

## Sustainable community businesses promote environmental conservation

Fundo Vale invests in the development of cooperatives, associations, small farmers and extractive workers, in partnership with Conexsus, as a way of supporting the development of a low-carbon economy that strengthens people and protects biomes.



**F**undo Vale believes that accelerating the transition to a low-carbon economy through the development of sustainable businesses is a key factor for forest conservation. Accordingly, since the beginning of 2018, it has been monitoring and promoting the structuring of the Sustainable Connections Institute (Conexsus). The first initiatives were brought together in the Conexsus Challenge, an example of strengthening the ecosystem of sustainable forest and rural businesses, which motivated the creation of an institutional partnership to continue this work. Fundo Vale contributed to the creation of the largest online platform for mapping community enterprises in Brazil, among other projects.

The businesses supported by Conexsus in partnership with Fundo Vale include the Arimum River Mixed Farming and Extractive Cooperative (Coonspra) and the Curuminim River Farming and Extractive Community Association (ACARC), based in the “Green Forever” Extractive Reserve, both in the municipality of Porto Moz, Pará.

These two projects borrowed R\$850,000 from the National Family Farming Program (Pronaf) to pay for community woodland management, generating a 30% increase in profits. The Ipê Family Farmers' Cooperative (Cooperipê) in Rio Grande do Sul paid off its debts and then took out another R\$400,000 loan to capitalize and expand the cooperative.

## Conexus Challenge

Conexus' creation arose from reflection about the traditional philanthropic model for supporting projects versus the strengthening of sustainable productive activities in a market context. During discussions with Fundo Vale and other stakeholders in the ecosystem, a proposal was made to reverse the situation that had existed for decades. After receiving philanthropic donations, many projects were unable to achieve financial sustainability or scale up their businesses.

To carry out its initial purpose, Conexus organized its actions within the Conexus Challenge, which was aimed at developing the financial potential of participating community and forestry organizations. In the course of six months, through the intensive engagement of partners, the Conexus Challenge managed to map more than a thousand community businesses across Brazil, as well as local organizations and associations, to jointly seek solutions to allow community businesses to become better structured, more profitable and members of fairer and more sustainable production chains.

The Conexus Challenge's initiatives focused on promoting organizational development based on business modeling, management improvements and the creation of new marketing arrangements to reach both existing and new markets. They also worked to expand access to financial instruments, credit and appropriate investments, and to disseminate business solutions.

### Main results of Conexus Challenge

- Online platform with map of 1,080 community enterprises.
- 13 capacity-building workshops in 10 municipalities across Brazil.
- Acceleration scheme with 21 community businesses in social and biological diversity production chains.
- Business modeling for 30 organizations.
- Support to 100 businesses from sales and marketing lab.
- Launch of Businesses for the Earth Platform, to map demand for social and biological diversity products.



## **Reinvention: COVID-19 Emergency Response Plan**

When everything at Conexsus was going as planned, the COVID-19 pandemic caused major changes. The institute rapidly reinvented itself by structuring a Social and Environmental Response Plan to tackle the coronavirus pandemic's impacts on the finances of sustainable farming and extractive cooperatives, associations and families.

Working in association with Fundo Vale, which provided a loan, Conexsus launched the first credit line from the Conexsus Social and Environmental Fund (CX Fund). The initial focus was to unblock Pronaf loans, in order to offer emergency credit to farming and extractive family businesses. Community businesses were threatened and action was needed.

### **CX Fund Emergency Credit Line**

Conexsus held a public contest to select proposals from across the country. It prioritized community enterprises in sustainably used conservation units, indigenous lands, quilombola lands and areas in the Amazon biome. The loans ranged from R\$50,000 to R\$200,000, and the first ones were made on July 31, 2020.

The resources could be used to bolster working capital, one of the main problems identified in Conexsus' survey of more than 100 community businesses, and also as a guarantee to access Pronaf's rural credit lines. In addition to access to credit, these organizations received a package of mentoring and consulting support to strengthen them institutionally.

At the same time that its Emergency Credit Line was launched, the CX Fund was selected by the Global Innovation Lab for Climate Finance (The Lab) as one of eight financial solutions across the world to participate in a program to boost economic instruments for climate action and green recovery. It received final endorsement from The Lab and was highlighted for its agility in responding to the pandemic.

## Results of Emergency Credit Line\*

- R\$6 million of loans.
- Around 40% of amount lent to businesses in the Amazon.
- 77 community businesses given access to credit.
- 12,500 small farmers directly benefited.
- 34,000 hectares of land involved.
- Average loan term of 18 months.

\* Approximate results as of December 10, 2020.

## The next 10 years: Vale's Forest Goal



Among its 2030 sustainability goals, Vale announced a voluntary commitment to protect and restore 500,000 hectares of habitat outside its mining sites by 2030. Fundo Vale took on the challenge of proposing an alternative approach to achieve this goal, through innovative initiatives of a commercial nature, helping expand positive social and environmental impacts.

In this context, over the course of 2020, a Native Habitat Research and Development Pilot Project was run to test different agroforestry models in five locations across Brazil and restore at least 100,000 hectares of habitat by 2030. The objectives were to identify high-priority areas and the most productive agroforestry models, strengthen rural partnership models, test methods to maintain, monitor and technically assist agroforestry models, and prototype economic models.

The need to generate positive impacts in the pilot project, as well as the importance of structured mapping and selection of business opportunities to allocate resources through impactful investment, led to the incubation of two forest startups with the aim of accelerating the process.

The first one, called Belterra, is more just than an impactful business, but a business arrangement involving rural partnerships, financial operations, blended finance and a set of integrated solutions for producers. The second startup, Caaporã, is an integrator of animal protein chains that promotes production in agroforestry systems, placing trees at the center of the production model.

To test the concept behind these projects, combined crop, cattle ranching and forestry systems were implemented across 1,000 hectares of land as of December 2020. The following critical aspects were tested: economic viability; scale potential; possible options for investments in innovative models that deliver financial returns and positive social and environmental impacts; and blended finance mechanisms that can reduce the cost of meeting Vale's Forest Goal.

## Inocas

Focused on open innovation for business development based on agroforestry systems, six startups were accelerated during the Agroforestry Challenge, launched in 2020 by Fundo Vale (see #tbt5). Among them, Inocas stands out. It works in partnership with family farmers, leveraging the macauba palm fruit production chain to make oils and animal feed without deforestation or land use change in the region of Patos de Minas, Minas Gerais.

The initiative aims to restore pasture areas through an agroforestry system, promote extractive fruit collection and develop a macauba processing plant. Because of the venture's potential, it is on the list of businesses that will be supported as part of efforts to achieve Vale's Forest Goal. Inocas will help increase the productivity of properties, generate jobs and income for farmers, sequester carbon, reduce deforestation and restore degraded areas by producing renewable fuels.

## One step at a time

While Conexsus, the Agroforestry Challenge, Belterra, the Social and Environmental Response Plan, the CX Fund and the Native Habitat Research and Development Pilot Project were being structured and developed, Fundo Vale was refining its strategy, with a focus on impactful investment. Despite the absence of a direct cause-and-effect relationship and the clear influence of the projects supported over the last 10 years, the investment decisions made by the recently launched CX Fund say a lot about Fundo Vale's conscious efforts, which culminated in 2020 with its new Theory of Change for the next 10 years.



## Initiatives provoke transformations

Fundo Vale's experience as a donor to various key projects resulted in a seed being germinated. At first, the idea was to evaluate Fundo Vale's contribution to society and the planet, but as the process went on, a higher purpose emerged, which had in fact been followed since the beginning: **to promote solutions with positive social and environmental impacts and that strengthen a sustainable, fair and inclusive economy.** The path found involved strengthening businesses with social and environmental impacts.

This movement culminated in the hiring of a consulting firm, Move.Social, to support Fundo Vale on constructing its new Theory of Change and indicators to monitor its results. This work was done collaboratively with long-standing and recent partners, as well as key people at Vale, which finances Fundo Vale. It also involved analyzing impact assessment models to measure, manage and report the social and environmental impacts of Fundo Vale's initiatives and investments, aligned with the United Nations Sustainable Development Goals and other market metrics.

The final version of Fundo Vale's Theory of Change is near completion and it will be presented to partners and other stakeholders as of January 2021.