



Fundo Vale

Invests in the
Conservation
of the Amazon

Fundo Vale is one of the voluntary social investment vehicles used by Vale, the second largest mining company in the world. Its mission is to drive positive social and environmental impact solutions that can strengthen a sustainable, fair, and inclusive economy, with a special focus on the Amazon. Since 2010, Fundo Vale has developed a deep understanding of the continuum of capital, which allows it to play a strategic role in venture philanthropy in Brazil.

Fundo Vale Invests in the Conservation of the Amazon



LOCATION:

Brazil



DURATION:

2010

-present



TYPE OF INVESTOR/SILO:

Foundation¹



SECTORS:

- Agroforestry and agriculture.
- Environmental conservation



CONTINUUM OF CAPITAL:

Impact investing



MAIN PARTNERS:

- Vale.
- Amaz.
- Idesam.
- Conexus.
- Fundación Certi.
- Climate Ventures.
- Sitawi, Imazon.
- Instituto de Cidadania Empresarial (ICE).
- Latimpacto.
- Palladium.
- Imafloa.
- MoveSocial.



MOTIVATION OR PROBLEMS TO SOLVE:

- Sustainable use of forests.
- Environmental conservation.
- Sustainable production chains, and climate agenda.



NON-FINANCIAL SUPPORT OFFERED:

- Strategic and operational strengthening.
- Impact management and measurement.
- Access to networks.
- Corporate governance.

SDG'S



TYPE OF FINANCE / RESOURCES INVESTED OR DONATED:

US\$ 42.4 million

contributed between its foundation and December 2021. Fundo Vale has contributed **US\$ 5.6 million²** to promote business and impact investing; **US\$ 3.5 million³** was allocated through investments with expected financial return; and **US\$ 2.1 million⁴** was allocated with no expected return.



FINAL BENEFICIARIES:

Local communities and forest biomes, especially the Amazon; impact ecosystem intermediaries.

IMPACT:

- Benefits rural and **extractive producers** directly and indirectly.
- Contributes to the restoration, conservation, and **sustainable** management of forests and biomes.
- Articulates the work of **different organizations** on the ground.
- Strengthens and accelerates businesses through the **finance** provided.
- Strengthens ecosystem **intermediaries**.

¹ Fundo Vale is a Foundation under Latimpacto's definitions. However, it is a business association or foundation, more precisely.

² R 26,5 M (conversion based on a rate of R 1 to USD 0,21 in April 2022).

³ R 16,6 M (idem).

⁴ R 9,8 M (idem).



Overview

The Amazon accounts for 40% of the world's tropical forests, 20% of the world's freshwater, and 20% of the world's species. It holds between 150 and 200 billion metric tons of carbon, which makes Brazil a key player in the Earth's climate balance.⁵ Despite this, by 2014, 45% of impact investing was made in the Southeast region of Brazil while, as identified, there is only one national investor in the Amazon region.⁶

However, the lack of impact investing in this region is not because there are fewer issues to address. For many years, the Amazon has been affected by the drug, human, and arms trafficking; logging; illegal exploitation of fauna and flora; and, during the last decade, it has been greatly affected by illegal mining, an important source of income for criminal organizations. This reflects a complex connection between organized crime and threats to the environment.⁷ These issues and the lack of solutions to address them led Vale to seek a way to contribute to sustainability in the Amazon by participating in a new segment of the continuum of capital of the impact investing ecosystem.

The Fund did so in 2010 by creating the Fundo Vale Association, whose mission is to promote positive social and environmental impact solutions to consolidate a sustainable, fair, inclusive economy with a special focus on the Amazon region. Also, while Fundo Vale receives its funding from the company Vale, it carries out its mission independently at the legal, managerial, and governance levels.



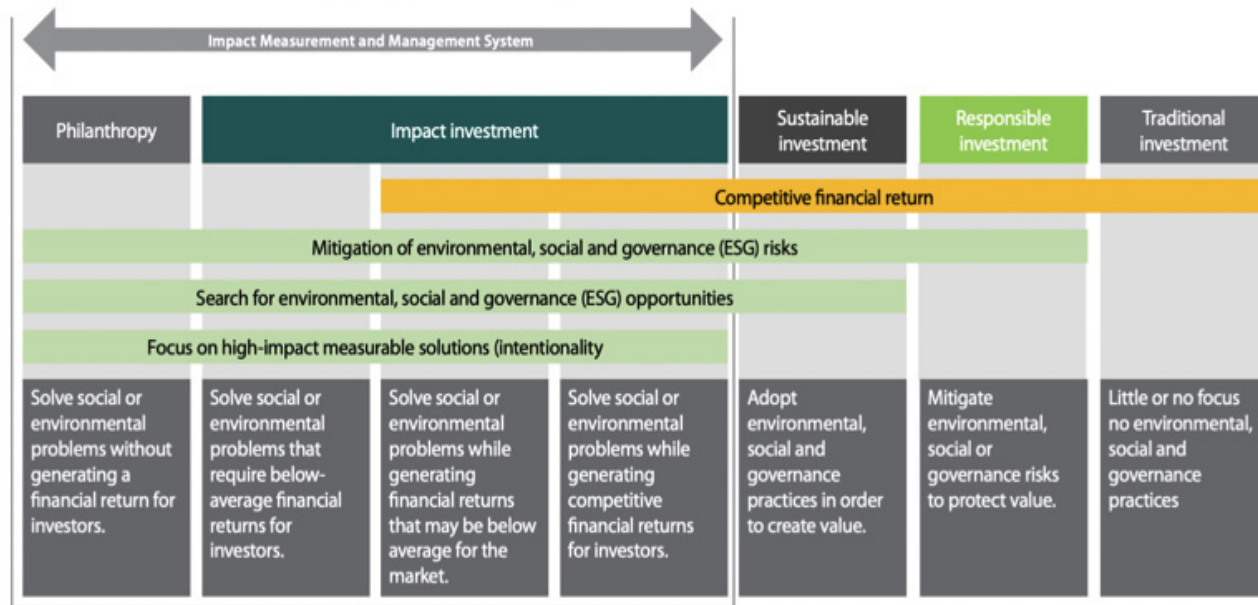
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⁵ Fundo Vale (2021). 2020 Impact Report. p. 15. Accessed at: <https://tinyurl.com/2gf9h3yh>

⁶ Aspen Network for Development Entrepreneurs, LGT Venture Philanthropy, Quintessa, and University of St. Gallen (2014). Mapping the Impact Investing Sector in Brazil: Summary of findings (p. 21). Accessed at: <https://tinyurl.com/2g5buj3q>

⁷ Erthal, Pellegrino, Porto, and Brasil (2019). Los Delitos Ambientales en la Cuenca del Amazonas: el rol del crimen organizado en la minería (p. 7). Programa de Asistencia contra el Crimen Transnacional Organizado en América Latina, Unión Europea.

Figure 1. Fundo Vale’s focus of action.



Source: Impact Report 2020 (p.14).

Over the past ten years, Fundo Vale has allocated US\$42.4 million to 90 initiatives led by NGOs, startups, civil society organizations, associations, and enterprises, which has allowed to protect more than 23m hectares of forest.⁸ These results were achieved by promoting initiatives for the conservation and sustainable use of biodiversity, strengthening green businesses, supporting improvements in social and environmental governance in municipalities, and generating and disseminating knowledge to expand capacities. In addition, Fundo Vale has supported its sponsor in the 2030 Forest Goal, which foresees the protection and especially the recovery of 500,000 hectares of forests in Brazil, whose challenge is to recover 100,000 hectares of degraded areas through businesses that achieve financial returns and social and environmental impact.

⁸ Fundo Vale (n.d.). 2030 Theory of Change: <http://www.fundovale.org/en/our-impact/theory-of-change-2030/>

As mentioned, Fundo Vale's finance comes mainly from Vale, in the form of grants. Therefore, the investment capital is patient, catalytic, and flexible, and is used in partnership with other key players of the ecosystem.¹⁰ Four criteria are taken into consideration for investment—through investment funds or other agreements with intermediaries such as accelerators and incubators. These criteria are the same for grants, except for point 3 below:

- 1... Solving a social or environmental issue.
- 2... Investing in initiatives or organizations whose business and purpose include impact creation.
- 3... Achieving a financial return.
- 4... Measuring impact.

As reflected in the criteria, impact is a priority for Fundo Vale, but financial returns are also important. All financial returns are used to reinvest in new impact enterprises. How they balance both elements is explained by the organization's theory of change, which allows to develop and strengthen the use of high-impact financial instruments and to seek sustainable solutions to capitalize on and improve the projects so that their autonomy, scope, and impact contribute effectively to biome recovery and environmental conservation. This involves not only providing capital but also unlocking access to other financial resources and businesses that have an interest in protecting forests and helping to build sustainable value chains within them.

Fundo Vale's theory of change¹¹ considers the following expected impacts:

- 1... Protected and recovered natural ecosystems that allow the use of their resources sustainably.
- 2... Local communities and farmers that work in a collaborative and organized manner and achieve more sustainable well-being based on natural resources by having greater access to services and products that improve their quality of life.

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⁹ This is why it is part of Partners for the Amazon Platform, Amazon Investor Coalition, Cooperation for the Amazon, Brazilian Climate, Forest and Agriculture Coalition, and The United Nations Science Panel for the Amazon.

¹⁰ The complete theory is available at: <http://www.fundovale.org/en/our-impact/theory-of-change-2030/>

- 3 A regenerative economy based on the use of natural resources and a fair, equal, and equitable distribution of benefits along the value chain.
- 4 For its long-term strategies, Vale takes into consideration the social and environmental impact agenda of the business in its organizational culture.



Innovative factors

Fundo Vale is characterized by the use of blended finance.¹¹ This instrument allows the combination of philanthropic capital, which Vale contributes to the organization's mission, with investment capital that comes from partners. It is the most suitable instrument found by the organization to balance social and environmental impact along with a financial return. The expenses and operating costs of the association are assumed by Vale since the company's operational structure is used to cover infrastructure (e.g., office), legal support, and other issues that ensure corporate integrity.

The philanthropic capital provided by Vale is used to promote mission initiatives, with Fundo Vale usually participating as a co-financer. One outstanding example in the organization's project portfolio is Amaz, an impact accelerator that supports startups focused on protecting the Amazon. Fundo Vale contributed US\$ 1 million, while co-investors—Instituto Clima e Sociedade (ICS), Good Energies Foundation, Instituto Humanize, and Fundo JBS pela Amazônia—contributed an additional US\$ 4 million. Their objective is to support Amaz for 10 years to accelerate 30 businesses, initially through seed capital, to contribute to forest recovery. In the process, the co-investors saw the need to use investment capital and provide seed capital to local businesses to broaden the scope of the intervention at the territorial level. Half of the capital is used for operating costs, while the other half is delivered to businesses through convertible notes. Amaz and its investors receive the return in full.

Another outstanding case is Fundo Vale's partnership with Conexsus (Institute for Sustainable Connections) and the CX Fund. The partnership focused on supporting family and extractive agriculture associations and cooperatives during the Covid-19 pandemic through an emergency line of credit

¹¹ It refers to the combination of different sources of capital (philanthropic, public, and/or private) to mobilize more resources to achieve the Sustainable Development Goals.

aimed at mitigating the economic impacts on community enterprises that feed Brazil and protect natural wealth. The total amount invested was US\$ 2 million, of which US\$ 1.1 million came from Fundo Vale, partly as a grant and partly as an investment in the CX Fund. Through this initiative, 85 community enterprises were financed (one-third of them from the Amazon region), directly benefiting 19,000 producers and impacting 32,600 hectares of land with more sustainable production models. In addition, the project engaged 28 credit agents for 18 months and prepared more than 90 Organizational Development Plans (ODPs) so that producers could access credit from a government-subsidized line, which made it possible to unlock approximately US\$ 80 million in credit. In addition, Fundo Vale provided non-financial support through specialized rural credit advisory services to 22 community enterprises in 2021. It also launched the Business for the Land platform, a social commerce solution for direct sales that facilitates the connection between community enterprises and their buyers, especially individuals.

Moreover, Fundo Vale's social and environmental investment model—with a regional focus on the Amazon region—made a difference regarding the core topics around which impact investing was being developed at the time in Brazil. These included education, financial inclusion, healthcare, housing, pollution prevention, waste management, and renewable energy.¹² Fundo Vale proposed a new way of working to achieve social and environmental impact when it decided to invest in biome conservation and protection,¹³ focusing on promoting a sustainable alternative economy in places such as the Amazon. Its intervention model directly involves local communities, from planning and intervention to governance.

Finally, the organization's strategy is designed to track results, financial management, and impact achieved through the initiatives supported, focusing on a rigorous impact measurement and management system. All monitoring, impact measurement, and goals are based on its theory of change, which makes it easier to show results and impact in the short.¹⁴



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¹² Aspen Network for Development Entrepreneurs, LGT Venture Philanthropy, Quintessa, and University of St. Gallen (2014). Mapping the Impact Investing Sector in Brazil: Summary of findings (p. 20). Accessed at: <https://tinyurl.com/2g5buj3q>

¹³ Fundo Vale's focus on northern Brazil—where the Amazon rainforest is located—differs from most ecosystem investments since these have focused on the southeast of the country, where there is more development and urbanization.

¹⁴ Interview with Marcia Soares, Director of Partnerships and Relationships at Fundo Vale; March 2022.

Additionally, Fundo Vale aligns its measurement methodology with global standards and indicators such as the Global Impact Investing Network (GIIN), IRIS+, Impact Management Project (IMP), and the Sustainable Development Goals.¹⁵ The Fund incorporates the above tools into its management and measurement goals leading to:

- 1 Making evidence-based decisions.
- 2 Monitoring impact.
- 3 Maintaining transparent relationships with interest groups.
- 4 Intentionally ensuring impact when scaling up initiatives.
- 5 Generating lessons learned and good practices in implementation.



Lessons

Fundo Vale's capital and advocacy between 2020 and 2021 allowed them to have an impact on:¹⁶

- 18,500 rural and extractive producers (directly and indirectly), as well as their families.
- 496,300 hectares delivered for restoration, conservation, and sustainable management.
- 1,053 hectares restored through impact businesses in three biomes across six Brazilian states, in line with the 2030 Forest Goal.
- 140 connections with other organizations in the field, of which 52% received financial support from Fundo Vale.
- 206 businesses supported and accelerated, including 110 that received financial investment from Fundo Vale.
- 24 dynamic organizations strengthened.

¹⁵ Fundo Vale (2021). *2020 Impact Report* (p. 16).

¹⁶ *2020 Impact Report* (p. 18): http://www.fundovale.org/wp-content/uploads/2021/12/Vale_2021_01_Relatorio_Ingles_96dpi-1.pdf

Beyond the results and the impact achieved utilizing these processes, actions, and investments, Fundo Vale has been able to identify significant lessons learned. The first one concerns the importance of the theory of change for strategic decision-making aimed at the desired final impact, both in terms of the investment of capital and how the interventions are made. This is because Fundo Vale's current theory of change was updated in 2020 and became the organization's strategic roadmap since then.

As for investing, the use of blended finance to attract other funders and partners has been important. Additionally, Fundo Vale stresses that to achieve impact, it is important to engage local communities at different moments of the process, including during strategic decision-making and field interventions.

Furthermore, Fundo Vale has identified certain challenges along the way. In terms of form, the legal framework creates some barriers to using more financial instruments. For this reason, they want to create a for-profit entity that allows them to innovate in capital investment since their current legal status as an association severely limits their ability to receive convertible debt.

Organizations receiving capital have a weak investment portfolio, given that the different environmental businesses are not yet mature, which is a barrier for many investors. Therefore, it is important to increase philanthropic funds contributing to seed capital for this type of early-stage businesses. Another alternative to strengthen the sources of finance for social and environmental businesses is the public sector, through direct funding and public policies that promote and facilitate impact investing.