

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	PERU/CAN - Andean Group
▪ TC Name:	Technical Assistance Fund: Program to Boost the Financing of Private Investment in the Peruvian Amazon - Opportunity to Leverage the Bioeconomy
▪ TC Number:	PE-T1456
▪ Team Leader/Members:	BUCARAM VILLACIS, SANTIAGO JUNIOR (CSD/RND) Team Leader; WATSON, GREGORY (CSD/CSD) Alternate Team Leader; SANTA PENA, CAMILO ANDRES (CSD/CSD); NETTO DE A. C. SCHNEIDER, MARIA E. (IFD/CMF); ACOSTA STEVENSON, KEYLA YARITZEL (CSD/CSD); GARCIA RECINOS, LYNDIA MELISSA (IFD/CMF); DEMICHELIS, JOSE FRANCISCO (IFD/CMF); CAICEDO SIERRA, MIGUEL FELIPE (ORP/GCM); CRESPI, GUSTAVO ATILIO (IFD/CTI); RESTREPO, LISA SOFIA (CSD/RND); MARTINEZ LOPEZ, CYNTHIA GUADALUPE (IFD/CMF); SUAREZ SANDOVAL, ANDRES FABIAN (VPC/FMP); MARQUEZ, CLAUDIA M (IFD/CMF); BRALY-CARTILLIER, ISABELLE FREDERIQUE (IFD/CMF); FERNANDEZ DIEZ, MARIA CARMEN (IFD/CMF); FERNANDEZ-BACA, JAIME (CSD/CCS); AMARO ANDRADE, FLOR EVELYN (IFD/CMF); SECUNDINO, EVA (IFD/CMF); VILLACORTA ALVAREZ, OMAR (IFD/CMF); JIMENEZ MOSQUERA, JAVIER I. (LEG/SGO); BESSERER RAYAS, IVAN MATIAS (VPS/ESG); ADAM FRESNO, ALVARO (VPS/ESG); LANGSTROTH, ROBERT PETER (VPS/ESG); BERNEDO, CECILIA (IFD/CMF)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Program to boost the financing of private investment in the Peruvian Amazon - PE-L1258
▪ Date of TC Abstract:	07 Jul 2020
▪ Beneficiary:	Corporación Financiera de Desarrollo (COFIDE) de Perú
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$3,000,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms
▪ Prepared by Unit:	CSD/RND - Env, Rural Dev & Disaster Risk
▪ Unit of Disbursement Responsibility:	CAN/CPE - Country Office Peru
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Environmental sustainability

II. Objective and Justification

- 2.1 The objective of this TC is to provide operational support to operation PE-L1258 through actions focused on: (i) developing and strengthening the portfolio of bi-business in the Amazon region of Peru, in collaboration with business and technical advisory institutions, as well as accelerators, incubators and / or innovation centers; and (ii) construction, strengthening and consolidation of COFIDE capacities in issues related to project performance monitoring, monitoring and evaluation (social and environmental)

and issues related to bi-business financing in the Amazon, as well as the operation of the investment markets for impact funds with the aim of increasing the capitalization of the Special Purpose Vehicle (SPV) with funds from external sources, private investors, among others.

- 2.2 This TC would aim to support the execution of loan program PE-L1258 (ie Program to Promote the Financing of Private Investment in the Peruvian Amazon - Opportunity to Leverage the Bioeconomy) by supporting the transition to an economy based on the sustainable use of natural capital and restoration of the Amazon forest. This loan has the general objective of promoting the development of productive bio-businesses in the Amazon, in order to contribute to the growth and increase in productivity in the region in the long term. Specifically, the specific objective of operation PE-L1258 is to increase investment and the scale of productive bio-businesses in the region. Initially, the program is expected to result, among others, in the increase in the scale of investments in and financing available to bi-businesses, in a greater volume of companies financed by Financial Intermediaries (IFs), and in the generation of employment and income. under a framework of biodiversity. To fulfill these purposes, the PE-L1258 program will offer financial products for private investment in bio-businesses, with a focus on those associated with forest restoration and conservation. The beneficiaries will include small, medium and large producers, organized in individual or associative structures (cooperatives), and "anchor" companies belonging to bi-business value chains.
- 2.3 To meet the objectives of the PE-L1258 program, a Special Purpose Vehicle (SPV) will be established, which will be administered by COFIDE, which will offer a set of financial products (including credits on the first and second floors, factoring, guarantees, sureties, among others) to eligible projects, directly or through IFs that have completed an accreditation process. The SPV would be capitalized with IDB loan resources (US\$20 million) and it expects to be disbursed in 5 years.

III. Description of Activities and Outputs

- 3.1 **Component I: Technical assistance and extension services to companies that will be financed with loans for biotech businesses.** The objective of this component is to develop a "service fund", which will serve to support potential beneficiaries, who implement bio-businesses, financed with SPV resources
- 3.2 **Component II: Strengthening of COFIDE capacities for: the financing of bio-businesses, the measurement of environmental and social impacts, and the raising of direct investment.** The objective of this component is to support COFIDE to develop its capacities to attend to investments in bio-businesses through the SPV.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Technical assistance and extension services to companies that will be financed with loans for biotech businesses	US\$2,300,000.00	US\$0.00	US\$2,300,000.00
Strengthening of COFIDE capacities for: the financing of bio-businesses, the measurement of environmental and social impacts, and the raising of direct investment	US\$700,000.00	US\$0.00	US\$700,000.00
Total	US\$3,000,000.00	US\$0.00	US\$3,000,000.00

V. Executing Agency and Execution Structure

- 5.1 The IDB's Division of Natural Resources and Disaster Risk Management (CSD/RND) will be responsible for the execution of this TC with the participation of the CSD/CSD Natural Capital Lab team, and with the collaboration of IFD / CMF, CCS / CSD and IFD / CTI . CSD / RND will be responsible for the acquisition of the required goods and services.
- 5.2 The IDB will work jointly with COFIDE but, in turn, will contract specialized entities (including, but not limited to: business and technical advisory institutions, accelerators, incubators, and / or innovation centers for the development of TC activities) that They range from private consultancies, NGOs, academic entities, etc.) under “contracts with undefined delivery of services (price agreement).” The Bank, as executing agency, will be responsible for approving the products of the operation's different consultancies. In this sense, if the Bank requests the technical validation of the beneficiaries for the approval of a product of this TC, it can do so without prejudice to the Bank's final decision on any matter related to said product. To ensure proper execution, the project team will organize audio meetings / conferences for the launch, mid-term review and final review with the participation of the beneficiary entities, especially COFIDE, and the consultants for each of the phases contemplated.
- 5.3 Given its extensive technical experience in bio-business issues, the IDB considers itself the appropriate body to execute this technical cooperation. The project team has extensive experience and a history of successfully executing these types of projects. For example, in Mexico it participated in the execution of the Forest Program that had as its goal the creation of private loan lines for ejidos and communities. Likewise, with BIDLab forest production projects were carried out in Guatemala, Honduras and other Central American countries. The team also has experience in a direct investment project in Brazil, specifically the sustainable Macuba project. Regarding the NCL's experience in financial innovation for the protection and sustainable use of natural capital, we can cite the following examples: SouthPole Chile, and IVE Costa Rica,
- 5.4 Technical cooperation involves various activities to strengthen COFIDE and evaluate the environmental impacts of the portfolio managed by said institution. Additional reason that supports the direct execution of the TC by the IDB to maintain oversight of the activities without involving conflicts of interest. Additionally, it must be emphasized that the Bank has adequate systems to guarantee the correct execution of the operation and ensure the sustainability of the project in accordance with Annex 10 of GN-2629. Likewise, the technical cooperation team has the necessary experience to ensure compliance with the relevant contracting policies and procedures.

VI. Project Risks and Issues

- 6.1 The implementation of this operation involves the following risks: (i) delays / unforeseen events related to the approval and / or execution of operation PE-L1258; (ii) little supply of suppliers / consultants that provide business and technical advisory services to the companies that are located in the Amazon region and that are financed by COFIDE with resources from the VPE; (iii) little appropriation of the business issues by COFIDE; (iv) prioritization of projects based on financial criteria exclusively without considering the environmental benefits; and (v) regulatory, legal or operational problems for the capitalization of the SPV.
- 6.2 To mitigate the aforementioned risks, the following actions will be carried out: (i) coordinate closely with the Ministry of Environment and the Ministry of Production the development of the national bi-business policy, as well as with other international cooperation agencies and organizations supporting the development in Peru, such as

USAID, GIZ, DEFRA, PNUD, TNC, CI, (among others already previously contacted in the start-up workshop), to identify possible joint actions that can be implemented to enhance bi-business. ii) establish alliances with the main certifiers of conservation and good forest practices such as FSC, Rain Forest Alliance, Fair Trade Intl, etc., in order to have their support in the bi-business certification processes, (iii) establish a limit of \$ 500,000 for disbursement of TC resources for activities carried out before the signing of loan PE-L1258, (iv) participation of COFIDE management in training activities and design of monitoring platforms; and (v) the creation and implementation of a series of eligibility criteria that define in a transparent and unrestricted manner the guidelines on the use of loan funds, considering above all factors related to the environmental impact of projects

VII. Environmental and Social Classification

7.1 The ESG classification for this operation is "C".