



## Conexusus

supports community businesses  
that contribute to biome  
conservation

**Conexusus** supports small farmers  
associations and cooperatives that work  
under a income-generating model that  
preserves standing forest and other biomes.  
It focuses on three lines of action: business  
model, market access, and impact finance.

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### LOCATION:

National - Brazil



### MAIN PARTNERS:

#### Investors:

- Fundo Vale
- Good Energies
- Instituto Grupo Pão de Açúcar
- Instituto Humanize
- Climate and Land Use Alliance
- Arymax
- B3
- FIDA
- USAID
- Arapyauá
- Moore Foundation

#### Technical support:

- União Nacional das Cooperativas da Agricultura Familiar e Economia Solidária (Unicafes)
- Conselho Nacional das Populações Extrativistas (CNS)
- CONAB
- Fundação Certi
- ICMBio
- Banco da Amazônia
- Amazônia 4.0



### MOTIVATION/PROBLEM TO TACKLE:

Activate and strengthen the ecosystem of community businesses whose production is in harmony with biome conservation, thus preventing deforestation and biodiversity loss.



### DURATION:

2018

–now



### FINAL BENEFICIARIES:

Small farmers and rural communities.



### TYPE OF INVESTOR/SILO:

Foundation (non-for-profit organization)



### NON-FINANCIAL SUPPORT OFFERED:

- Business strategy and/or model
- Financial management
- Operational (marketing, logistics, IT, sales, purchases, legal)



### SECTOR:

- Agriculture
- Employability
- Environment
- Social and economic development



### SDGS ADDRESSED:



### TYPE OF FINANCING:

Hybrid finance

### RESOURCES INVESTED OR DONATED:

#### Between 2018 and 2019:

USD 102,000

in direct financial support

USD 650,000

in non-financial support

#### For 2020, the forecast is:

USD 1.7

million in financial support

USD 1.2

million in non-financial support

### IMPACT:

1040

rural and forest-based **community businesses** mapped, with an annual turnover of more than USD 260 million.

50

**organizations** undergoing management and organizational capacity building.

82

potential business-buying companies mobilized.

USD 2.6 million

invested through the Socio-environmental Emergency Credit Line.

USD 102,000

invested, which leveraged about USD 500,000 more.



## BACKGROUND AND CONTEXT

More than 99% of Brazilian deforestation is illegal, according to the 2019 MapBiomas Annual Deforestation Report. Amazonia accounts for the largest number of deforestation alerts—83%, representing 63.2% of the total deforested land—followed by the Cerrado, with 13% of the alerts. Together, these two biomes—the most monitored biomes in Brazil—account for 96.7% of the deforested area detected in 2019.

Fostering sustainable economic activities in rural areas is crucial to reduce illegal deforestation and promote a dynamic low-carbon economy that includes family-farmer populations. At the same time, consumers are demanding more products and production models that contribute to forest and biomass conservation and to a better quality of life for those populations.

1447 rural and forest-based community businesses—which value socio-biodiversity and whose production is in line with that model—have been mapped.

It is in this context that Conexsus—a non-for-profit organization aiming to accelerate a transition towards a low-carbon economy and to strengthen territorial and climate resilience through sustainable business development—was born. The initiative—devised in 2016—began operating in 2018, and its team is currently made up of 24 persons.

Conexsus was the result of reflecting on the limits of conventional philanthropy for the development of sustainable production activities. Even after decades of philanthropic investment in different organizations, two essential problems persist: few supported social businesses achieve long-term financial sustainability, and pilot-project outcomes are seldom scaled up.



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## DESCRIPTION

Conexsus has hubs in five Brazilian cities—Belém, Curitiba, São Paulo, Rio de Janeiro, and Brasília—and two hubs abroad—Montpellier, in France, and Palo Alto, in the United States. The initiative is structured in three main parts: Instituto Conexsus, Fundo Socioambiental Conexsus, and Conexsus USA.

Instituto Conexsus	Fundo Socioambiental Conexsus
A private and non-for-profit organization funded by donations and responsible for operating the business-development and market-connection lines of action.	A financial services firm, funded by Instituto Conexsus, in charge of operating financing and business support instruments.

Conexsus is financed by Brazilian companies, national and international foundations, and international cooperation agencies—such as Fundo Vale, Good Energies, Moore Foundation, Natura, Instituto Humanize, Grupo Pão de Açúcar, USAID, and the German Agency for International Cooperation.

The organization operates throughout the Brazilian territory, with a strong presence in the Amazon region. Its working areas vary according to existing opportunities for collaboration with local stakeholders and priority chains—acai, cocoa beans, and Brazil nut. Development programs last for up to two years and are run by Conexsus, together with different collaborators.

The organization also formally cooperates with Banco da Amazônia and works hand in hand with other financial agents operating rural credit. In the future, it expects to enter into partnerships with a wider range of financial institutions.

Conexsus works on the premise that, in order to preserve standing forests, it is necessary to stimulate businesses belonging to rural farmers and extraction-related communities. They are invisible but depend on land and biodiversity to engage in their sustainable production activities. The challenges faced by these businesses can be classified as follows:



**Conexsus works on the premise that, in order to preserve standing forests, it is necessary to stimulate businesses belonging to rural farmers and extraction-related communities.**

- ... **Lack of finance:** Often, community businesses—given the fragility of their management and business model—cannot access credit to finance their operations and grow. This is due to a lack of financial vehicles that tailor to their reality. And despite existing governmental financing programs, only a few manage to access them.
- ... **Disconnection from the market:** On the one hand, businesses fail to serve large industries and retailers—whether because of quality requirements, low volume, supply frequency, or a lack of appropriate distribution channels. On the other hand, large buyers do not know how to track their raw materials and products; they tend to buy from certified intermediaries, but they do not enquire about who these intermediaries buy from.
- ... **Under-developed business model:** Most rural organizations and cooperatives invest a great deal of energy in production, but they are generally under-developed in terms of commercialization, marketing, and market positioning.

*“There are no structured commercialization channels [...] The market needs to understand the reality of these businesses and the different cultural and social aspects that are part of the product. Businesses deliver something that goes beyond the product itself; they deliver a story, cultural aspects, and plenty of conservation.”* Andrea Azevedo, Conexsus Institutional Development Director.

The challenge faced by Conexsus is to link all the stakeholders in the business environment formed by forest-based and rural areas in Brazil. At present, those who produce are not connected with those who commercialize or finance. As a result, community businesses produce fewer economic, social, and environmental benefits than they actually could.



## IMPLEMENTATION

What makes Conexsus unique is the systemic support with which it provides businesses, working coordinately on three pillars: business development, market access, and new financial mechanisms adapted to the needs of community businesses.

 **Tailored Finance**

Conexsus launched a financial vehicle called “Fundo Socioambiental Conexsus”, which is based on hybrid financial mechanism combining repayable and non-repayable resources to facilitate access to official credit and public purchase programs. These instruments include:

Financial instrument	Purpose
Credit guarantee	To facilitate official financing at banks, reducing potential risks. Banks find it difficult to analyze the return potential and risk level of rural and forest-based community businesses.
Credit recovery	For cooperatives and associations with small banking debts that keep them from accessing new loans.
Direct loans	Designed for community businesses and small enterprises with a positive impact on the value chains of socio-biodiversity businesses.
Equity	Participation and collaboration with small businesses that have a high innovation potential in value chains that promote biomass conservation.



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And for credit access to be scaled up, Conexsus also developed a network of credit enablers that guide people in the extraction sector and family farmers to plan and obtain finance and to use rural credit responsibly.

The plan is to apply the guarantee line (as a cost and investment security) at a higher proportion in the fund’s portfolio, as it is highly capable of leveraging subsidized public credit (1:10), underused by those impact businesses. Nonetheless, because of the pandemic, the focus is mainly on an emergency credit line, working with direct loans—which are to be repaid within 24 months, with a grace period of up to 12 months. This line also receives business management assistance for up to 24 months.

*“Our objective is to always generate autonomy.”* Andrea Azevedo.

 **Non-financial Support**

Financial instruments are offered in conjunction with technical support for the development of the business strategy, financial education, and monitoring. This includes improving management and production organizational capacity, strengthening governance, generating market intelligence, diversifying and increasing access to markets, enabling businesses to access credit, and disseminating knowledge among partner organizations and supported community businesses. This way, Conexsus seeks to make businesses economically viable.

A work plan is initially formulated with each organization; a facilitator determines the need for mentoring on specific topics according to each case. Whenever possible, or when converging issues exist, there is also collective learning, for which learning communities are formed.

This approach considers the different organizational maturity stages, which may follow basic business modeling cycles or more advanced acceleration journeys. This line of action is intrinsically linked with the other two—market access and financing.

The former revolves around linking community businesses with industry buyers and retailers. On the one hand, Conexsus supports the design of new commercialization modalities and helps businesses structure their commercialization and selling plans. On the other hand, it looks for industries and retailers that want to connect with community businesses and include them in their supplier portfolio.

Counseling is also provided to strengthen the administrative and financial management of organizations and enable access to the main public credit policies. The plan's aim is to benefit 450 community businesses throughout Brazil, having a direct impact on 500,000 family and extraction-sector producers.

In 2020, Conexsus started a partnership with União Nacional das Cooperativas da Agricultura Familiar e Economia Solidária (Unicafes), Conselho Nacional das Populações Extrativistas (CNS), and Fundo Vale to develop the Plano de Resposta Socioambiental (Socio-environmental Response Plan) and address the



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impact of the coronavirus pandemic on the finances of cooperatives, associations and small businesses in the agriculture and extraction sectors.



## RESULTS

Set up in 2018, Conexsus has already achieved interesting results. It has mapped 1447 rural and forest-based community businesses with an annual turnover of BRL 1 billion (USD 253,000).

In the market-access line of action, Conexsus mapped 250 companies throughout Brazil, out of which 82 were enrolled as they were considered potential buyers of community-business production. The most demanded high-impact supply chains were acai, fish, nuts, cotton, timber, cocoa, and fruits. These were demanded by industries like healthy food, cleaning products, and food ingredients.

As of 2019, Fundo Socioambiental Conexsus had invested around USD 102,000, whereby it executed 17 prototypes that leveraged close to USD 500,000 (1:5)—mainly coming from the National Program to Strengthen Family Farming (PRONAF) for those involved in extractivism. It also invested USD 650,000 in non-financial support, which includes mentoring, training, market access, and public financing. The estimate for 2020 is an investment for USD 1.7 million in financial support and USD 1.2 million in non-financial support.

In 2020, the fund was selected by Global Innovation Lab for Climate Finance, a global investors network, as an innovative financial instrument to bolster community and forest-based businesses. The Fund was also chosen as one the best 500 socio-environmental projects in Latin America by the Latin American Green Awards (Premios Latinoamérica Verde), and it was recognized as a sustainable financial instrument in 2020 by the Climate Policy Initiative (CPI).



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## LEARNINGS AND PERSPECTIVES

Conexsus is not a financially sustainable organization yet. In this connection, venture philanthropy could play a significant role supporting the institute in the counseling and training programs, as well as providing non-repayable capital to the fund.

The development of organizations and their leadership cannot be an isolated element. There must be continuity and connection between this development and the goal of gaining more access to the market, beyond financing. In fact, favorable outcomes will only be achieved if the needs and expectations of the leadership managing those businesses are met.

Finance supply is important, but it remains a means. Conexsus leverages the need for counseling and actions that are closer to the market.

The strategy to achieve mechanism design and capital attraction arose from a dialogue with structuring agents from that sector—such as banks that grant public credit to that population. It was through that dialogue with banks and businesses that the idea of the guarantee fund and the credit enablers network came about. These formats were already known, but they were not applied in this context.

The investment format leverages public investment with a 1:10 ratio. Given that it is difficult for impact capital to go directly to this type of investment, it is essential at that moment to have philanthropic investment available, since it promotes the impact and sustainability of the system in the medium and long term. This can foster the attraction of more commercial private money in the future.

*“We do not want to reinvent the wheel or do anything that is not compatible with the existing structure, because this structure has a much higher scaling potential.”* Andrea Azevedo.



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