of the project is the promotion of employment in the affected region. According to Colom, around 60% of the workforce is made up of residents, recruited through a specialized talent program. In addition, the project has a unique environmental component, employing women to grow and maintain flowers along the highway, integrating ecology with infrastructure development.

With funding of US\$55 million from IDB Invest, the Xochi Highway demonstrates how infrastructure projects can promote inclusive capitalism and sets an important precedent for future investments in infrastructure development in Latin America and the Caribbean.



"Social and corporate responsibility is very important because it has a shared value, and we believe that this is included in the project. Getting the right to build a 31-kilometer road is something that can only be shared."

Carlos Colom, Director of Infrastructure and Energy at IDC Group

Impact investment combined with innovation and technology have transformed the lives of a small riverside community 60 kilometers from Manaus. A pioneer in the production of stationary lithium batteries in Brazil, UCB Power brought this solution to Santa Helena

dos Ingleses, Amazonas, which suffered from constant power blackouts. "It's very rare to find a local company doing this with advanced technology, and in a place with high levels of sunshine", explained Juan Parodi, Investment Officer at IDB Invest.

Lithium, as well as other minerals abundant in Latin America and the Caribbean, are high-value assets for the energy transition process needed to combat climate change. These reserves prove that the region can contribute

with solutions to many of the global challenges. "This is an example of a solution developed and manufactured in the region that can be scaled up as a solution for many countries", said Parodi.

Energy

How an innovative solution ensured clean energy for riverside dwellers in the middle of the Amazon

Andréia Lago

Santa Helena do Inglês is a small riverside community on the banks of Rio Negro, which can only be reached after a four-hour boat trip from Manaus, Amazonas. Its remote location meant that power blackouts were part of the routine for the 130 residents of this quiet village in the middle of the Amazon. Until 2021, when an innovative project developed in the Manaus Free Trade Zone crossed the river to take the community out of darkness, helping to generate income and quality of life for the 30 or so families who live there.

Since then, Santa Helena do Inglês has been the calling card of UCB Power, a 50-year-old company from Manaus that has become a leader in energy storage solutions in Brazil. In partnership with the Sustainable Amazon Foundation (FAS), UCB installed 132 solar panels, 54 stationary lithium batteries and nine hybrid inverters in the community to generate clean and constant energy for the residents.



Credit: UCB - Documentary "*Energy that transforms lives*"

The social impact of the project helped attract the interest of IDB Invest, which is working with UCB to structure financing for the company to invest in technology and scale up the production of lithium batteries. Juan Parodi, Head of Amazon operations at IDB Invest, says that this is the kind of business that has the potential to expand and make clean energy viable in other remote regions of Latin America and the Caribbean.

"It's very rare to find a local company that does this with advanced technology. We want them to do even more and keep improving," explained Parodi. One of the objectives of a partnership between UCB and IDB Invest will be to monitor and achieve impact indicators.

Another model for ensuring the effective involvement of stakeholders has been developed by pulp and paper company Klabin. In around 100 cities in Brazil, the company has targets of 80% acceptance and social license linked to the bonuses of all its employees, from the board to the tip. Uilson Paiva, Manager of Social Responsibility and Community Relations at Klabin, said that this model feeds into the company's strategy and is included in the corporate risk matrix. "If we operate in municipalities, it's because we have permission from the community. Not having ESG-oriented

actions makes your activity high risk. Without this diagnosis, you increase the risks," he said.

President of the Santa Anita Savings and Credit Cooperative, located in the Cotacachi Cayapas Reserve in northeastern Ecuador, Yuri Amaya Guandinango Vinueza said that the main tool for inclusion is listening. "First, we observe, then we listen to the needs, and listening also means considering the historical and social context of the members, such as their language. We have populations that only speak Quechua, so we must do it in that language," Vinueza told

SW24. A member of the Quechua ethnic group, she chairs the first cooperative belonging to an Indigenous people, created in 2001 to promote credit for rural businesses within the territory, in the Andean province of Imbabura.



“Direct contact generates transparency, and therein lies the intrinsic value of this process. All this generates trust between us, the cooperative, and those who work in rural activities and live within the territory.”

Yuri Amaya Guandinango Vinueza, President of the Santa Anita Savings and Credit Cooperative (Ecuador)

For inclusion efforts in the region to be effective, it is necessary to address the digital barriers that many communities and groups face and understand this inclusion as a basis for them to develop, recalled Alejandro Prada, Director of Corporate Affairs and Transparency at IDB Invest.

Economically empowering under-represented groups involves closing the digital gap that still exists, which goes beyond access to technology. It involves developing the digital skills and competencies that will allow these groups to participate fully in economic and social development, said the executive. “Without connectivity, these communities are excluded from vital opportunities.”

The impact of AI on the job market

Artificial intelligence (AI) is leading to a significant reconfiguration of the labor market, warned Eric Parrado Herrera, Chief Economist at the Inter-American Development Bank (IDB). Parrado presented preliminary data from a survey carried out by the institution, which mapped the professions most at risk of being replaced by technology.

- ***38% of professions are more exposed over five years***
- ***44% of professions at greater risk of replacement as AI improves***

But the IDB's Chief Economist believes that the figures don't necessarily mean a threat. The projections also indicate opportunities for the use of AI in certain occupations, especially in regions where certain medical services, such as radiology, for example, are less accessible. On the other hand, professionals such as pediatricians and neurologists are less exposed.

Source: IDB Invest

Inclusion from the top

Adherence to innovative principles and mechanisms that put people and communities at the center of the processes that generate economic development can only happen with the interest of those at the top of the decision-making process. With the direct and simple style with which she manages one of Brazil's largest retail chains, Luiza Trajano, Chairman of the board of Magazine Luiza, reinforced the importance of integrating leaders with grassroots operations in companies. “People think I'm very intelligent, but I'm not. I know how to ask questions and listen to others, so I'm always asking how I can do things better”, she said.

The recipe, she added, is to invest in people. She recalled that the last thing people wanted was to be a salesperson because retailers didn't value this role. “I think that one of the things we contributed a lot to retail was adopting a career plan for salespeople, believing in and professionalizing this profession.”



Marta Viegas, IDB; Luiza Trajano, Magazine Luiza; Ilana Minev, BEMOL; and Gabriela Baumgart, Baumgart group, during the panel “The Role of the Board of Directors in a Dynamic World”.

As the Chairwoman of the Board of Directors of Bemol, one of the oldest companies in the Amazon region, Ilana Minev recalled that taking care of the Amazon implies getting down from the treetops and taking care of the people who live in the biome. Quoting her grandfather, who founded Bemol, she argues that sustainable development and social inclusion must go hand in hand, incorporating local communities and diverse groups into the process of economic growth.

Bemol currently has two internal programs to train female leaders in the company, which currently has 40% female managers. In the same vein, the retailer sponsors the Empreende, Mana! (“Undertake, Girl!”, free translation) program, a free course run by the Rede Mulher Empreendedora (Entrepreneurial Woman Network) to boost businesses run by women in the Amazon. In the state with the largest Indigenous population in the country, the executive dreams of seeing an Indigenous archer bring home an Olympic medal. To this

end, it has invested in an archery project for young Indigenous people that combines sport with a natural activity among native peoples.

For Paula Peláez, Director of Micro, Small and Medium Enterprises (MSMEs) and Gender, Diversity and Inclusion at IDB Invest, the active participation of all stakeholders in the development of social inclusion projects is crucial to not only promote social justice but also improve the viability and effectiveness of the projects. More than that, inclusion must be an integral part of economic transformations, especially in the transition to a low-carbon and digital economy. Only in this way will it be possible to promote a fairer and more sustainable economy in which no one is left behind.



“My grandfather always reminded us that people in the Amazon also want to be prosperous, they also want to have a career, they also want to have dreams. So, he used to say that it wasn’t enough just to look after the forest, because to do that we need to develop the people who live here.”

Ilana Minev, Chairwoman of the Board of Directors of Bemol

Impact investing

Chapter 4

Scenario of opportunities demands learning and innovation

Throughout the SW24 debates, it became clear that the increasingly present role of technology and digital media in people's lives requires companies to make a series of structural changes to enable effective impact investment and ESG policies.

With the increasing speed of information, organizations are under constant surveillance and scrutiny, which demands greater transparency and accountability in their operations. Digital media amplify the voices of stakeholders, from consumers to investors, and create additional pressure for companies to adopt sustainable and responsible practices.



"There's going to be a big change in boards over the next few years because the world is demanding it. Digital has changed everything, and the power is in the hands of the consumer. It's a digital culture, it's not software, it's a new way of dealing."

Luiza Trajano, Chairwoman of the Board of Magazine Luiza

Difference between ESG investment and impact investment

ESG investments – These involve business practices that consider environmental, social and governance criteria. The aim is to mitigate damage and promote sustainable operations. Examples include companies that adopt good environmental practices, such as reducing carbon emissions, and social practices, such as diversity and inclusion, as well as transparency in governance.

Impact Investments – These are financially sustainable investments that contribute to achieving the United Nations Sustainable Development Goals (SDGs). They seek to generate positive social and environmental impact in addition to financial return, through products or services designed to directly address socio-environmental challenges. The purpose is to solve specific problems, such as access to renewable energy and improving education, for example. They require strong adherence to ESG principles.

Source: [*IDB Invest*](#)



“When we go to finance a company, we really try to understand how the board operates, how it works. We look for the governance of the company.”

Marta Viegas, Corporate Governance Officer at IDB Invest

One of the points to be improved is governance management. More than defining policies, change involves boards of directors working closely with the reality of the regions where the organization is present. For Marta Viegas, Corporate Governance Officer at IDB Invest, a modern and active board that goes out into the field is something that is desirable when the institution is analyzing funding requests.

Another important aspect is to identify sectors that are essential for creating a business environment that enables sustainable development. Sectors such as energy, transportation and water and sanitation are fundamental to long-term sustainability, as they directly impact people's quality of life and the conditions for survival on the planet.

To make investment in these strategic sectors viable, regulatory and financing instruments need to be innovated to reduce private investors' perception of risk. De-risking and re-risking efforts must consider both financial and non-financial risks. For institutional impact investors, properly managing reputational risks, such as greenwashing, or integrity aspects are very important. Successful examples, such as the transition to electromobility in the capitals of Chile and Colombia, and the transition to clean energy sources in Uruguay, show how innovative solutions can enable the resources needed for the climate agenda.

How Santiago and Bogotá accelerated the transition to electromobility in public transportation

Gilberto Lima



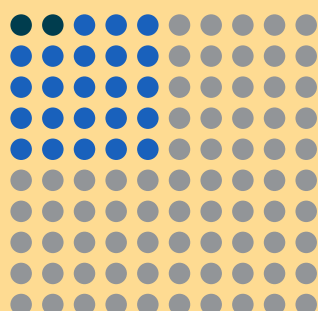
Electric bus in Chile (Photo: Ministerio de Transportes y Telecomunicaciones)

A study published this year by the IDB warned about the urgent need to restructure the transportation sector in Latin America and the Caribbean. According to [Transportation 2050](#), 40% of CO₂ emissions in the two regions come from the transport sector. On the other hand, the transition to electric vehicles in public transport has been growing since the implementation of the IDB Group's technical cooperation program to accelerate the implementation of the Nationally Determined Contribution (NDC).

25% is the contribution of the transport sector to global greenhouse gas emissions.

9% is Latin America and the Caribbean's share of global transport emissions.

Source: [Transportation 2050](#), IDB



● Emissions from transportation in LAC: 0,595 Gt
2% of total

● Global emissions: 33,7 Gt

● Global emissions from transportation: 8,3 Gt
25% of total

Source: Prepared by the authors on data from IEA (2022f).

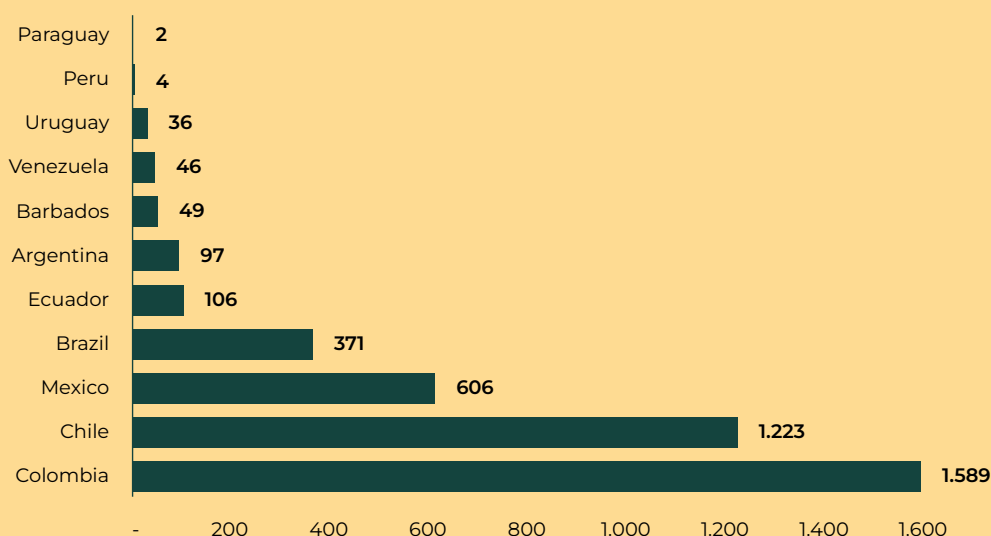
Note: LAC's regional figure does not include emissions from maritime bunkers or aviation, or pipeline transportation.

In the last five years (2018-2023), the fleet has jumped from 120 to more than 4,000 electric buses in public transport in the two regions. Chile and Colombia are leading the transition, with financing concessions that have enabled 1,400

electric buses to be put into circulation over the last three years in the capitals of Santiago and Bogotá. Technical cooperation includes market assessment, technical support, financial advice and training.

Electric bus adoption in LAC countries

Electric bus units in operation



Fonte: Pathways to Decarbonization and Climate Resilience in Latin America and the Caribbean/IDB.

According to Felipe Ezquerra, Head of the Southern Cone Region Operations at the IDB Invest Transport, Infrastructure and Energy Division, a new bidding system was adopted in the two cities, with separate contracts for supplying the bus fleet and operating it. In this way, it was possible to address the main obstacle to the development of electromobility, which is the high cost of the initial investment.

Thus, the assets of the buses and the assets of the two parties involved are separated.

Currently, electric buses are more competitive and profitable than traditional buses in the long term, considering the reduction in operating and maintenance costs, although the investment in acquiring a new vehicle is two to three times higher.

In this sense, the adoption of globally recognized guidelines and standards for good ESG practices is crucial for the capital market to be able to map risks and identify return opportunities without giving up the guarantee that its resources are being used ethically, sustainably and profitably. Thus, incorporating global standards for sustainability reporting into business strategy becomes a competitive differentiator, as well as contributing to the creation of a more sustainable and equitable future. "In the impact investment ecosystem, being transparent is a good business decision for those companies that want to attract capital," said Luiz Gabriel Azevedo, Chief Strategy Officer of IDB Invest.

For this direct connection between investors and borrowers to work efficiently, Nathalie Vidual, Superintendent of Investor Protection and Guidance at the Brazilian Securities and Exchange Commission (CVM), highlighted the importance of transparency for the safety of the capital market. The role of regulators in this process is to ensure that truthful, reliable and complete information reaches investors, and that this information is provided on a regular and predictable basis.



“It’s a fundamental tripod: monitoring, reporting and verification, which also applies to sustainable financial instruments.”

Nathalie Vidual, Superintendent of Investor Protection and Guidance at the Brazilian Securities and Exchange Commission (CVM)

Greater scale for blended finance

Blended finance has been one of the main strategies of IDB Invest and other market players for climate finance, but it still needs to be better understood by investors. Combining public, private and philanthropic resources to invest in social and environmental impact projects with risk mitigation, the instrument makes it possible to attract investors who would otherwise avoid high-risk projects.

Fernanda Camargo, leader of Anbima's Sustainability Network and founder of Wright Capital, noted that the volume of resources for climate finance structured in blended finance in Latin America represents less than 10% of the global total of 200 billion dollars structured in blended since 2018. “This includes climate, agroforestry and nature-based solutions. In other words, it’s very little,” she said.

For the executive, the National Bank for Economic and Social Development's (BNDES) experience with blended finance is a benchmark for the market. In 2022, the bank received 50 projects in a public call and selected 11 eligible for blended finance. The delay in analysis has meant that only one project has been approved so far, which the Head of Credit Funds and Blended Finance at BNDES, André Carvalho, attributed to the very complexity of the instrument. “Projects like this are a challenge, we’re learning as we go. Blended finance is, by nature, very complex,” explained Carvalho.

IDB Invest recently concluded a US\$ 30 million blended finance loan to Sicredi. The funds will support micro, small and medium-sized enterprises led by women in Brazil, offering financial and technical support to reduce gender inequalities. Of this total, US\$ 5 million will be used to finance businesses in the Amazon region.

“Working with aggregators, companies that specialize in this, is a way of spreading these opportunities,” said Fabio José Fagundes, who heads IDB Invest’s Financial Products and Services area.

Originate to share

The Latin American and Caribbean region has a need for investments of US\$ 2 trillion in structuring sectors such as ports, airports and roads. To expand financing operations and mobilize capital for these projects, IDB Invest’s shareholders have approved a new business model for the institution. One of the main pillars is attracting capital from other investors to the region by catalyzing and reducing risks. This approach has been defined as “originate to share”.

Another fundamental pillar for making the model work properly is to focus the Bank’s objectives and operations more on scaling the impact of its interventions. The institution is proposing to take on more risk, expand its local presence and broaden its range of products to meet the expectations of a wide range of impact investors.

In basic sanitation projects, an area of significant need in the region, the social impact has a very strong appeal. “This is a sector that brings, at the same time, a return for those who are going to invest, and a very robust social impact,” said Carlos Almiro Melo, Director of Institutional Relations, Sustainability and ESG at BRK during a debate at SW24 on public-private partnerships in sanitation.



Credit: AECEA and Águas de Manaus

Mrs. Gisele, resident of Beco do Nonato, in Manaus, Brazil

One example is the transformation in the lives of those living on stilts on the outskirts of Manaus following the investments made by Águas de Manaus, a subsidiary of Aegea. The project, which is already underway, will receive funding from IDB Invest to speed up the program to universalize the sanitation service and supply drinking water.

In the 14 years it has been operating in the sanitation sector in Brazil, Aegea currently serves around 31 million people in 15 states. “We understood from the start that the priority was to respond to the most vulnerable populations.

We’re talking about 32 million people without access to drinking water and 62 million without sewage treatment, a population that is among the poorest in the outskirts of the interior of Brazil. This is the priority in our policies,” said the company’s Vice-president for Institutional Relations, Rogério Tavares.

The fundraising to finance the expansion of sewage coverage for poor communities in 32 parts of the capital of Amazonas was structured by Citi Social Finance, with the issue of debentures worth R\$350 million by Aegea Saneamento e Participações.

Sanitation

Innovation and financing guarantee water and sewage for those living on stilts

Kelly Lima



Credit: AEGEA and Águas de Manaus

At the bottom of the toilet, there was just a hole almost two meters long, accumulating waste under the stilt house where Mrs. Ivone Silva Oliveira, 69, lived with her nine children in Beco do Nonato, on the outskirts of the city of Manaus, Brazil. When it rained, everything was taken to the stream next door, but in the dry season, the smell was unbearable, as she told visitors during Sustainability Week 2024 in the city. Among them were James Scriven and Ilan Goldfajn, respectively the Presidents of IDB Invest and the IDB.

Access to drinking water and connection to the sewage system in stilt houses, which are common on the outskirts of Manaus, is one of the priorities of the project supported by IDB Invest, the private sector arm of the Inter-American Development Bank (IDB), which aims to expand the city's sanitation network.

Aegea, which controls the Águas de Manaus concessionaire, has already invested nearly R\$1 billion out of a total of R\$3 billion to be invested in sanitation in the city over ten years. This should

connect more than 2 million people to the supply system. The rate of access to the sewage system has already reached 33%. With these investments, Manaus is now the capital that has invested the most in water supply in the North and Northeast regions, according to a survey by Trata Brasil.

In areas such as Beco do Nonato, the concessionaire has installed aerial water distribution and sewage collection networks, using innovative methods to guarantee safe and efficient supply. This initiative has significantly improved the quality of life of residents and promoted inclusion through the Social Tariff.

Recognized by the United Nations Global Compact's Water and Sanitation Success Stories Award in 2019, the project brought drinking water to more than 900 residents and found solutions for sewage disposal. With the support of IDB Invest, Aegea plans to expand this methodology to other stilt areas in Manaus, promoting the universalization of basic sanitation services and helping to reduce social inequalities.

Solutions don't always involve billions of dollars over a decade, and local models of action tailored to specific realities must also be considered. To bring drinking water to riverside communities in the state of Amazonas, a partnership with local experts was enough for

Coca-Cola Brazil to guarantee the social impact of the investment at a crucial time: the historic drought in the Amazon River basin in 2023. Even with the river dry, residents of remote areas were able to rely on the water treatment and storage systems installed by the Water+Access Program.

Sanitation

Partnership guarantees drinking water amid historic drought in Amazonas

Andréia Lago

In May 2023, when the state of Amazonas was experiencing the worst drought in its history, residents of riverside communities located in the Piagaçu-Purus Sustainable Development Reserve (RDS-PP) sent thank you videos to the Sustainable Amazon Foundation (FAS). The images showed the Purus River dry. "Look, it's all mud here, the river has dried up. But there's no shortage of water because we have a pump system," said one resident.

The story was shared by the Sustainability Director for Brazil and the Southern Cone in Latin America at Coca-Cola, Rodrigo Brito, during SW24 and proves the value of partnerships to make impact investments in the Amazon. A partner since 2017 in the Water+Access Project, carried out by the Sustainable Amazon Foundation (FAS), the company announced a further R\$4 million in investments for this year. The project has already guaranteed access to drinking water for 85 riverside communities in Amazonas and Pará, all with self-sustainable models for community management of water supply systems.

223 km from Manaus, the RDS-PP is in the central region of the state, the best preserved and richest area of the Purus River basin, which is part of the

Central Amazon Ecological Corridor. Within the reserve, it is the river that guarantees access to fresh water for all activities, from personal hygiene to growing and preparing food. The Water+Access Project's water collection, treatment and storage system uses sustainable energy, generated by photovoltaic panels connected to a water treatment plant capable of treating up to 5 cubic meters per hour.

In Brazil, access to drinking water increased from 81% to 84% of the population between 2010 and 2020. The coverage of water supply and sanitation in the same period increased from 20% to 50%. The data is part of the study ["The liquid of life: Estimating the impacts of water and sanitation services in Brazil"](#), carried out by IDB Invest in partnership with BRK Ambiental, one of the country's largest private companies in the sector, to measure the positive externalities of sanitation.

According to the survey carried out in 38 cities where BRK operates, a ten-percentage point increase in water and sewage coverage reduces dengue cases by 50%. As a result, it reduces hospitalizations due to water-borne diseases by an average of 60% and cuts public spending on treating these illnesses by 40%.



"Everything we do, we don't do alone. We do it with local allies who are very widespread and have a lot of knowledge of the region."

Rodrigo Brito, Sustainability Director for Brazil and the Southern Cone at Coca-Cola Latin America

Some initiatives involving private capital have already begun to get off the ground. One of them was carried out by Citi Social Finance in 2022, with a loan of US\$ 20 million to Innova Schools, part of the Intercorp Group, to build and renovate schools to improve access to quality education in Peru. The agreement is part of a larger co-financing project in partnership with a European development agency that channels capital to social initiatives in Latin America, Africa and Asia.



"I have three things in mind when it comes to mobilizing funds with global cities on this scale. One, obviously, is our clients. We work and partner with clients who are innovating and going deeper into the different impact categories. Secondly, we have partners like IDB Invest and impact investment communities. And thirdly, we need to have a city that has a global reach, with banking agents who understand the local structure, speak the local language."

Jorge Rubio, Global Head of Citi Social Finance

Governance in family businesses

The reality is no different in family-run companies. The inclusion of good ESG practices in the investment decision-making process is already part of the routine of some of the largest Brazilian retail organizations with this structure on SW24, such as Magazine Luiza, Bemol and Baumgart Group.

For businesswomen Luiza Trajano, Gabriela Baumgart and Ilana Minev, there is a consensus that the work of board members needs to go

beyond meetings in closed rooms and reading reports. They need to know what really happens in the company, which involves going out into the field and having contact with managers, salespeople and consumers. To have what Gabriela Baumgart, Board Member of the Baumgart Group, called "governance with soul", a learning journey is necessary.

Ilana Benchimol Minev, a third-generation member of Bemol, an 81-year-old company that operates in 69 towns in the Western Amazon, said that the changes to the board began after the death of her grandfather, the company's founder, in 2002. Today, she chairs the Board of Directors, which includes independent external members and specialists, helping to balance decisions on sensitive and emotional issues, which are common in family-run companies. "So having a specialist who knows the subject, who has no emotional side, is super relevant," she said.

Booming market is an opportunity for investment

Data from the [*Sustainability in the Capital Market*](#) survey, released by Anbima in 2022 with data from the previous year, showed a significant evolution in the engagement of professionals in the segment with ESG investments. While in 2018 only 34% of managers said they had some structure to deal with ESG, the latest survey revealed that 71% said they had some structure to deal with the issue. For Zeca Doherty, Executive Director of Anbima, there is an evolution that tends to grow in the next edition of the survey, to be released in early 2025.

According to data from the Climate Policy Initiative (CPI), Latin America and the Caribbean account for only 4% of the US\$ 1.3 trillion allocated to climate finance worldwide. This low share of private investment in impact and ESG in the region is seen as an opportunity to grow in the coming years.

The challenge, said Carole Sanz-Paris, Director of Debt Capital Markets and Structured Finance at IDB Invest, is to develop capital markets that are currently less mature in Latin American and Caribbean countries and, at the same time, mobilize private capital to finance projects with an environmental and social impact.

During the event, José Pugas, Partner and Head of ESG at JGP, announced a partnership with BB Asset Management to create a fund manager dedicated exclusively to sustainable investments. The aim is to create the largest portfolio dedicated to the sector in the Global South, with the goal of reaching R\$22 billion in assets by 2028.



"It's a growing market. This is an opportunity to catalyze investment in sustainable measures, and market capital allows us to have a broader and longer-term investment base."

Carole Sanz-Paris, Director of Debt Capital Markets and Structured Finance at IDB Invest



Climate change

Chapter 5

Agenda requires urgency and commitment

Climate risk is an agenda for both public and private actors and requires more proactivity and engagement. The cross-cutting discussions on this topic held during the event showed that mitigating the effects of climate change is part of structuring a fair and inclusive economic model in the countries of Latin America and the Caribbean.

In a video message, former US vice-president and founder of The Climate Reality Project, Al Gore, called for a more proactive stance from private capital, which is expected to account for 80% of the estimated climate finance for developing countries. For Gore, financial institutions and companies need to structure their portfolios and supply chains with the goal of Net Zero in mind.



“We know what we need to do to solve the climate crisis, but the question remains whether we will solve it in time. I believe we can, and I believe we will, but it requires leadership particularly from the private sector, especially for the multilateral development banks to adopt solutions to this crisis and reject the false promises of the fossil fuel industry.”

Al Gore, former Vice President of the United States and founder of The Climate Reality Project

The destruction and more than 170 deaths caused by the floods in Rio Grande do Sul in May this year illustrated the urgency of promoting the debate on the involvement of the private sector in mobilizing resources for the climate agenda. After announcing that the IDB will make R\$5.5 billion available for reconstruction actions in Rio Grande do Sul, with the immediate release of R\$1.5 billion, the president of the institution, Ilan Goldfajn, said that the bank is modernizing its existing structural framework for dealing with natural disasters.



“We have to work on a regional contingent program with all the countries, because disasters will be much more frequent and much heavier than imagined.”

Ilan Goldfajn, President of the Inter-American Development Bank

According to Goldfajn, what currently exists is no longer sufficient for the scale of the disasters that are occurring and will occur. In this context, the new framework must include important elements for countries to be prepared and, once the disaster occurs, it must provide for contingency financial resources.

There are various instruments that can be used, such as the issuance of disaster bonds, which adjust the issuer's responsibilities with payment in the event of a disaster. Among the other initiatives being considered are emergency credit lines with immediate release and even a regional fund with resources from all countries, which can be accessed in the event of a disaster. More than financial instruments, Goldfajn believes that it will be necessary to provide mechanisms that can work together to rebuild after a climate disaster.

Mitigation and adaptation

- Mitigation efforts seek to avoid the uncontrollable impacts that climate change would have if left unchecked, by reducing emissions and facilitating the transition to a low-carbon economy.
- Adaptation strategies seek to manage the inevitable, dealing with the impacts of climate change today and in the future by strengthening resilience to changing environmental conditions.

Source: IDB Invest

Even though they are exposed to different physical and transition risks resulting from climate change, different surveys show that the awareness and actions of board members need to grow to make the issue a priority in companies.

According to research by [CDP Latin America](#), only 32% of companies in Latin America include climate issues in their strategies and 15% have a transition plan aligned with the objectives of each country. Even so, 56% have processes to respond to risks and opportunities and 62% are engaged with their value chain.

Governance



62%

of companies have climate issues being supervised by the Board of Directors.

Strategy



32%

of companies make use of climate scenarios to outline their strategies.

15%

of companies have a climate transition plan aligned with the 1.5°C scenario by 2030.

Risk and Opportunity Management



56%

of companies have a process for identifying, assessing and responding to climate risks and opportunities.

Source: [CDP Latin America](#)

Decarbonization involves encouraging carbon sequestration

The decarbonization of economies, through greater energy efficiency and emissions reductions, is crucial to achieving the goals of the Paris Agreement and minimizing climate change. However, data from the Intergovernmental Panel on Climate Change (UN-IPCC) shows that what has been done so far is not enough, requiring the mobilization of more resources and will to make progress simultaneously in reducing emissions and increasing carbon sequestration. In this context, carbon credits play a pioneering role, but their use is still little encouraged in the global climate and economic debate.

For Hilén Meirovich, Director of Climate Change at IDB Invest, it is crucial to encourage debate and present more evidence on the mechanisms that have already been adopted and those that need to be implemented, as well as sharing the benefits of carbon credits with the most affected parties. “Communities are not receiving the benefits of carbon credits”, says Meirovich.



“We have no time to lose. We only have six more years until 2030, and until then we need to keep the temperature from rising.”

Hilén Meirovich, Director of Climate Change at IDB Invest

Storing carbon in the oceans and terrestrial biomes is one of the few ways to reduce greenhouse gas (GHG) emissions. Some nature-based solution initiatives have stood out for

carbon sequestration through reforestation, especially in the Amazon, where companies are already investing in the recovery of degraded areas or in partnerships with landowners with native vegetation.

Solutions in partnership with nature

These initiatives often operate as investment funds, acquiring or collaborating with landowners and using advanced techniques to restore these areas. The carbon credits generated are sold to large global companies, which have invested in solutions like this. For Thomas Oldham, CIO at Mombak, reforestation is the most effective way of sequestering carbon.

Microsoft recently acquired 1.5 million tons of carbon from Mombak, a startup specializing in carbon sequestration through reforestation, to be delivered by 2032. Founded three years ago, Mombak has a verticalized operation in the Amazon, acquiring degraded areas for reforestation, which makes the impact of its carbon removal greater than that of companies working with standing forest. This strategy allows it to sell carbon credits above the average market value.

For companies that need to offset their emissions, the perception is that the high cost of carbon credits is worth it. This is one of the most effective ways to reduce the carbon footprint, says the Senior Program Manager for Nature-Based Solution at Amazon, Anazelia Tedesco. The company has also partnered with the private sector and smallholders to restore public lands, integrating these areas into the restoration economy.

Another solution is the LEAF Coalition, a public-private partnership formed to halt tropical deforestation by 2030, and which brings together governments, the private sector, Indigenous peoples, local communities and civil society. The coalition enters parallel contracts - on the one hand, with governments of countries

with large forest reserves that are selling credits and, on the other, with corporate buyers and donor governments of the LEAF Coalition.

This allows Emergent - the non-profit organization coordinating the coalition - to offer credits from countries with forest reserves to

several buyers through a single contract, while the buyers, through their single contract with Emergent, can purchase credits from several of these countries. With resources more than US\$ 1.5 billion, the initiative already has the UK and Norway among its donors.



Food Safety

The challenge of developing sustainable food systems and fighting hunger in the region

Andréia Lago

In the context of decarbonizing the region's economies with social inclusion and mitigating the effects of climate change, one of the biggest challenges is to build sustainable and resilient food systems in the long term and, at the same time, guarantee food security in Latin America and the Caribbean (LAC). With 40% of the population food insecure, this is a structural problem that affects 267 million people in the two regions.

Although the regional problem is not the availability of food, since LAC produces more than double the amount needed to feed its population, there are other dimensions of food security that require attention. Daniela Godoy, Regional Coordinator for the Food and Agriculture Organization (FAO), pointed out that there are problems of physical and economic access. "There are people who don't have enough income or access to nutritious food. In addition, healthy food is more expensive in LAC than in other regions, which affects vulnerable populations," said Godoy.



Daniela Godoy, senior policy officer at FAO, during Sustainability Week 2024

For Ciniro Costa Jr., a scientist at the International Biodiversity Alliance and the International Center for Tropical Agriculture (CIAT), it will be necessary to incorporate new technologies and innovate in agricultural production, especially if we remember that the system that has been in place in recent years is very vulnerable to climate change," he said.

In line with the parameters adopted by IDB Invest for its strategy of impact and new business with agribusiness, Costa Jr. pointed to four pillars as essential for developing climate resilience in food production: 1) Climate action, which mainly involves reducing greenhouse gas emissions, 2) Diversifying agricultural production, 3) Social inclusion and 4) Improving productivity in areas that are already open. "In fact, we should reduce the areas used for farming and allocate them to other uses, such as reforestation," the scientist recommended.

Another pillar recently added to IDB Invest's strategy for investments in agribusiness is expanding the bank's participation in the Agrifood Tech venture ecosystem, which has invested in alternative proteins. To this end, the institution has increased its involvement with various players in this ecosystem, from venture capital funds to NGOs promoting the development of alternative proteins.

International Scenario

The history of deforestation and the large volume of commodity exports to the European market place Brazil among the most vulnerable countries to the potential impacts of the European Deforestation Regulation (EUDR). While this presents a challenge, it also offers an opportunity for companies that take a progressive stance on ESG issues.

The provision, which will come into force at the end of 2024, will ban products originating from deforested areas from entering the European market, with a focus on commodities such as soy, beef, palm oil, timber, cocoa and coffee. This will require Brazil to adopt more sustainable agricultural practices and more transparency in the supply chain to meet the EU's requirements. The EUDR will demand strict traceability and proof that products have not contributed to deforestation.

When discussing the transition to more sustainable practices in highly polluting sectors, consultant Ana Luci Grizzi, Sustainability and Climate Change Partner & Latam Sustainability and Climate Change Vice-Leader at EY Brazil, said that the new European legislation will impact the entire business and food sector in Brazil. In this sense, there is a consensus that the necessary adjustments to the new rules involve regulatory aspects and investment policies on the part of Brazilian financial market agents.



"Without a regulatory framework, we don't have legal certainty. Without a minimum of legal certainty, we have no investment."

Ana Luci Grizzi, Sustainability and Climate Change Partner & Latam Sustainability and Climate Change Vice-Leader at EY Brazil

For Grizzi, the current scenario in Brazil is one of a lack of carbon pricing, greenhouse gas regulations and state public policies. As a result, Brazilian private companies are making practically voluntary commitments in relation to their emissions, she said.

In this sense, the delay in Congress approving the bill to create a regulated carbon market represents a legal uncertainty that limits the scope of climate finance mechanisms for carbon-intensive sectors. The situation creates a high opportunity cost, since Brazil has a natural capital - vast forest reserves and an abundance of water resources and biodiversity - which sets the country apart from the rest of the world and which is not being taken advantage of.



Energy

Diversify so there's no shortage

Gilberto Lima

Although Brazil's energy matrix is notoriously known for its high share of renewable sources, other countries in Latin America and the Caribbean have made more progress in recent years in expanding the use of these resources. The case of Costa Rica, presented by consultant Irene Cañas Díaz, a partner at Boreal Renewable Energy Development, reveals how the diversification of the energy matrix has put the country in a more comfortable position to deal with the effects of the El Niño phenomenon on the availability of water resources.

Like Brazil, Costa Rica's energy matrix was concentrated on hydroelectric power until the 1970s, when a severe drought caused by El Niño led the country to expand its options. Considered one of the most volcanic areas in the world, the first alternative was to benefit from the multiple geothermal sources, which generate energy from water and steam produced naturally by the ground. As Costa Rica's volcanoes are national parks, it was

necessary to drill outside the parks, in a directional manner, to access the sources below the surface.

Subsequently, the country invested in wind and solar energy, and started using biomass produced from sugar cane industry waste. For Díaz, this is a suitable solution for drier periods. "When we don't have enough water, we have sugarcane biomass, and we have wind. I think the most important thing is to have a combination of different sources," she explains. Costa Rica currently has 99.4% electricity coverage and 100% generation from renewable sources.

For Díaz, the diversification of renewable sources is fundamental for the countries of the region in the context of climate change, since most South American countries rely heavily on hydroelectric generation. "And when we face El Niño, we all have problems," she said.



"Developing interconnection between countries is fundamental to the energy transition, because if we manage to develop the sources in each country, we'll have the opportunity to exchange electricity when one source doesn't generate as much as others."

Irene Cañas Díaz, Partner at Boreal Renewable Energy Development

Results

In the introduction to this publication, we said that IDB Invest wants to co-create solutions with partners who share our commitments and make a call to action, an objective emphasized in the weeks following the meeting in the city of Manaus.

In the last week of June 2024, IDB Invest issued its first bond to raise funds to finance green and social initiatives in the Amazon. The issue

raised US\$ 50 million through bonds maturing in 2029, all of which were acquired by the Record Emerging Market Sustainable Finance Fund. For James Scriven, CEO of IDB Invest, the acceptance of the bond by the private sector shows an emerging appetite from investors to support sustainable development in the Amazon.

Next, IDB Invest took part in the public offering of sustainability-related securities made by Natura Cosmetics in the first half of July 2024. With an investment of R\$200 million, IDB Invest's membership as a positive impact investor aims to stimulate a sustainable capital market, with innovative instruments and promoting positive social and economic impact, as well as contributing to Natura's sustainability strategy through its nature-based solutions. To date, IDB Invest has supported its clients in issuing 41 bonds with sustainable labels in Latin America and the Caribbean, for a total equivalent of US\$ 3.6 billion.

The two operations inaugurate an effective legacy of the meeting in Manaus, strengthening the idea that the debates and partnerships will continue to evolve towards the implementation

of effective actions on the central themes for sustainable and inclusive development in Latin America and the Caribbean.

We at IDB Invest will continue to expand our operations based on the new business model and strengthen partnerships with other multilateral banks, bilateral agencies, private banks and institutional investors to accelerate this process.

We look forward to seeing you all at SW26!

Luiz Gabriel Azevedo, General Director of Strategy at IDB Invest



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Editorial**Writing and editing:**

Alter Conteúdo (Kelly Lima, Andréia Lago, Bruno Motta and Gilberto Lima)

Co-Author:

IDB Invest (Gabriel Todt de Azevedo)

Graphic Project and Design:

Alter Conteúdo (Letícia Nascimento and Emanuel Pappis)

English version:

Speñglish (Janahina Rodrigues)

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