



SPV FOR SILVOPASTURE SCALING

SECTORS: LAND USE / AFOLU, SUSTAINABLE AGRICULTURE, CLIMATE RESILIENCE

REGION: LATIN AMERICA

INVESTMENT TYPE: COMMERCIAL CAPITAL, CONCESSIONAL CAPITAL, GRANTS

ATTRIBUTE: FOOD SYSTEMS, NATURE-BASED SOLUTIONS

SDGs:



PROPONENT: THE NATURE CONSERVANCY (TNC)

The cattle sector is crucial to the livelihoods of Colombian farmers, occupying 80% of the agricultural land and directly employing 800,000+ people. However, conventional ranching is a major source of greenhouse gas emissions, land degradation, and in some cases, deforestation in both the country and broader Latin America region. At the same time, both the sector and region are highly vulnerable to the effects of the increasing intensity and frequency of extreme climate events.

This special purpose vehicle (SPV) enables the adoption of more sustainable practices that lead to reduced emissions, increased carbon sequestration, and the recovery of degraded land, and contribute to greater income generation for medium-sized farms and enhanced climate resilience.

Silvopastoral systems (SPS) are agroforestry arrangements that combine trees, fodders and grasses for animal nutrition and other uses. Compared to conventional extensive grazing, SPS are a more sustainable approach that contributes to reducing GHG emissions, increasing carbon sequestration, and fostering resilience through its focus on increasing biomass and improving overall ecosystem health (e.g., soil recovery, biodiversity). Significant upfront financing and technical knowledge will be required for the successful implementation and permanent adoption of SPS.

INNOVATION

The SPV is a novel approach for overcoming lack of access to capital, ranchers' debt aversion, and absence of technical knowledge, leading to successful SPS implementation.

Unlike traditional loan-based models, the SPV employs a profit-sharing approach to finance the initial implementation of the silvopastoral systems, supported by a 5-year technical assistance program. Repayment is thus tied to productivity gains rather than fixed payments.

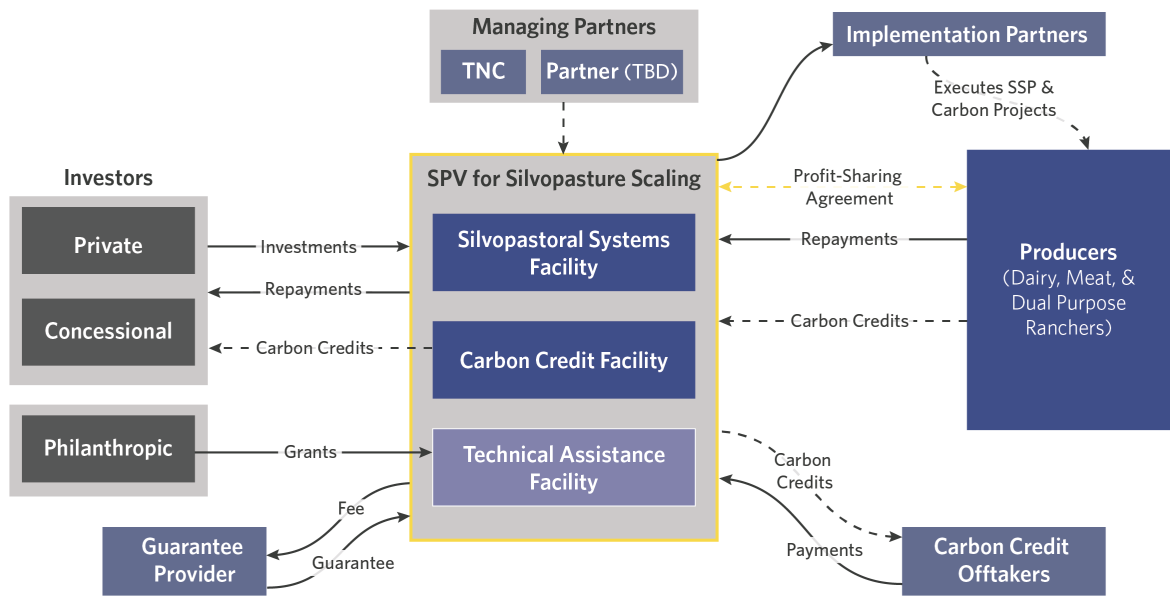
The instrument is also tied to a grouped carbon project designed to issue high-quality carbon credits, providing ranchers with an additional revenue stream and enhancing the financial sustainability of the vehicle.

IMPACT

The SPV will mainstream sustainable cattle-ranching practices, aiming to impact 986 mid-sized farms in Colombia, transforming 59,000 hectares of degraded land.

The instrument helps convert degraded pastures into healthier pastures with increased tree cover and improved soil. This will simultaneously improve the quality and diversity of the cattle's diet reducing methane emissions from their digestion process, and lead to increased carbon sequestration.

The SPS intervention will also contribute to conserving and restoring natural ecosystems and watersheds and



enhancing biodiversity by prioritizing the protection of buffer areas that are critical for the stable delivery of ecosystem services.

The transformation of the productive system contributes to enhance its resilience to increasingly intense climate events, while improving productivity, reducing costs, and producing high quality of beef and milk products.

DESIGN

The SPV will be run jointly by TNC and an experienced managing partner. The partner will establish profit-sharing agreements with farmers, manage the delivery of technical assistance, coordinate SPS implementation, and oversee carbon credit sales.

The SPS Facility will lead the design and implementation of silvopastoral systems. It will structure profit-sharing agreements based on productivity gains achieved through SPS, that will be one revenue source to repay investors.

The **Carbon Credit Facility** will design and develop a grouped carbon project that aggregates mitigation impacts across participating farms. It will also ensure issuance and sale of the resulting carbon credits.

The **Technical Assistance Facility** will provide technical support and monitoring of the SPS implementation results.

The instrument will target private and concessional investors for the SPS and Carbon Credit Facilities, and philanthropic capital providers for the Technical Assistance Facility.

The vehicle will include a guarantee to mitigate the risk of not materializing productivity gains or not collecting repayments. Additionally, the proponent team is exploring potential partnerships with beef and milk off-takers to ensure the purchase of more sustainable production. Moreover, the instrument will have a concessional capital tranche aimed at improving the return profile for commercial investors.

TEAM



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INVESTMENT OPPORTUNITIES

INVESTOR TYPE	ROLE OF CAPITAL	AMOUNT
PRE-OPERATIONAL GRANTS	To cover pre-operational expenses and finance the initial setup of the vehicle.	USD 1.25M
EQUITY	To cover the implementation of the SPS (SPS Facility) and carbon credits (Carbon Credit Facility).	USD 43M
GRANTS	To finance the Technical Assistance Facility	USD 17M

The Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy. The 2024 Lab cycle targets three thematic areas (adaptation, high-integrity forests, and sustainable agriculture and food systems) and five geographic regions (Brazil, India, East and Southern Africa, Latin America and the Caribbean, and the Philippines). Bloomberg Philanthropies, the United Nations Development Programme, and the governments of Canada, Germany, the United Kingdom, and the United States have funded the Lab's 2024 programs. Climate Policy Initiative (CPI) serves as the Secretariat and analytical provider.