



Forest economy: initiatives that give birth to projects and grow sustainable businesses

Evolution of Fundo Vale's funding models has made it possible to develop and leverage growth of impactful business ecosystems in the Amazon and other biomes



Promoting social and regional development includes an indispensable factor: the involvement and empowerment of people, as well as engagement and mobilization so that they can be protagonists and act effectively. And one way to promote local development is to combine traditional knowhow and technical knowledge.

Fundo Vale has worked with these principles since it was created, and over the years, in different parts of the Amazon, it has sought to stimulate activities that don't just generate work and income for local communities, but also promote a regenerative economy aligned with environmental conservation and recovery.

This context involves sustainable enterprises based on the **bioeconomy**, meaning **an economy underpinned by the production and consumption of goods and services derived from the direct use and transformation of biological resources, harnessing knowledge of systems, principles, processes and technology¹**. The products arising from Brazil's social and biological diversity have a lot of potential, including food production and other uses based on sustainable models.

Two initiatives – the Apuí Coffee Project in the south of the state of Amazonas and a Brazil nut project in the north – feature in a portfolio of more than 70 projects supported over the course of 10 years. They provide an example of how local production can prosper and how bioeconomy investment can be successful.

Other initiatives have also helped to create an environment conducive to the development of social and environmental enterprises, through the structuring of new management and funding models. They include support for the Partners for the Amazon Platform Acceleration Program and institutional measures to strengthen other organizations that can leverage impactful ecosystems beyond the Amazon.

Regenerative agroforestry production: Apuí Coffee



In recent years, the southern part of Amazonas State has become known as a new zone of deforestation, accompanying the Trans-Amazon Highway, BR 230. We know that extensive cattle ranching, often in illegally cleared areas, is the cause of this. In addition to legal command and control operations, it is necessary to go further and create more sustainable economic alternatives, which avoid environmental degradation and keep the forest intact.

Fundo Vale joined forces with the Amazon Conservation and Sustainable Development Institute (Idesam), a partner that operates in the municipality of Apuí, to establish new forums for dialogue, sharing and the development of transformative activities in the context of sustainability. In 2012, we planted a seed to create a business with very promising impacts: a coffee seed.

Coffee had already been grown in the municipality using the traditional monoculture method, with very low yields. As well as causing environmental degradation, this meant that small coffee producers ended up shifting to cattle raising in pursuit of higher income.

However, after identifying an opportunity to plant coffee using agroforestry techniques, Idesam and around 40 families rolled up their sleeves. Using both technical and traditional knowledge, they started to plant coffee among native Amazon species such as ipê, andiroba and jatobá, which produce shade and regulate the local microclimate. This initiative, run on a pilot farm, has been refined with every harvest and, in the last two years, other major investors have contributed financial, technical and managerial resources to the project, enabling it to become a sustainable and socially beneficial business. More recently, Fundo Vale supported the Apuí Coffee Project again by providing it with seed capital.

“In 2020, we reconnected with the Apuí Coffee Project at a later moment of its maturity, when this social and environmental project was becoming a genuine business. Our goal was to help it overcome the financial impact of the COVID-19 pandemic and structure negotiations for larger-scale investments.”

Márcia Soares
Fundo Vale’s partnership leader

As a result of these efforts, the number of sacks of premium coffee produced per hectare increased from eight to 17. The proportion of crops lost to pests fell from 30% to 1.8% due to responsible management, while farmers’ annual income grew around 300%. The Apuí Coffee Project now plans to do the following:

- Establish a model school to provide even more training to local farmers.
- Strengthen farmers’ organizational capacity and involve up to 300 families in the coming years.
- Increase productive capacity, driving forward this agroforestry project and its financial modeling, while improving production and processing to add more value to the coffee produced.
- Expand the market’s access to agroforestry-produced coffee.





Riches grown on trees

In the northern part of the state of Amazonas, leveraging the opportunities offered by biodiversity conservation and ensuring concrete economic and social benefits for the people of the Amazon were the aims of the Conservation for People Program, carried out by the Vitória Amazon Foundation (FVA) with support from Fundo Vale. This support took place in the institutional and productive spheres, helping the foundation to build an office and progress with initiatives such as the establishment of a metropolitan observatory focused on thinking about Amazonian urban development and the strengthening of the Brazil nut value chain.

Brazil nut collection in the Negro River basin has been one of the main sources of income for more than 160 families that live and work in the Unini River Extractive Reserve. The producer network spans five municipalities and five community-based associations and cooperatives, whose idea was to boost production and market contacts. The nuts have been processed and packaged in the reserve itself since a factory was set up there in 2014, allowing the business to reach commercial scale. Annual production exceeds one metric ton, and to maintain it, the forest must remain standing.

“Our partnership with Fundo Vale between 2012 and 2017 was highly strategic. The fund has always been a very horizontal, frank and open partner, providing an environment of collaboration between funders and third sector organizations. It really fosters relations between the projects it supports. Some of the partnerships established together with Fundo Vale are continuing to this day. We use this network to leverage initiatives. The results of this partnership have persisted and been very important for us.”

Fabiano Silva
CEO of Vitória Amazon Foundation

Within the scope of community-based businesses, the partnership strengthened and fostered production chains involving handicrafts, natural fibers, fishing, traditional farming, and tourism based on conservation units and non-timber forest products.



Business acceleration and bioeconomy promotion in the Amazon

As well as encouraging the birth and growth of initiatives with a well-defined focus, as in the case of coffee and Brazil nuts, presented above, Fundo Vale saw the opportunity to promote many others by joining forces with organizations that support essential steps for any business to flourish: the structuring of management, productive and commercial models.

Thus, it joined with other organizations to finance projects in the Partners for the Amazon Platform Acceleration Program, created by the United States cooperation agency, USAID. The program, coordinated by Idesam, promotes business incubation and acceleration, investment opportunities, cooperation, networking and the creation of a community of sustainable interconnected startups.

Since 2018, two contests have been held to select 30 businesses for six-month acceleration cycles. The activities include face-to-face workshops, individual mentoring, business follow-up, thematic webinars, scholarships, accounting, legal and branding advice, and logistical support for participation in events or courses.

The participants also take part in business roundtables with investors, institutes and philanthropic foundations for fundraising under the blended finance model, in line with the different stages and needs of projects. In addition, around R\$6 million has been invested in some of the accelerated businesses.

Priority Bioeconomy Program

As part of the Partners for the Amazon Platform, Fundo Vale has also assisted the Manaus Free Trade Zone Agency (Suframa) with strategic planning work for its Priority Bioeconomy Program. This initiative may boost the social and biological diversity enterprise ecosystem by permitting access to a source of resources that until now has been little harnessed: Brazil's Information Technology Law (Law 13,674 of 2018).

This law requires all companies in the Manaus Free Trade Zone that produce information technology goods and services to invest 5% of their domestically generated revenue in research and development. This is equivalent to R\$700 million per year. Local projects and companies that work with active ingredients and new materials from the Amazon, environmentally healthy production systems, waste treatment and reuse, impactful businesses and incubators can receive resources.

Developed by Idesam, one of Fundo Vale's partners, the Priority Bioeconomy Program identifies companies with the potential to create sustainable development programs and projects for the region and apply for these resources. Around 80 impactful businesses or ideas have been registered in the program's Bioeconomy Project Database. Eight of them have received R\$6.3 million of investment from five corporate investors due to the Information Technology Law's requirement.

Agroforestry Challenge

Well beyond the Amazon, looking for ideas that could solve major obstacles to large-scale agroforestry systems with a view to restoring biomes, Fundo Vale launched the Agroforestry Challenge in 2020. This initiative – the result of a partnership with Vale Natural Reserve and the TroposLab accelerator – has mapped 130 innovative ideas, received 69 applications from all over Brazil and pre-accelerated 15 startups, of which six were then accelerated. The initiative is directly contributing to Vale's Forestry Goal, a commitment made by the company to recover and protect 500,000 hectares of forest by 2030.

- 140 hours of mentoring
- 80 new connections
- 130 ideas mapped
- 69 applications
- 107 connections established
- 6 startups accelerated



The future of sustainable businesses

For more initiatives to move from supported projects to impactful businesses, they need to gain scale and above all independence. Key factors for this transition are access to capital and markets, as well as more efficient and innovative management tools, such as those offered by acceleration programs.

Another fundamental aspect is to learn and disseminate a new impactful investing vocabulary among social organizations, community leaders, rural producers, and traditional, indigenous and riverside communities. To this end, Fundo Vale has been dedicated to learning and experimenting with new ways of providing resources, with and without returns, and it has been deepening knowledge about new concepts in the field, including the following:

Blended Finance – a combination of public, private and philanthropic resources with the aim of stimulating investment in sustainable projects.

Venture Philanthropy – private capital voluntarily allocated to customized financing and support for regional entrepreneurs, involving appropriate business modeling and technical assistance, as well as ways of measuring and managing impacts.

In 2017, Fundo Vale started to participate in and support different knowledge production initiatives, learning communities, events and connections with different actors in this ecosystem, not just focused on the Amazon but also promoting the broader sharing of experiences. They include the following:

- Participation in Impactful Foundations and Institutions Group - **FIIMP**, to solidify all these concepts, both theoretically and in practice, supporting entrepreneurs and supporters of impactful businesses and investments.
- Creation of **Latimpacto**, Latin American Network of Venture Philanthropy.
- Membership of Aspen Network of Development Entrepreneurs (**ANDE**).
- Partnership with **Brazilian Alliance for Impact Investment and Impact Businesses**.

New Economy in the Amazon

Find out about other solutions and opportunities for social and economic development in the region by watching conversations in the “New Economy in the Amazon” series of debates, organized by Idesam, in partnership with Página 22 Magazine, and involving Fundo Vale.

Link to video:

<https://www.facebook.com/idesam/videos/367722264364360/>