

IFACC Environmental and Social Approach

Innovative Finance for the Amazon, Cerrado and Chaco

Financial mechanisms aligned with IFACC may include farm lending products, farmland investment funds, corporate debt instruments, capital market offerings, and other innovative financial products that are impactful towards IFACC goals.

To be considered IFACC-aligned, financial mechanisms for farmers or land investment should:

- provide transitional finance or incentives to expand the recovery of pastureland for agricultural production, sustainable yield improvements¹, protection of natural vegetation and/or restoration of natural vegetation; or
- other production or business models that expand production without deforestation or conversion of natural vegetation; and
- satisfy the Minimum Environmental and Social Expectations described below.

Examples of IFACC-aligned financial mechanisms include

- a. long-term loans for pasture recovery, yield improvements, or sustainable intensification;
- b. low-cost crop finance loans as an incentive not to convert native vegetation in excess of legal requirements;
- c. equity funds that buy and manage land for pasture recovery and yield improvements without conversion of natural vegetation;
- d. securitized agriculture receivables with incentives for farmers not to clear native vegetation in excess of legal requirements;
- e. producer services businesses that bundle technical assistance and finance to support farmer transitions, for example for sustainable intensification of cattle ranching.

Financial mechanisms at the corporate level, such as sustainability-linked loans and green bonds, will be evaluated with respect to their impact towards IFACC goals based on criteria including the following:

- proceeds are used to support farmer transitions or company/bank transitions that contribute to farmer transitions (versus general capital needs of the bank or company);
- the change required of the company/bank or the change expected from farmers is in line with IFACC's Minimum Environmental and Social Expectations;
- transparent KPIs with clear indication on how they will be monitored and reported;
- a credible partner is involved in designing the environmental and social approach and KPIs.

A review of these criteria collectively will inform IFACC's judgement on the question as to whether a mechanism qualifies as aligned with IFACC goals.

Minimum Environmental and Social Expectations

Signatories of the IFACC Declaration will collectively advance the application of environmental and social requirements for soy and cattle lending and/or investment in the Amazon, Cerrado and Chaco biomes. This will

¹ For cattle ranching, according to TNC's Environmental Framework on For lending and investing in sustainable intensification of cattle ranching in the Amazon and Cerrado, sustainable intensification is defined as a process that has been demonstrated to produce a significant yield increase; employs a primarily grass-fed, pasture-based system with any animal confinement limited to the last 15% of the animals' lifespan; is located on existing pastureland or other already cleared areas; and follows one or more recognized practices for sustainable pasture intensification.

be supported by the following minimum E&S expectations, and E&S frameworks which may exist in each country and are consistent with these minimum E&S expectations.

Geographic scope

Only lending and investments in soy and other rotational crops² and cattle in the Amazon (Brazil), Cerrado (Brazil), and Chaco (Paraguay and Argentina) biomes shall be considered.

IFACC signatories are further encouraged to identify preferential areas within these biomes, based on the potential environmental impact related to sustainable intensification and pasture recovery, and/or the existence of landscape-level efforts to reduce deforestation.

Deforestation and conversion free

All IFACC-linked lending and/or investment shall be free of deforestation and conversion of native vegetation³. A deforestation/conversion cut-off date of no later than 01/01/2020 shall be adopted.

IFACC signatories are further encouraged to set more ambitious deforestation and conversion-free commitments that extend beyond their IFACC-linked lending and investment.

Legal compliance

In all its operations, the clients (borrowers/investees) and the investors (lender/credit service provider) must comply with all relevant national and sub-national environmental and social laws and regulations.

In the context of IFACC, laws and regulations pertaining to the following topics are particularly relevant:

- **Forest Protection:** clients (borrowers/investees) shall comply with forest and/or ecosystem protection laws and regulations applicable to the Amazon, Cerrado and Chaco biomes. This includes, but is not limited to, the “Forest Code” (Law 12651/2012), in Brazil; the “Forest Law” (Law 26331/07), in Argentina; and the “Forest Law” (Law 422/73), in Paraguay.
- **Land Tenure:** clients (borrowers/investees) shall have unquestionable right to use the land, be it as land title, land lease agreement, proof of possession or other legally recognised form of land tenure.
- **Protected Areas:** clients (borrowers/investees) shall avoid any overlap with and adverse impacts upon legally protected areas and internationally recognized areas⁴, unless legally permitted⁵.
- **Indigenous Peoples and Local Communities:** Clients (borrowers/investees) shall ensure no violation of land, cultural, and natural resource rights of indigenous peoples and local communities (IPLCs)⁶.

² While the primary focus is on soy and cattle production, often soy is grown in rotations with other crops such as corn and cotton, and these crops can also be integrated with livestock production.

³ The concepts “deforestation-free” and “conversion-free” should be understood as defined by the [Accountability Framework initiative – AFI](#). For the cattle sector, please note that this includes indirect sourcing as well.

⁴ As defined by IFC Performance Standard 6, this includes: UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas, Other Effective areas based Conservation Measures (OECMs), and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).

⁵ In this case, IFACC signatories are further encouraged to require clients to meet the criteria defined in [IFC Performance Standard 6](#) for projects located within a legally protected area or an internationally recognized area, as applicable.

⁶ IFACC signatories shall follow either the accountability framework Operational Guidance on Respecting the Rights of Indigenous Peoples and Local Communities (https://accountability-framework.org/wp-content/uploads/2020/09/OG_Respecting_Rights_IPLC-2020-5.pdf) or the IFC PS 7: Indigenous Peoples (https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps7)

- **Labor and Working Conditions:** clients (borrowers/investees) shall respect relevant labor laws from Brazil, Paraguay and/or Argentina, including ratified ILO Fundamental Conventions⁷.
- **Pesticides:** clients (borrowers/investees) shall ensure compliance with all relevant national pesticide-related laws and regulation⁸.
- **Water:** clients (borrowers/investees) shall ensure that their water consumption is in compliance with proper permits and authorizations⁹.

Monitoring and reporting expectations

IFACC signatories shall monitor and report progress against their E&S performance. While exact monitoring and reporting needs and expectations will be agreed upon based on mutual discussions, the following details serve as guidance and expectations of the IFACC project.

Level 1 monitoring and reporting

The basic level of reporting will be related to the financing mechanism(s) deployed for the IFACC commitment, describing the financial mechanisms used, dollar amount committed and disbursed, potentially number of hectares financed, and clarify how these mechanism(s) are expected to support producers to change their BAU agricultural practices and achieve IFACC goals of sustainable soy and cattle production. The specific KPIs will be discussed and agreed upon with the IFACC signatories.

Level 2 monitoring and reporting (to be developed with partners)

IFACC will facilitate a process with signatories to identify E&S impact KPIs. To this end, an IFACC Impact Monitoring Indicators Working Group will work in the first semester of 2022 towards alignment and consensus on which impact indicators and tools should be used by signatories.

IFACC Partners

This document is supported by an initiative led by The Nature Conservancy, Tropical Forest Alliance and United Nations Environmental Programme, leading institutions in this space with highly complementary capabilities. IFACC will work with producers, companies, banks, and investors to overcome the barriers to scaling investment and to help catalyze finance towards this transition.



⁷ Available at: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>

⁸ IFACC signatories are further encouraged to promote best practices in pesticides management using the [RTRS Standard for Responsible Soy Production V3.1](#) as a reference.

⁹ IFACC signatories are further encouraged to require clients to adopt sustainable water management practices, especially in water-stressed areas.