ESTABLISHMENT OF THE SEED/TRANSITORY ORDINARY CAPITAL STRATEGIC DEVELOPMENT PROGRAM FOR SUSTAINABLE DEVELOPMENT IN THE AMAZON

PROPOSAL

CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT SECTOR

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I. **INTRODUCTION: SUPPORTING SUSTAINABLE DEVELOPMENT IN THE AMAZON**

1.1 The purpose of this proposal is to introduce the conceptual framework for a systematic, coordinated support for sustainable development in the Amazon and recommend that the Board of Executive Directors approve the establishment of a Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon (hereafter referred to as “Seed/Transitory OC-SDP for the Amazon” or “Amazon-SDP”) that would catalyze the implementation of such a systematic, coordinated support.

1.2 The proposal consists of two sections. The first one presents the reasoning behind and key elements of the conceptual framework – the Amazon Initiative - for supporting sustainable, inclusive development in the Amazon. The second section proposes the Seed/Transitory OC-SDP for the Amazon that would serve as a cornerstone for the financial mechanism that will incentivize investments in the sustainable development of the Amazon within the conceptual framework of the initiative. Specifically, the Amazon-SDP will foster the development and implementation of sustainable and inclusive development models in the Amazon, as well as facilitate the governance, alliances and collaboration within the Region that are required in this endeavor. As such, the Amazon-SDP will enable the Bank to assist, through non-reimbursable technical cooperation operations, IDB Borrowing Member countries with territories in the Amazon region (“Amazon countries”), namely Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela, in achieving substantial progress towards the Sustainable Development Goals (SDGs) in the Amazon region.

A. The importance of a sustainable development of the Amazon Region

1.3 The Amazon is a vast system: the biome spans approximately 40% of the South American territory, covering some 6,700,000 km$^2$ across nine countries. The majority of Guyana and Suriname are within the Amazon biome, and over 50% of the respective total land areas of Peru, Bolivia and Ecuador are within the Amazon river’s basin, which also covers almost half the land area of Brazil, the 5th largest country in the world. And by virtue of its vastness, the Amazon has a fundamental impact on regional and global processes: jointly, the Amazon River and Rainforest provide 35-40% of Latin America’s freshwater, regional water quality and regulation services, aquifer recharge, air quality regulation, carbon storage, biochemicals and genetic resources of medical importance, and opportunities for recreation and tourism, as well as being the engine of nutrient and hydrological cycles for the South American continent.

1.4 The Amazon is also a unique system of high socio-environmental complexity and diversity. It is home to more than 30 million people, including approximately 1.5 million indigenous

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1 In terms of geographic extent, there are significant differences between the Amazon Basin, the Amazon Biome and the area currently covered by (lowland) Amazon Rainforest. Throughout this document, references to “Amazon” or “Amazon region” without further specification should be understood to refer to the Amazon Biome.

2 Bolivia, Brazil, Colombia, Ecuador, French Guiana (an overseas region of France), Guyana, Peru, Suriname, and Venezuela.
people\textsuperscript{3} and over 5 million Afro-descendants. [REPAM, 2019]\textsuperscript{4}. The river connects large urban hubs, such as Manaus, Belem and Iquitos, and countless villages and isolated settlements. The Amazon is also home to Earth’s most extensive rainforest, harboring an estimated 20% of the world’s known species. [REPAM, 2019].

1.5 And it is a system with a marked social geography: social relations, identities and opportunities are intricately linked to spatial aspects. Not least because, for most of the Amazon's population, the river is the major means of connection, trade and access to markets, education, health and financial services. It is a system where the social, cultural and environmental are intertwined. This is illustrated by some of the essential ecosystem goods and services that the Amazon Rainforest provides at the local level: nutrition, materials, natural medicines, biological control of diseases and pests, pollination, erosion control, soils formation, and elements of cultural and spiritual importance. [Nóbrega et.al, 2019; Tejada, Ovando and Larrea, 2013].

1.6 Yet, over the last decades, economic activities in the Amazon have been predominantly characterized by informality and persistently low levels of productivity, accompanied by extensive deforestation [INPE 2020], endangering of species, and the general degradation and loss of ecosystem goods and services that are vital for human wellbeing and long-term economic development\textsuperscript{5}, largely due to the application of development models and technologies that are not tailored to local socio-environmental conditions. This unfavorable pattern is further exacerbated by instances of corruption, illegal activities and organized crime. While past and present economic activities in the Amazon have generated benefits to certain areas of the region and segments of the population, they have not proven to be inclusive or otherwise apt for the region as a whole to progress substantially toward the Sustainable Development Goals [UNDP 2016; INPE 2019].

1.7 Thus, fostering sustainable and inclusive development models – models that contribute positively to the fundamental impacts on regional and global processes that the Amazon exerts; that value its high socio-environmental complexity and diversity, building on it as a competitive advantage rather than devaluing it; that respect and respond to its marked social geography, and that are suitable for the intricate mosaic of human and natural habitats across the Amazon biome - is a cornerstone for the region, and hence for 40% of the South American continent, to advance toward the SDGs, with social, economic and environmental benefits within and beyond the Amazon region.

\textsuperscript{3} Records on the number of already recognized indigenous groups in the Amazon biome range from 377 to 420 groups, and there are new findings about Indigenous Groups in Voluntary Isolation and Initial Contact (PIACI, by its acronym in Spanish) that suggest a further 70 to 200 groups to be present in the area. [OTCA, 2018; RAISG, 2017].

\textsuperscript{4} Electronic link 2 contains the Bibliographic References identified in brackets [Author, year].

\textsuperscript{5} The World Economic Forum (WEF) has estimated that the combined value of ecosystem services in the Latin-America and the Caribbean region amounts to USD 15.4 trillion per year [WEF 2020]. A significant portion of that total value stems from the ecosystem services provided by the Amazon rainforest and river stem.
B. Key challenges to advancing such sustainable development

1.8 In response to social needs, economic opportunities and loss of natural capital, Amazon countries – individually and as part of the amended Amazon Cooperation Treaty (ACT)\(^6\) – have repeatedly sought more sustainable and inclusive development options for the region, especially on those lands that are not under strict protection\(^7\). Yet effective, scalable solutions are not easy to find and progress has not been as substantial and systematic as would be required for ensuring the quality of life of the Amazon's people or the health and functioning of the ecological system. Currently, unsustainable, and non-inclusive development models prevail in the region, mainly based on extraction-oriented primary production. The transition to sustainable development models that reduce poverty, increase productivity, and protect the environment presents a formidable challenge [Barbier, 2020]. The underlying reasons are manifold, interlinked and enduring. This section, with no pretension of being exhaustive, highlights key systematic, technical and governance challenges that are highly pertinent to advancing the sustainable and inclusive development of the Amazon region.

1.9 Access and Connectivity. In part due to geography and population density, in part due to self-reinforcing patterns in infrastructure and social investments, connectivity and access present a systematic challenge across the Amazon. Access to quality social services, education and employment opportunities, transportation, telecommunication and digital services, connections to markets for the region's goods and products, health services, potable water and sanitation, and (clean) electricity: across the board, access has been and continues to be comparatively lower in each of the Amazon countries' areas within the biome than in other areas of the same country outside the Amazon region. Moreover, most infrastructural investments and connectivity services do not articulate with the cultural and environmental specificities of Amazonian localities.

1.10 This general trend is further complicated by the large variability in access and connectivity between different segments of the Amazonian population, with significant - and often compounding - disparities between urban and rural; indigenous and non-indigenous; men and women; the poor and higher-income households. For example, primary school completion rates among indigenous boys and girls in Bolivia are at least nine percentage points, in Suriname on average 20%, lower than those of non-indigenous children, and indigenous girls are at an even more severe cumulative disadvantage. [Freire et al., 2015; UNICEF, 2019] With respect to digital services, Brazil has the highest internet coverage in indigenous populations, with an access rate of 66% [World Bank, 2020], yet in most Amazon countries, internet coverage in indigenous populations is less than 10%, and in some as low as 2% [DANE, 2018; World Bank, 2020]. Likewise, access to clean energy is vital for sustainable and inclusive development, yet providing electricity to remote rural areas presents a considerable challenge as the extension of urban grids is not

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\(^6\) Amazon Cooperation Treaty and Treaty Organization

\(^7\) There are varying estimates for the percentage of the Amazon biome that is within protected areas, indigenous territories and/or community forests. Complicating calculations further is the fact that some categories of legal protection allow for sustainable resource use, development and/or extraction. Values cited for the percentage of the biome that is under some type of management and protection generally range from 49% to over 60%, depending on the exact definition of these terms. Enforcement of legal protection for natural areas and indigenous territories remains a challenge throughout the region.
economically feasible\(^8\), requiring that off-grid alternatives (e.g. decentralized generation through renewable sources and mini-grids) are tailored to the specific socio-environmental context of rural Amazon communities.

1.11 Viable development models for the region need to contribute to closing gaps in access and connectivity in ways that respect and articulate with local ways of life, as current disparities prolong and even augment inequalities in health, education, employment, productive participation in economic activities, and well-being, thus exacerbating poverty and socio-environmentally unsustainable practices.

1.12 **Heterogeneity in Perspectives on Development.** For any area twice the size of India and two-thirds the size of the contiguous United States, a diversity of visions for its development trajectory should be expected. The Amazon, in addition, is characterized by an astonishing cultural and social diversity, and inspires discussions at the local, sub-national, national, regional and even international level, resulting in heterogeneous views about what models of development would be most appropriate or desirable for the region. Priorities and drivers vary between nations and among key stakeholders, including between and among those that are concerned with: the flows of goods and people across national borders; the utilization of the region’s non-biological natural resources (especially fossil fuels, gold and other valuable metals and minerals); the manufacture of industrial goods; the production of export commodities; the cultivation of produce for local consumption; the management of an Amazonian city; the governance of a communal territory; supporting development with identity; the protection of partially or fully isolated indigenous populations from external interventions and diseases; the combatting of environmental crimes, or the analysis of biological diversity for potential future commercial uses or conservation, among other stakeholders. This heterogeneity of views poses a challenge because it can be a source of discord when a rigorous attempt is made to find solutions that attend to divergent views. However, the arguably much greater challenge is posed when the diversity of views on development - and especially views of those most directly affected by development decisions - is disregarded. Such disregard tends to become a source of disenfranchisement, inequality and potentially even conflict.

1.13 Viable development models for the Amazon region will need to be responsive to local perspectives, context, culture and stakeholder priorities. Furthermore, to achieve the SDGs, it is important that development solutions fulfill minimum criteria of sustainability and inclusiveness, regardless of the priorities or drivers that motivate them. For example, promoting development models that further increase the already high vulnerability of local indigenous communities to diseases\(^9\) or act counter to indigenous peoples’ rights cannot be deemed viable.

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\(^8\) Electricity supply through a grid extension is not economically feasible due to different factors such as: high dispersion of potential consumers; low demand for energy; high cost of the transmission lines for the transportation of energy due to the great distances involved; difficulties and environmental impacts to overcome areas of high ecological value.

\(^9\) Prevalent infectious and contagious diseases include acute respiratory infections, acute diarrheal diseases, malaria and dengue, as well as influenza, chickenpox, measles, tuberculosis, gonorrhea, and hepatitis B. The spread of sexually transmitted diseases tends to be associated with different forms of displacement or migration of indigenous peoples or contact with non-indigenous populations due to expansion of extractive economic activities, such as mining [Clark, 2015].
1.14 **Land Rights & Tenure.** Land regularization, tenure and rights, including questions of access to subsoil and above-soil resources, are complex issues in many regions of the globe, the Amazon being no exception. The region presents a mosaic of public lands, private lands and territories of indigenous or traditional (campesino, afro-descendent ribereño, colono and fisher) communities, subject to legal frameworks that differ between the Amazon countries. Likewise, progress toward the implementation of existing measures and in resolving competing claims varies greatly between countries and different locations within countries. Uncertainty over or changes in land rights tend to have strong impacts: on individuals, and disproportionately on women and youth (land tenure being a major element for producers in being able to access financing and a major driver in the adoption of responsible land management practices); on communities (especially those that hold collective property rights or have engaged in community-based economic activities, such as tourism or forestry); on municipalities (land issues being linked to fiscal sustainability) and on investments (‘clear rules of the game’ being a pre-condition for formal private sector investments). [ECLAC and Patrimonio Natural, 2013; Charity et al., 2016]

1.15 Viable development models will need to take land regularization, tenure and rights into consideration, build on existing frameworks and implementation efforts that enable sustainable and inclusive development, and possibly even complement, through geographically and thematically targeted actions, these existing frameworks and implementation efforts.

1.16 **Technical challenges.** Beyond the aforementioned structural challenges, sustainable and inclusive development in the Amazon also encounters a series of challenges that derive from a situation where policies, approaches, methods, techniques, technologies, or equipment that are conducive to resolving similar challenges in other regions either need to be adapted so as to be effective in the contexts encountered in the Amazon or face technical hurdles to their adoption in the Amazon region that need yet to be overcome. These are here jointly referred to as ‘technical challenges’. Examples of such challenges include the development and adoption of a public policy framework for the bioeconomy (usually national) that are nevertheless responsive to local realities. The related challenge of defining adequate policies, regulations and implementation measures for the transparent, just and respectful use of genetic resources and traditional knowledge. And frameworks that promote locally owned enterprises, benefitting women, youth, indigenous peoples, afro-descendants, small farmers and fishers in local communities. Moreover, a commitment to leveraging the opportunities offered by the bioeconomy for social, economic and environmental benefits can only be sustained in the presence of corresponding institutional and operational mechanisms, with integrated monitoring and evaluation systems, that serves to articulate public and private actions, define short-, medium- and long-term priorities and guide the convergence between actions.

1.17 Another technical challenge is determining the most adequate solutions for providing and maintaining the provision of basic services (e.g., water, sanitation, solid waste, energy) to rather dispersed populations in a truly sustainable manner (encompassing all elements of sustainable infrastructure: financial, economic, institutional, legal, social and environmental\textsuperscript{10}). Or, for that matter, providing basic social and health services in culturally

\textsuperscript{10} IDBG Framework for Planning, Preparing, and Financing Sustainable Infrastructure Projects: IDB Sustainable Infrastructure Platform
appropriate ways to indigenous and Afro-descendent communities, which account for almost a quarter of the Amazon region's total population.

1.18 The sustainable and inclusive development of the Amazon almost invariably implies a diversification of economic activities, which in turn requires adaptation of alternative technologies and techniques, as well as support in the transition and implementation — at scale, including through funding and capacity building. The resolution of these challenges has to part from a recognition of the unique socio-environmental elements of the Amazon region and of the need for finding locally appropriate solutions; it poses the kind of creative, intellectual and entrepreneurial challenges that — when couched in the right framework and oriented by a clear mission— can lead to impressive advances in community, technological and economic development.

1.19 Governance challenges. Governance is a key element in sustainable and inclusive development, and as such a key element for the development of the Amazon. Those working and living in the region highlight questions of institutional presence, strength and capacity; the rule of law and public safety; fiscal considerations, participatory planning processes; monitoring and enforcement; and the dynamics between the three levels of government (national, provincial and municipal), between government and local communities (urban, rural, traditional, indigenous), and between government and the private sector.

1.20 Indeed, the role and presence of the private sector and major private actors - be they local or external; in pursuit of activities that are for profit or not for profit, planned or unplanned; formal or informal; legal or otherwise – is another key element. Private actors are ubiquitous in the region; promoting sustainable and inclusive development in the Amazon requires engaging a significant portion of these actors in economic and entrepreneurial endeavors that contribute to progress towards the SDGs.

1.21 At the same time, the context for doing business has to favor sustainable and inclusive development models. Shortcomings in that respect may be indirect or veiled: fiscal stimuli and public subsidies that influence the allocation of production factors often do not consider local comparative advantages; costs related to access and logistics tend to distort markets and production chains, thus affecting trade. But shortcomings may also be quite apparent and direct: programs that could provide powerful incentives for sustainability, inclusion or innovation to the private sector lack necessary performance targets or conditionalities; lack of adequate financial conditions; absence of trade measures with a strong potential for combatting unsustainable activities, such as a Coordinated Border Management approach; and enforcement of regulations and combatting of illegal activities that is inconsistent or insufficient to provide a palpable disincentive.

1.22 Good governance also involves the skillful creation of synergies between different forms and scales of intervention: alliances and coordination between different Amazonian countries, as well as with broader regional and international agendas; coordination among management processes, norms, institutions and policies between different states; alliances with civil society and non-governmental organizations that can contribute technical expertise, support, knowledge and solutions that may not be easily accessible to public or private sector partners; and participatory processes that create a sense of ownership and engagement for constructing lasting solutions by diverse stakeholders, and especially local communities.
C. Toward sustainable and inclusive development in the Amazon

1.23 Despite these enduring challenges, there is presently an historic opportunity for the region to substantially advance towards the SDGs, with social, economic and environmental benefits within and beyond the Amazon region. This opportunity arises from a renewed regional consensus, including at the highest political levels, in favor of the Amazon’s sustainable development, as well as a broader call for solutions that simultaneously provide human well-being and biodiversity benefits. It is further supported by an exponential growth in interest from the financial markets and private investors in transparent instruments that support the sustainable and inclusive development of the Amazon. And it is made possible by recent technological and digital innovations that favor the development of a strong bioeconomy, the profitable transition to sustainable land management practices, expanded access to good health, education and employment, as well as sustainable infrastructure and cities that are at the service of the population’s wellbeing.

1.24 Bioeconomy. Recent advances in science, technology, manufacturing and commercialization have given impetus to the bioeconomy, meaning the transformation, production, utilization and conservation of renewable biological resources — in this case, those of the Amazon’s rainforest and river systems - including related knowledge, science, technology, and innovation, to generate information, value-added products, processes and services in economic sectors aiming toward a sustainable economy [GBS, 2018; European Union, 2018]. As such, the bioeconomy encompasses diverse economic sectors and value chains under a paradigm of maintaining or increasing the natural capital on which the sector is centered, rather than altering, devaluing and depleting it.

1.25 A pillar of the bioeconomy is the promotion of innovation processes that contribute to the productive diversification and generate new, modern, competitive and sustainable value chains that promote regional development, are in high-growth market segments, and offer opportunities to young people and women [FAO, 2018; OECD, 2009; Rodríguez et al, 2017; Rodríguez et al, 2019]. Since the bioeconomy is an emerging field, the promotion of these innovation processes often must go hand-in-hand with strengthening relevant policies, business models, entrepreneurial capacity, development programs and incentive measures. Through its key drivers of knowledge (combining traditional/indigenous and scientific knowledge), technology and innovation, the bioeconomy has a strong potential

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11 The International Union for Conservation of Nature (IUCN) defines nature-based solutions as “actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits” [IUCN, 2020].

12 The following factors have broad applicability to competitiveness, but have special relevance to developing bioeconomic activities in the Amazon: (i) R&D+i policies that promote sharing and multiple uses among universities, research institutes, and private sector entities focused on open science and technology development; (ii) business models capable of stimulating and absorbing new products, new processes, new forms of market interactions and other innovations oriented towards sustainability and inclusiveness; (iii) integration of sustainable production chains enabled by massive capacity building in the areas of entrepreneurship, science and technology; (iv) local, territorial and regional economic development programs that complement novel products and processes; and (v) a set of measures that stimulates the technological, productive, industrial and social development promoted by the other four factors.
for generating revenue and employment at various skills levels, social inclusion and investment opportunities, dynamic innovation networks, technical capacity, new products and modern manufacturing technologies, as well as environmental and climate benefits. In the Amazon, the latter benefits would be derived primarily from the conservation, regeneration and sustainable management of forest habitats as an integral part of bioeconomic activities. When accompanied by appropriate capacity building and efforts to integrate local businesses into receptive markets, the bioeconomy also tends to provide attractive economic opportunities to women [Lidestav et. al., 2019; Manfre and Rubin, 2012] and young males in rural areas [ECLAC, FAO and IICA, 2019], counteracting pressures to migrate to urban centers.

1.26 It is worth highlighting that the conservation of biological resources is an integral part of bioeconomic activity, on equal footing in the value chain with production and use, though not its driving objective. The bioeconomy is a high-potential complement for classic conservation strategies, such as protected areas with restricted access\(^\text{13}\), but it is not a panacea that will be able to substitute public conservation programs (such as the Amazon Region Protected Areas Program - ARPA\(^\text{14}\)), private conservation initiatives (such as Reservas Particulares del Patrimonio Natural – RPPN or Zonas de Reserva de la Sociedad Civil), or traditional practices that actively articulate with environmental conservation in indigenous lands given traditional forms of production and the cultural management and meaning of their territory. By the same token, the existence of such programs, initiatives and practices is not a substitute for the deliberate conservation of biological resources as an integral part of the value chain of bioeconomic activities.

1.27 **Sustainable Agriculture, Livestock and Forest Management.** Agriculture and livestock are key economic activities in the Amazon: they provide export commodities, employment, sustenance and livelihoods to local communities, and food security\(^\text{15}\). At the same time, agriculture in the Amazon biome (as well as associated wildfires) remains the principal driver of deforestation and land cover change, and a significant driver of emissions of greenhouse gases (GHG) by the Latin America and the Caribbean (LAC) region. Between 1985 and 2018, the area under agricultural use in the Amazon has grown by 172% [RAISG, 2018]. And the annual emissions just from agriculture, forestry and land use (AFOLU) by the eight Amazon countries account for 35% of LAC’s total annual GHG emissions\(^\text{16}\). As such, these activities invariably need to form part of the development vision for the Amazon region. [FAO 2015]

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\(^{13}\) Protected areas include a wide variety of conservation strategies beyond restrictive parks. In many cases protected areas involve the sustainability of local community livelihoods and there are many challenges regarding the strategies and policies used to define the extent of land use, including agriculture, harvesting practices and hunting within management plans [IUCN, 2013].

\(^{14}\) ARPA Programa Áreas Protegidas da Amazônia

\(^{15}\) Much agricultural, fishing, harvesting and livestock activity in the Amazon is destined for consumption by local populations. For instance, Amazonian riverside populations consume an average of 94kg of fish per year. However, export activities are a major driver, including of land use (change): in 2012, Brazil recorded exports worth US$1.6 billion of meat produced in the Amazon; Bolivia US$940 million-worth in exports of Amazonian soybeans [Charity et al., 2016].

\(^{16}\) ClimateWatch
Conserving sustainable food systems and shifting to sustainable management models for agriculture, livestock and forests is a powerful complement to the bioeconomy. Management models at the farm-level include a diversity of technologies and technology packages that may be grouped into broader categories such as low-carbon agriculture, silvio-pastoral systems, agroecology, sustainable forest management and regenerative farming. These models, as well as the measures to implement them and to monitor, verify and report (MRV) their implementation, leverage recent advances in ag-tech, fin-tech, distributed ledger technologies and remote sensing, while also benefitting from ecology and conservation science. For example, blockchain may increase the traceability of cattle herds and timber, while drones and satellites are deployed in ensuring deforestation-free agricultural production and increasing the transparency along beef supply chains. That said, the application of one or several of these models and technologies does not, in and of itself, imply an integrated view of the corresponding value chain. In other words, sustainable land management is not tantamount to a bioeconomic activity. Yet, sustainable management practices for agricultural products, livestock and forests are an essential element of most bioeconomic activities, and even when not linked to the bioeconomy, they can greatly contribute to the astute management of natural capital, forest conservation and regeneration of degraded areas. The implementation of these practices is also often linked to complementary benefits, such as strengthened farmer associations, cooperatives, and community organizations; facilitated access to financing for micro, small and medium enterprises (MSMEs); and improved access to (more lucrative) markets.

Moreover, management models such as sustainable forest management, sustainable intensification of cattle ranching, silvio-pastoral and agroecological systems have proven their long-term productivity, economic viability and competitiveness vis-à-vis traditional methods, capable of generating equal or superior private and public benefits. [BPBES, 2018] They are also increasingly important quality signals in export markets and trade promotion, whether linked to formal certifications or other channels for providing systematic, transparent information about production processes and associated socio-environmental impacts. Yet, switching to these modern models implies substantial transition costs and capacitation needs for producers, especially for MSMEs; factors that still slow-down adoption rates.

Human Capital. Sustainable development is not achievable without adequate access to sound education, appropriate health services, and formal employment opportunities that cater to diverse profiles of qualifications. Given the unique socio-environmental system of the Amazon, providing these services and opportunities for the region’s over 30 million people requires unique solutions, tailored to local conditions. Also, in order for the Amazon region to be able to meaningfully benefit from the bioeconomy and advanced, efficient production technologies, rather than being simply a provider of genetic source material or inspiration for innovation, it will be essential to invest in the education, attraction and retention of skilled labor, as well as connecting the region to international innovation networks.

More broadly, this implies, among others, investments in infrastructure, connectivity and services; an understanding and overcoming of the hurdles that impede learning and completion of educational programs; and ensuring local curricula that respond as much to new market demands as they respond to the needs of the local, rural, traditional and indigenous communities. In the context of the bioeconomy, though, and of the innovation
that it implies, a special opportunity presents itself: to revitalize a social development agenda in the Amazon region that uses local comparative advantages as catalysts for the generation of economic value, employment and income. The development of the bioeconomy requires successful innovation and investments in R&D, which can be leveraged to generate renewed interest and demand for education and capacity building in the sciences, technology, and innovation-relevant fields. The knowledge base that gives rise to bioeconomic activity is broad, complex and multi-disciplinary, and it values local, traditional knowledge as well as creating explicit ties to the region. As such, there is a natural link between the development of the bioeconomy and investments in the education, attraction and retention of skilled labor in the Amazon region.

1.32 Sustainable Infrastructure & Sustainable Cities. Finally, while “the Amazon” calls up images of immense expanses of water and vegetation, cities and infrastructure are critical elements of the system. Recent advances in the areas of sustainable cities and sustainable infrastructure provide modern methodologies and approaches (e.g., resilient infrastructure, green building materials, circular and blue economy) to make cities more inclusive, livable and thriving places, as well as to promote the combined financial, institutional, socio-cultural and environmental sustainability of much needed infrastructure investments, in urban and rural areas, related to energy, water, sanitation, solid and hazardous waste management, market access, transport, connectivity, health, education, community spaces, research, development and innovation. Some of these methodologies translate quite readily to the Amazon region, others must be adapted to local needs and conditions. Once again, switching to these modern approaches, and thus reaping the long-term economic, social and environmental benefits they provide, implies considerable transition costs and capacitation needs in the short- to medium-term, in this case especially in the construction sector and in the area of city planning and municipal management.

D. A country-driven Amazon Initiative

1.33 A recent alignment of technological opportunities and private sector engagement have created momentum around investing in the development and application of modern, inclusive and sustainable development models in the Amazon. Yet, even more importantly than this broader context is the political support and momentum created by the Amazon countries themselves:

a. On September 6th, 2019, the Heads of State and Heads of Delegation of Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru and Suriname signed the Leticia Pact for the Amazon Region\(^\text{17}\), which, among others, reaffirmed that the cooperation among Amazonian countries in an important condition for the conservation of the Amazon region, to generate opportunities for the sustainable development and well-being of its population. The Pact also established 16 areas of action related to the fight against deforestation and forest degradation; the conservation, recovery and resilience of Amazonian biodiversity and ecosystems; sustainable productive systems; the active participation by women, by indigenous and tribal peoples and by local communities in the sustainable development of the region; as well as the promotion of financial mechanisms to implement the Pact, underlining the importance of multilateral

\(^{17}\) Leticia Pact for the Amazon Region
development banks and the Global Environment Facility (GEF)'s Amazon Sustainable Landscapes Program (ASL) II.

b. On August 11th, 2020, at the II Presidential Summit of the Leticia Pact, the signatory countries gathered virtually to discuss the repercussions of the COVID-19 pandemic and the urgent need for a financing initiative for the region’s sustainable development and bioeconomy. The joint declaration (i) requests that the IDB, in close coordination with the representatives of the Amazonian countries on the Bank’s Board of Executive Directors, establish and manage an Initiative, its corresponding donor fund and institutional arrangements; and (ii) declares signatory countries’ commitment to support this new initiative, including through the design of projects aimed at implementing the Leticia Pact, in a complementary and synergistic manner with the activities of OTCA.\(^{18}\)

c. Under the guidance of the Ministries of Foreign Relations of its member countries, OTCA is updating its Strategic Agenda for Amazonian Cooperation, slated to be approved in early 2021.

d. Colombia’s Plan Nacional de Desarrollo 2018-2022 presents a regional plan for the country’s Amazonia region, focused on forest conservation; the preservation of natural, pluricultural and multiethnic heritage; the improvement of public services in rural areas; and the integration of Amazonian products in the national market.

e. At the beginning of 2020, Brazil sent an important signal with respect to the sustainable management and development of the Amazon by indicating Vice President Mourão as head of the Conselho Nacional da Amazônia Legal. Furthermore, despite the challenges imposed by the COVID-19 pandemic, the State of Pará is taking steps towards the implementation of its economic and sustainable development plan Amazônia Agora and the creation of an associated fund, and the IDB is collaborating with the Ministry of Economy, the State of Amazonas and four other Brazilian states within the Amazon region on the strategic planning of sustainable development and bioeconomy initiatives, for example, the Occidental Amazon and Amapá Sustainable and Economic Development Plan.

1.34 These are concrete examples and expressions from the region that show a demand for an Amazon Countries-driven initiative to promote the sustainable and inclusive development of the Amazon Region. They also reaffirm countries’ commitment to support such an initiative through collaborations at the regional and international level, highlighting the role of OTCA, the partnership with the GEF, and national actions linked to the UN Framework Convention on Climate Change (UNFCCC). Equally importantly, they reaffirm countries’ commitment to support a country-driven Amazon Initiative through projects aimed at implementing the Leticia Pact. Patient, transparent and well-structured investments by the countries will be essential to the inclusive and sustainable development in the Amazon, not least with respect to tackling enduring challenges such as citizen security, land rights, enforcement and basin-wide management of water resources.

\(^{18}\) Declaration of the II Presidential Summit of the Leticia Pact for the Amazon on the Financing Initiative for Sustainable Development and Bioeconomy for the Amazon
In response to the commitment by Amazon countries and their call on the IDB to establish and manage an initiative, the following paragraphs introduce the conceptual framework for a systematic, coordinated support for sustainable development in the Amazon: a country-driven Amazon Initiative.

1. Conceptual framework

The Amazon Initiative’s objective is to foster socio-environmentally sustainable and inclusive economic development models in the Amazon region that benefit its diverse communities. The specific objective for its first 5-year period of implementation is to support the structuring, preparation and implementation of at least five programmatic approaches, including the individual IDBG operations that compose them, that are focused on the Amazon biome, in one or more of the Initiative’s four thematic areas, and in strategically selected locations, and that each generate measurable social, environmental and economic results for local beneficiaries.

Thematic and geographic focus. To achieve its objective, the Initiative will work with partners in government and the private sector, as well as non-governmental, civil society and international organizations to address strategic challenges that currently disincentivize the adoption of modern, more productive, sustainable and inclusive development models in four thematic areas:

a. Bioeconomy
b. Sustainable Agriculture, Livestock and Forest Management
c. Human Capital (Health, Education and Employment)
d. Sustainable Infrastructure and Sustainable Cities

The bioeconomy is increasingly considered by experts to be the most promising economic area for the sustainable development of the Amazon region: while it is risky and requires investments (both elements that can be attended in the framework of an initiative by a multilateral development bank), it weds environmental protection, economic production and myriad socio-cultural benefits. Yet, support to the development of the bioeconomy must be complemented with increasing the sustainability of two dominant activities, agriculture and cattle ranching, that drive deforestation and forest degradation in the Amazon. Both the bioeconomy and sustainable management of agriculture, livestock and forests are intricately linked to the quality of life of local populations: their health, education (especially relevant to the adoption of modern production technologies) and opportunities for quality employment. And given the high level of social and cultural diversity in the Amazon, promoting the quality of life of local populations encompasses a high degree of responsiveness to these populations' diversity. Yet, progress in none of these areas is feasible without corresponding infrastructure to resolve barriers in access and connectivity, and thriving, livable cities that serve as knowledge nodes, centers of innovation and poles of attraction for the formation and retention of talent in the Region.

These four thematic areas are thus closely intertwined and achieving substantial progress in only one of these areas without due attention to the other three is highly unlikely to be inclusive or sustainable. Hence, the Amazon Initiative will be driven by a territorial approach, meaning that it will integrate sector-specific solutions in a spatial context, centered on specific, strategically identified geographic locations (hubs, clusters or
This approach will steer the strategic dialogues, planning and financing of activities under the Initiative, promote increased attention to potential synergies in country-level programming, and inform the time-bound results framework for the Initiative that will be developed in conjunction with the definition of the strategically identified geographic locations. As such, a territorial approach will strengthen coordination, integrated thinking and mutually reinforcing dynamics between actions in the four thematic areas within a specific hub, cluster or corridor.

1.40 Likewise, with a view to achieving notable impacts, programmatic approaches that complement, strategically leverage and/or join efforts with systematic approaches by clients and other development partners in the region are strongly favored. Such programmatic approaches not only reinforce the advantages of a territorial approach, but they also contribute to addressing the (often considerable) challenges of scaling-up pilots and stand-alone projects.

1.41 Within this territorial and programmatic paradigm, the conceptual framework of the Initiative does not give preference to or preclude the use of any specific financial instruments offered by the IDB Group. In principle, individual operations under the initiative may make full use of the diverse financial instruments, modalities and products offered by IDB, IDB Lab and IDB Invest, subject to each entity’s programming dialogues and policies. Projects under the initiative will be prepared, approved and executed in accordance with IDB Group (IDBG) policies, including its policies on managing environmental and social risks, and on fiduciary management.

1.42 While the Initiative will squarely focus on the four thematic areas identified above, there are three topics that deserve special mention here, as they cut across the thematic areas:

a. **Institutional Strengthening.** Considering the public sector engagement required and the governance challenges most pertinent to advancing the sustainable and inclusive development of the Amazon region, there is a clear need for institutional strengthening, and a particular urgency for creating the fiscal space that will allow strategic, long-term public support for the implementation of sustainable development models and complementary activities. Similarly, there is a need for strengthening the ability of public sector entities (especially at the municipal and provincial level) to implement territorially based programmatic approaches, which require coordination across

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19 Specific geographic locations will be strategically defined by participating Amazon countries, taking into consideration (i) national programming priorities and locations of strategic interest for systematic investments in sustainable and inclusive development in the Amazon biome; (ii) complementarities and incompatibilities with other on-going or planned development efforts; (iii) comparative advantages and disadvantages of different locations with strong potential for generating measurable sustainability and inclusion benefits within a 5-year period (for example, the extent of existing industrial capacity in a location may be a pivotal consideration for the development of certain bioeconomic activities); (iv) potential for the strong integration of women, youth, indigenous peoples and afro-descendants in entrepreneurial opportunities; and (v) opportunities for attracting sustainability and inclusion-focused private sector led investments.

20 The challenges and risks inherent in transborder credit operations are likely to severely limit multi-country, transborder loans. The proposed programmatic approach provides the flexibility to conceptually link individual, national or sub-national, operations, in a specific location (which could be a hub in a single country or a cluster in a border region, for example), without the confines created by attempting to administer all under a single, regional operation, while also allowing those operations to be complemented through regional or country-specific non-lending/grant operations.
multiple sectors, each with specific perspectives, agendas, priorities and approaches. Yet, the demand in the Amazon region for strengthening institution, fiscal management and sub-national coordination between public sector institutions greatly exceeds what is needed in this respect to promote the sustainability of the Initiative. To avoid the dispersion of focus and resources, fiscal management and institutional strengthening will be supported under the Initiative whenever such operations provide clear benefits to prioritized locations and substantially contribute to, at a minimum, the SDGs of decent work and economic growth, reduced inequalities, and life on land (see also Expected Results and Beneficiaries).

b. Gender and Diversity. With its objective to benefit the Amazon’s diverse communities, this Initiative includes a gender and diversity focus that responds to the important challenge of fostering equity in bioeconomy, value chain interventions, sustainable land management, education, health, employment, access to infrastructure services and within cities. Local beneficiaries include for instance women, indigenous, campesino and afrodescendant beneficiaries in the specific activities of the Initiative such as: the promotion of local business and sustainable development practices with both cultural and environmental viability, the stimulation of women and youth employment, the quality of employment for local inhabitants and producers, women's ownership of productive actives (land, animals, capital), local access to information and technology, and public services and spaces that explicitly considers how accessibility differs between potential user groups and promotes equitable access and use.

c. Forest Conservation. Today, approximately half of the Amazon biome is under some form of protection, be it through formal protected areas, indigenous territories or community forests. This is a formidable and timely achievement by national governments, indigenous peoples, the conservation movement and private actors. (See also section on Biodiversity Conservation and Biodiversity-based Livelihoods in Electronic Link 1.) The protection of indigenous peoples, forests and biodiversity are by no means an automatic result of the legal protection of these areas. Notwithstanding, deforestation and forest degradation in unprotected, predominantly privately used lands (with varying ownership regimes) tends to be considerably greater than in areas under legal protection. The dynamics underlying the conversions of forests to agricultural lands are complex, touching on poverty, inequality, land rights, traditional communities, technical capacity, food security, ecosystem services, markets and market failures, environmental governance, and trade, among others. Yet, there is little political or institutional support for a strategy of substantial expansion of strictly protected natural areas in the Amazon region. Neither is it realistic to embark on a strategy of conserving large swaths of the Amazon’s unprotected forests through payments for environmental services – not even the most effective and most generously funded payment mechanism would be able to rise to that challenge, not even for a limited time, much less for perpetuity. (Payment mechanisms may however be viable and effective in supporting the protection of key areas within the Amazon, on public or private lands.) Thus, the Amazon Initiative approaches forest conservation through the thematic areas of bioeconomy and sustainable agriculture, livestock and forest management, coupling conservation to economic activities, sustainable practices, systems and policy frameworks that provide private as well as public benefits to land users.
1.43 It would be remiss to discuss development in the Amazon region without mentioning the management of the Amazon’s water resources. The adequate, coordinated, transboundary management of the quality and quantity of surface and sub-surface water resources in the Amazon basin is essential to the long-term health and vitality of the Amazon biome, as well as to the populations benefiting from the hydrological cycles driven by the Amazon. This adequate management requires an integrated, watershed-encompassing approach, which is fundamentally different from the geographically focused approach that is needed to achieve measurable results in the development and implementation of sustainable development models in the four thematic areas of the Initiative. To bind the management of the Amazon watershed into the territorial logic of the Initiative would do disservice to both and justice to neither. Therefore, watershed management is not an area where the Initiative will actively engage; rather, it will provide a complement to integrated regional actions focused on water management, such as the GEF funded ACTO and UNEP collaboration to implement the Strategic Action Programme for the Amazon river basin.

1.44 **Complementarity and Collaboration.** To maximize effectiveness and minimize duplication of efforts, the Initiative is designed to complement existing programs, initiatives, platforms and actions focused on the Amazon region. IDB recognizes that regional, national, subnational, multilateral and private sector actors are engaged in efforts that contribute to the sustainable development of the region through, for example, environmental conservation and enforcement; land regularization; traditional and indigenous land stewardship; deployment of digital technologies to increase access and quality of public and financial services; citizen security in urban and rural areas; reducing the negative social and environmental impacts of non-sustainable economic activities; and increase in the quality and quantity of housing for vulnerable populations, among others. There is also considerable complementarity with funding mechanisms that directly benefit the Amazon region, such as the GEF’s ASL II, the *Fundo Amazonia*, and *Colombia Sostenible*. At the same time, the active role of the private sector is key for sustainable development in the Amazon, though systematic information on their actions and priorities is not always readily available. Throughout its implementation, and in line with the IDB Group’s broader engagement in partnerships and mobilization, the Initiative will map specific linkages and partnership opportunities with existing efforts by public, private and civil society actors, regionally and within each country, targeting complementary areas of actions with high potential in close collaboration with the IDB Group’s clients in government and the private sector.

1.45 To ensure the continued and highest level of responsiveness of the initiative to Amazon countries’ priorities throughout its implementation, three collaboration mechanisms will inform the initiative’s management:

a. Existing and on-going IDBG programming and strategic dialogues with Amazon countries’ Ministries of Finance/Planning, led by the corresponding IDBG Country Managers and Representatives, as well as related strategic and programming dialogues with the representatives of IDBG countries on the Bank Group’s Boards of Executive Directors. This will continue to be the principal avenue for countries to express their specific priorities and interests in collaborations with the IDB Group.

b. A strong network of national, regional, multilateral and non-governmental entities dedicated to the inclusive and sustainable development, as well as the integration and
promotion of the region. This network will include a diversity of stakeholders, among them key development and financial partners, such as OTCA, GEF, Green Climate Fund (GCF), Climate Investment Funds (CIF), and non-governmental organizations, but also including agencies focused on conservation, commerce, industry and investment promotion, among others.

c. An Amazon Entrepreneurial Network, composed of representatives from a diverse group of private sector entities with interest, experience and a demonstrated commitment to the sustainable development of the Amazon, including different types of entities and segments along the value chain, from primary producer to consumer, start-ups to established firms, engaged in a variety of economic sectors.

This latter network aims to strengthen private sector participation in the creation of sustainable and inclusive development opportunities in the Amazon. Today, it is broadly recognized that sustainable development can only be achieved through the collaboration of governments, civil society, multilateral institutions and the private sector. The Amazon Entrepreneurial Network will thus add a critical perspective to the Amazon Initiative and to the sustainable development of the region.

**Expected Results and Beneficiaries.** Given the objectives of the Initiative, it is expected that programs and individual operations include in their result frameworks specific result indicators (at the outcome and impact levels) related to sustainability, social inclusion, and gender and diversity, as well as productivity and innovation. In principle, projects under the Initiative may contribute to any of the 17 SDGs and any of the IDBG’s CRF indicators. However, taking into consideration the Initiative’s objective to foster socio-environmentally sustainable and inclusive economic development models in the Amazon region in the four thematic areas, it is expected that all operations under the Initiative contribute to the SDGs of decent work and economic growth (#8), reduced inequalities (#10), and life on land (#15), as well as related CRF indicators. In addition to those three goals, operations are also expected to contribute to one or more of the SDGs of gender equality (#5), industry, innovation and infrastructure (#9), climate action (#13) and peace, justice and strong institutions (#16), through related CRF indicators. The Initiative may benefit a variety of communities (rural, urban, traditional, indigenous etc.) within the prioritized locations (hubs, clusters, corridors). Direct and indirect beneficiaries, disaggregated as applicable by gender and diversity, must be defined for each program and individual operation.

**2. Value Added and Opportunities of an Amazon Initiative**

Beyond responding to the explicit request by the Heads of State and of Delegation signatory to the declaration of the II Presidential Summit of the Leticia Pact, IDB’s lead in establishing a region-wide initiative for the Amazon adds value, both at a regional scale and individually for the Amazon countries:

a. The IDB Group is well positioned to support Amazon countries in advancing toward the SDGs along the Initiative’s four thematic lines, adding value by building on the experience gained from its own operations, from development partners, and in other contexts that can provide insights for the Amazon region. Electronic Link 1 provides a description of pertinent experiences, as well as a list of recent projects implemented

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21 See also [IDB Group SDG Project Classification Methodology](#).
in the Amazon region. These experiences and projects span the range from promoting sustainable development planning, long-term strategies and governance, to biodiversity conservation and biodiversity-based livelihoods, to connecting communities to services, assisting the most vulnerable, and structuring incentives for transformative results. Moreover, the Bank will also draw on its experience with the management and promotion of other regional and public-private collaborations (for example, in the context of the Alianza del Pacífico).

b. Through the Seed/Transitory OC-SDP for the Amazon that is the subject of the present document, the Amazon Initiative adds value through (i) facilitating the governance, alliances and collaboration within the region that are required to generate synergies and substantial progress towards the SDGs in the multi-sector, multi-national context of unique socio-environmental complexity and diversity that is the Amazon region; and (ii) fostering the development and implementation of sustainable and inclusive development models that are tailored to local socio-environmental conditions in the Amazon biome.

c. Learning from the Asian Development Bank’s Greater Mekong Subregion initiative, the Amazon Initiative provides a geographic and thematic focalization of loan operations and technical cooperations that will support a sovereign yet regionally cohesive approach in a territory that does not neatly coincide with country borders, focused on the impacts most relevant to the needs of the region.

d. Being Amazon-Country driven, the Initiative complements corresponding objectives, goals and lines of actions in the participating countries’ programming documents, and thus provides clarity about the IDB Group’s perspective and priorities for the Amazon region to external partners, which, among others, is advantageous for the targeted mobilization of resources to complement OC-financed operations.

e. The framework of the Initiative also fosters an integrated approach by the IDB Group in the region, taking advantage of the respective strengths of the three entities of the IDB Group, thus promoting greater knowledge exchange and synergies between individual projects; incentivizing programmatic territorial approaches (operationalized through, for example, multi-sector conditional credit lines for investment projects); and leveraging partnerships between public and private actors for the benefit of the region.

1.49 The Amazon Initiative and its direct link to the SDGs creates an opportunity for the IDB Group to issue Amazon-specific Sustainable Development Bonds. Such bonds could support Amazon countries in implementing sustainable and inclusive development models, crowd-in support for IDBG projects in the region and provide investors with reliable information on the sustainability impacts of their investments.

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22 In this respect, the Initiative takes its lead from international conventions, such as then Rio Declaration on Environment and Development and the Paris Agreement, building on the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances.

23 Including the Country Development Challenges (CSD) and Country Strategy documents. For example, the IDB’s Country Strategy for Brazil 2019-2022 prioritizes the development of a sustainable model for the Amazon as a key step in promoting national integration, boosting competitive advantages, supporting the efficient allocation of productive resources while simultaneously reforming economic relations to support higher productivity.
The operations carried out within the framework of the Amazon Initiative will add value by contributing to the implementation of the Sustainable Development Goals and the Amazon countries’ national commitments under UN Conventions and Agreements, especially the Convention on Biological Diversity (CBD), the Convention to Combat Desertification (CCD), the Framework Convention on Climate Change (UNFCCC), the Paris Agreement and the Sendai Framework. They will also be complementary to the actions undertaken by the countries of the Amazon under the amended Amazon Cooperation Treaty and the Leticia Pact.

Furthermore, the Initiative aligns with the IDB Group’s Update to the Second Institutional Strategy (AB-3190-2), with a clear focus on reducing poverty and inequality through inclusive and sustainable development. The Initiative incentivizes gains in productivity and innovation through its four thematic areas (bioeconomy, sustainable agriculture, livestock and forest management, human capital, and sustainable infrastructure and sustainable cities); promotes social inclusion; and fosters economic integration of and within the Amazon region. By its very objective, environmental sustainability, climate change, diversity, gender and institutional capacity are critical issues for every project that forms part of the Initiative. The Initiative will contribute to the IDB Group’s Corporate Results Framework (CRF 2020-2023) (GN-2727-12) through the financial operations and technical support provided by individual projects, with contributions expected to the majority of the 27 Level 2 CRF indicators, as well as significant contributions to the Level 3 CRF indicators focused on climate change and sustainable land use (indicators 3.6 and 3.6.a), gender equality (3.7), diversity (3.8), institutional capacity and rule of law (3.9), mitigation of environmental and social risks (3.14), and the Net Promoter Score: IDB Group as a provider of innovative solutions (3.25). Moreover, it is expected that programs and operations under the Amazon Initiative contribute significantly to the objectives and lines of action of the Mainstreaming Action Plan for Environmental and Social Sustainability 2021-2022 (GN-3019-3), the Update to the Gender Action Plan for Operations 2020-2021 (GN-2531-19) and the Diversity Action Plan for Operations 2019-2021 (GN-3001).

3. Funding Mechanism

The objective of the Amazon Initiative can only be achieved through systematic, significant and targeted investments by public and private actors from the Amazon countries. This implies that the initiative, by needs, will have a strong link to the IDB’s lending portfolio in the Amazon countries. However, such lending needs to be accompanied by financing mechanisms that incentivize investments, especially in areas that are innovative and require higher risk tolerance or in areas where the economic benefits of the investments are less easy to assess, as is the case of the value to society of ecosystem services. This section summarizes the primary financing mechanisms for the first 5-year phase of the Amazon Initiative.

Amazon countries’ lending portfolio. The Initiative is closely tied to the Amazon countries’ development plans, and as such to the IDB’s lending portfolio in each country. Financing through the three entities of the IDB Group will be structured in accordance with the strategic and programming conversations with each country and private sector actor, using the suite of lending instruments available to the three entities, such as, for example, loans, guarantees, credit lines and equity. The initiative’s operational framework will
establish the conditions for a specific operation or program to be considered part of the Initiative, and hence eligible to access the other financing mechanisms of the Amazon Initiative.

1.54 **Seed/Transitory OC-SDP for the Amazon (Amazon-SDP).** To ensure a strong project pipeline and portfolio under the Amazon Initiative, strategic technical support to clients and for the ideation, preparation and execution of IDB lending operations is essential, especially during the first years of implementing the Initiative where the marginal costs to countries of defining, designing and implementing impactful programmatic approaches are likely to be greater. The Amazon-SDP will provide this essential ‘start-up’ support, as detailed further in Section II.

1.55 **Multi-donor Bioeconomy & Amazon Forest Fund.** Complementing the OC-financed elements of the Initiative and as requested through the joint declaration from the II Presidential Summit of the Leticia Pact (see ¶1.33.b), the IDB is engaged in early-stage technical conversations to create a grant multi-donor fund, focused on driving achievements in sustainable forest management, sustainable land use and development of the bioeconomy in the Amazon region. Because of its focus, the fund will most likely be thematically more restrictive than the Initiative and the Amazon-SDP, accessible only to qualifying programs and operations in the thematic areas of bioeconomy and sustainable agriculture, livestock and forest management. Subject to negotiations with donors, the fund may be accessible by all three entities of the IDBG. Creation of the fund is subject to approval by the Board of Executive Directors.

1.56 **Amazon Bioeconomy Fund.** Furthermore, the IDB is engaged in conversations to create a fund to foster private sector investment in bioeconomy: the Amazon Bioeconomy Fund. This fund intends to leverage IDB Group capacity to support private investment in bio-businesses and forest management by structuring and providing financial solutions and incentives to promote the valuing of natural capital and forest assets across markets. Fund resources are intended to increase access to finance and attract private capital to viable projects that deliver socio-economic and environmental benefits, as well as to build complementary knowledge and capacity in local governments, and along the finance and production value chains. Creation of the fund is subject to approval by the Board of Executive Directors.

1.57 **Mobilization of concessional, parallel and co-financing.** By providing a robust framework that speaks to national priorities as well as international agreements, the Initiative has the potential to align financing streams in the Amazon region focused on the four major themes of the Initiative. It is therefore expected that further resources will be mobilized, on a program- or project-level, from private and public development partners or multilateral funding mechanisms, in the form of concessional, parallel and co-financing. Mobilized resources play a special role in structuring innovative financial products, with risk profiles and lending conditions that are attractive to public or private sector clients. Such resource mobilization would be in line with the IDBG’s Updated

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24 If desired by donors and agreed during the fund’s negotiations, the scope of the multi-donor fund could be expanded to other thematic areas of the Initiative. Based on initial consultations with donors, there is a strong preference for keeping the multi-donor fund focused on bioeconomy and forest issues.

25 The IDB is an accredited agency to several financial intermediary funds with strong complementarity to the present Initiative, including the GEF, GCF and CIF.
Institutional Strategy (AB-3190-2). They would be approved in accordance with applicable Bank policies and procedures and would adhere to the IDBG’s resource mobilization strategy and regulations, reporting systems and corresponding CRF targets.

4. Administration of the Initiative

1.58 An appropriate articulation between interested parties, between the four thematic lines of the Initiative, and between the different financing mechanisms is essential to ensure the success of the Initiative and avoid fragmentation of efforts and resources. Also, a proper coupling between the Initiative and IDBG’s strategic and programming dialogues with countries, as well as between the Initiative and other sustainability initiatives in the Amazon region, under IDB administration or externally managed, is a condition of success. Moreover, being an Amazon-driven approach, the continued involvement of the representatives of the Amazon Countries on the Bank’s Board of Executive Directors will be important, as will be the dialogue with the members of the Board from non-Amazon countries that provide technical and/or financial support to the Initiative, taking advantage of the IDBG’s established mechanisms for such involvement and dialogues. For these reasons, the Initiative requires sound administrative management.

1.59 Parting from the multi-sector, multi-nation approach of the Initiative, and continuing the successful inter-sectoral, multi-nation approach during its conceptualization, the Initiative’s operational work will be guided by a group of focal points representing the relevant country departments and representations, as well as all relevant technical sectors and strategic areas from the three entities, IDB, IDB Lab and IDB Invest. The coordination of this group and of administrative matters related to the Amazon Initiative will be carried out by a designated staff within the Vice Presidency of Sectors (VPS), in close coordination with the Vice Presidency of Countries, in accordance with the terms specified by and under the supervision of the Vice President of Sectors or a member of VPS to whom the Vice President delegates this responsibility.

1.60 Key elements to be managed by the designated staff are: (i) the operational framework for implementing the initiative, including for example, technically-rigorous guidance on how to determine which projects can be considered to wholly and significantly contribute to the Initiative, the process for the strategic prioritization of locations, details on the mapping of complementary efforts and functioning of the collaboration mechanisms (IDBG programming and strategic dialogues, development partner network and Amazon Entrepreneurial Network); (ii) adequate coordination, evaluation, monitoring and reporting on the Initiative and its activities, following the Bank’s established processes and using the Bank’s operational systems; (iii) communication and outreach at the Initiative level; and (iv) facilitating consultations with and coordination among interested stakeholders, within the IDBG and externally.

II. SEED/TRANSITORY ORDINARY CAPITAL STRATEGIC DEVELOPMENT PROGRAM FOR SUSTAINABLE DEVELOPMENT IN THE AMAZON

2.1 Paragraph 1.7 of the Ordinary Capital Strategic Development Programs (GN-2819-1) expressly allows Management to propose Seed/Transitory OC Strategic Development Programs (OC-SDPs) for approval by the Board of Executive Directors as the need arises.
Document GN-2819-1 details additional aspects, including that OC-SDPs could include specific country eligibility requirements (GN-2819.1: 1.10).

2.2 In line with these stipulations, the following presents the proposal to establish a Seed/Transitory OC Strategic Development Program for Sustainable Development in the Amazon. The proposal is motivated by the opportunities inherent in the Amazon Initiative and the need for temporary OC financing in pursuit of two objectives that touch on themes that are contemplated by the six OC-SDPs established through document GN-2819-1 but ultimately not adequately attended by any one of them, nor through a simple co-funding from two or more of these six OC-SDPs. This is due to the territorial focus, as well as the multi-year, multi-sector and multi-national approach required to respond appropriately to the Amazon countries’ request for IDB to establish and manage an initiative in support of implementing the Leticia Pact. The term for the Seed/Transitory OC-SDP for the Amazon would be five years (aligned with the duration of the first phase of the Amazon Initiative), with a mid-term evaluation to be presented no later than 36 months after the Amazon-SDP’s establishment. The projected multiannual allocation for the five-year term would be USD 20 million. Annual funding allocations will be made through the Bank’s budget cycle.

A. Amazon-SDP Objectives

2.3 The objectives of the Amazon-SDP are to: (i) foster the development and implementation of sustainable and inclusive development models that are tailored to local socio-environmental conditions in the Amazon biome; and (ii) facilitate the governance, alliances and collaboration within the Region that are required to generate synergies and substantial progress towards the SDGs in the multi-sector, multi-national context of unique socio-environmental complexity and diversity that is the Amazon region.

2.4 To achieve the aforementioned objectives, the Amazon-SDP will focus on: (i) incentivizing the ideation, preparation and implementation of multisectoral, regionally coherent programmatic approaches; (ii) developing tools and methodologies that serve to embed sustainability and inclusivity into development programs for the Amazon; (iii) adapting high-potential technologies, processes, methods and tools for fostering sustainability and inclusion to local socio-environmental conditions in the Amazon; and (iv) creating mechanisms for dialogue and collaboration that are conducive to implementing cohesive actions by diverse stakeholders in a multi-nations, multi-user, multi-sectoral and multi-level setting.

B. Results Framework

2.5 The Amazon-SDP’s vertical logic is shown in the results framework (RF) in Figure 1, following the structure for OC-SDP RFs set out in document GN-2819-1. The proposed RF would serve as a roadmap to guide this OC-SDP’s interventions towards achievement of its expected results.
C. Risks and Sustainability

2.10 The key risk identified with respect to the Amazon-SDP’s first objective of fostering the development and implementation of sustainable and inclusive development models that are tailored to local socio-environmental conditions in the Amazon biome is the complexity of the governance, alliances and collaborations that are required to enable that development and implementation to take place. Multi-sectoral and territorial approaches entail institutional and organizational challenges, which are amplified in the multi-country and highly diverse setting of the Amazon region.

2.11 This risk is in part being mitigated by the Amazon-SDP itself, as reflected in its second objective. In parallel, it will also be explicitly addressed in the elaboration of the operational framework for the Initiative, with a view to establishing or strengthening internal
mechanisms that could more effectively support coordination with the multiplicity of actors that are relevant to the successful implementation of the Initiative. In this latter endeavor, technical inputs from the Bank’s experience of supporting coordination mechanisms in other regional contexts are likely to be instructive.

2.12 The second key risk identified is inherent in the transitory nature of the Seed/Transitory OC-SDP for the Amazon: the risk that the Initiative will suffer adverse consequences from the discontinuation of the Amazon-SDP at the end of its term (limited, as stipulated in document GN-2819-1) and will not achieve sustainability within the Amazon-SDP’s duration. It is worth highlighting that the Amazon-SDP is intended to provide seed funding for the Initiative during its initial phase, with the expectation that the Initiative will achieve ‘critical mass’ over that first 5-year period and thus be considerably less dependent on special financing, beyond that provided by the other funding mechanisms that will support the Initiative (see Section I.D.3 above). In addition, to ensure that the groundwork is set for a successful transition at the end of the Seed/Transitory OC-SDP for the Amazon’s term, the following Mainstreaming Plan is proposed.

2.13 **Awareness raising.** The Amazon-SDP will contribute to raising awareness of the importance of sustainable and inclusive development through its capacity building activities, through the development of specific knowledge products, and through supporting origination, preparation and execution of public sector projects, which will be the core substance for the communication and outreach activities carried out under the Initiative. Furthermore, the Amazon-SDP, through facilitating governance, alliances and collaborations within and between Amazon countries, will contribute to raising awareness not only of the importance, but of concrete steps to making the sustainable and inclusive development in the Amazon, based on a territorial programmatic approach, a reality.

2.14 **Establishing an enabling environment.** The lessons learnt through the Amazon-SDP and the activities under the Amazon Initiative in general will provide only the second experience of the IDB (after the Mesoamerican Health Facility) to approach a set of complex development challenges in a territorially focused, programmatic fashion. Insights gained about what works and does not work in promoting new business models in an emerging economic sector with strong mainstreaming of environment, climate, gender, and diversity will be highly informative for IDB’s Mainstreaming Action Plan and related Action Plans, as well as a large number of Sector Framework Documents, and possibly even for integrating cross-cutting themes into Country Strategy documents.

2.15 **Development of investment tools.** The establishment of the Amazon-SDP responds to a present, and pressing, need to ensure a strong project pipeline and portfolio within the conceptual framework of the Amazon Initiative. This in turn requires strategic technical support to clients and for the ideation, preparation and execution of lending operations and the solutions they offer, especially during the first years of implementing the Initiative where the marginal costs to countries of designing and implementing impactful programmatic approaches are likely to be greater. This initial support will be provided by the Amazon-SDP, thus creating a library of programming, monitoring and evaluation tools suitable for application in future operations in the Amazon region.

2.16 **Training and technical support.** The strongly multi-sectoral and IDB Group-wide conceptualization of the Amazon Initiative not only offers, but actually encourages, ample participation by all operational areas of the IDBG. In this sense, internal support for integrating operational efforts in support of the sustainable and inclusive development of
the Amazon into the Bank’s regular work program is inherent to the Amazon Initiative, and by extension to the Amazon-SDP.

2.17 **Measuring progress.** The administration of the Amazon Initiative entails the adequate coordination, evaluation, monitoring and reporting on the Initiative and its activities, including through the Bank’s operational systems and against the IDBG’s CRF. As such, existing mechanisms will be used to identify contributions toward specific targets that are related to activities financed by the Amazon-SDP and each of the other financing mechanisms related to the Amazon Initiative. Annual progress updates will be submitted to the Board of Executive Directors as part of the annual report on the Bank’s OC-SDP programs.

2.18 **Learning and knowledge sharing.** The knowledge acquired through the contributions of the Amazon-SDP as well as more broadly under the Amazon Initiative will be shared through a strong communications and outreach program, which is a key element of administering the Initiative.

D. **Scope of the Amazon-SDP**

2.19 To provide results within the conceptual framework of the Amazon Initiative, the Amazon-SDP will follow the thematic and geographic focus of the Initiative, financing non-reimbursable TCs for the benefit of the Bank’s borrowing member countries with territories within the Amazon biome. While the Amazon-SDP will not stipulate a specific allocation by taxonomy, it would almost exclusively provide resources for Operational Support (during preparation and/or execution) and Client Support for strategic and analytical upstream work that has a strong operational link but for which there is no registered IDB operation. Only a limited portion of the Amazon-SDP contributions would be available to support targeted research and dissemination (RD) activities. It is expected that those RD technical cooperations will focus on activities related to the objective of facilitating governance, alliances, and collaboration. Funded TCs may be regional or country-specific, and their area of intervention must coincide with the geographic focus of the Amazon Initiative. As is the case with all OC-SDPs, funded TCs may be executed by recipients or by the Bank; for each TC, the potential benefits in terms of strengthening governance and institutions in the region that could be achieved through recipient execution should be carefully considered.

2.20 The use of the Amazon-SDP resources will be subject to the provisions contemplated in Section I, Part C of document GN-2819-1. As deemed necessary, management may develop operational guidelines specifically for the Amazon-SDP, as allowed for and in line with the provisions established in document GN-2819-1. In this context, it is worth emphasizing that, given that the SDP’s resources would derive from the IDB’s OC, the Amazon-SDP will only be accessible to IDB. Also, the resources may only be used to finance non-reimbursable TCs.

2.21 Each individual TC financed with resources of the Amazon-SDP shall be consistent with the objective, scope, and activities established in Section II of the present document and aligned with one or more of the results expected from the Amazon-SDP, as presented in the RF. The conceptual documents for proposed activities (e.g., TC Abstract) must include a convincing justification for the use of resources from the Amazon-SDP, providing a clear explanation of how the proposal contributes to the general and specific objectives of the
Amazon Initiative, how it addresses specific strategic needs of the clients, and how it ties into a programmatic operational approach. In addition, following the principle of data-driven decision making, proposals should provide rigorous evidence for the demand, value-added, vertical logic and suitability of the activities proposed. Finally, while counterpart financial contributions are not an eligibility requirement, they do underline local commitment to the activities proposed, which is not only desirable but essential for achieving measurable results.

2.22 Individual projects will report on their performance and contributions to the expected results, as well as other operational aspects, through the TC Monitoring and Reporting System (TCM) of the IDB.

2.23 Resources of the Amazon-SDP may not be used to cover, in any form, the Bank’s administrative or capital budgets.

III. RECOMMENDATIONS

3.1 Management recommends that the Board of Executive Directors approve the proposed Resolution attached hereto, which would:

a. Take note of the Amazon Initiative presented in Section I of this document.

b. Establish the Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon (“Seed/Transitory OC-SDP for the Amazon”) in accordance with the provisions set forth in Section II of this document.

c. Establish that the references to “OC-SDP” in paragraphs 2, 6, 7 and 8 of Resolution DE-34/16 shall include the Seed/Transitory OC-SDP for the Amazon.

d. Amend the fiscal year 2021 allocations to be charged to the ordinary capital resources of the Bank to finance the OC-SDPs, as set forth in paragraph 1 of Resolution DE-163/20, as follows:

<table>
<thead>
<tr>
<th>OC-SDP</th>
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<tr>
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<td>US$3,000,000</td>
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e. Enter into effect on May 1, 2021.
Establishment of the Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon

The Board of Executive Directors

RESOLVES:

1. To take note of the Amazon Initiative presented in Section I of document GN-[____].

2. To establish the Seed/Transitory Ordinary Capital Strategic Development Program for Sustainable Development in the Amazon (“Seed/Transitory OC-SDP for the Amazon”) in accordance with the provisions set forth in Section II of document GN-[____].

3. To establish that the references to “OC-SDP” in paragraphs 2, 6, 7 and 8 of Resolution DE-34/16, adopted on June 30, 2016, shall include the Seed/Transitory OC-SDP for the Amazon.

4. To amend the fiscal year 2021 allocations to be charged to the ordinary capital resources of the Bank to finance the OC-SDPs, as set forth in paragraph 1 of Resolution DE-163/20, adopted on December 16, 2020, as follows:

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</tbody>
</table>

5. That the effective date of this Resolution shall be May 1, 2021.

(Adopted on ___ ___________ 2021)