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## Investment initiative

## S America sustainable farming target missed

MICHAEL POOLER — SÃO PAULO

An initiative to plough \$1bn into soya-bean and cattle farming free of deforestation in threatened South American ecosystems by 2025 has fallen short of its investment goal by almost half in its first year.

The Innovative Finance for the Amazon, Cerrado and Chaco pledge was launched at the COP26 environment summit in Glasgow in 2021, backed by a group of agribusiness and financial companies. Its aim is to provide attractive financing, such as through favourable interest rates, to farmers who undertake not to cut down trees or convert forested land. The Ifacc signatories collectively committed to release \$200mn to farmers in 2022.

However, only \$111mn was disbursed last year, illustrating the practical difficulties of implementing climate finance commitments.

Organisers say the scheme is the first attempt to scale up funding for deforestation-free beef and soya production in the three biomes, which are vital stores of carbon, water and biodiversity.

Across the regions, the two commodities are leading drivers of forest and vegetation clearance.

Initiative co-ordinators described the milestone as “great progress” and blamed the shortfall partly on the time and costs involved in structuring the required financial products.

It was also difficult to access so-called catalytic capital from parties such as development financial institutions or philanthropic foundations willing to take on higher risk over longer periods, they said.



Gauchos move cattle after auctions in Buenos Aires province, Argentina

“That process of working with farmers to bring them along with a different way of doing business and then agreeing on transaction terms of the loan – it just takes time,” said Greg Fishbein, director of Nature Conservancy, one of the scheme’s co-ordinators.

Rising global interest rates had increased funders’ cost of capital, which they needed to pass to potential borrowers, Fishbein said. “In some cases, the farmers no longer wanted to accept those interest rates,” he added. “Our goal remains \$1bn by 2025.”

Total commitments under Ifacc have risen to \$4.3bn, with 15 companies now on board. The money disbursed last year went to producers in the Cerrado, a vast tropical savannah mostly in Brazil.

Ifacc aims to expand the scheme to farmers in the Amazon and in Argentina and Paraguay’s part of the Chaco.

Ifacc’s participants include Sustainable Investment Management, a UK-based environmental finance boutique. Under a pilot scheme funded by supermarkets Tesco, Waitrose and J Sainsbury, it lent \$11mn to 36 soya growers in the Cerrado last year.

