



BLENDED FINANCE CALL FOR PROPOSALS

OBJECTIVE: Achieve a sustained peace moving forward on the SDGs agenda, increasing private investment towards the areas most affected by the conflict with innovative financing models where Official Development Assistance (ODA) resources reduce risks of investments with social impact in these territories.



USD \$ 2.1 M

MPTF total amount

USD \$ 15.4 M

Private sector leverage/ratio: 1:7



30 months
Duration

15/12/2019
15/05/2022
Start/end date



**ACUMEN, INCOFIN,
CORPOCAMPO,
IC FUNDACIÓN,
BANCÓLDEX,
SUPRACAFÉ,
WEGROU/MERCYC.**
Implementing
partners

Initiative which born from RCO Colombia's policy "From funding to financing for a sustained peace in Colombia" aiming its financial component where the importance to relate quality projects with potential investors was identified and how it was possible to de-block private investments by reducing its risks with innovative mechanisms of Development Finance which blend Official Development Aid – ODA with public or private resources, typically called Blended Finance.

In Colombia there is a strong and direct correlation between development gap and conflict areas. Nearly 88% of 170 municipalities most affected by violence and conflict are located in rural and remote areas with small economic capacity, lack of access to quality public services and goods as well as a lack of quality education and coverage and deficient access to health services to end with high rates of informal employment and unemployment.

EXPECTED RESULT: A contribution to close the financial gap of SDG agenda, focusing on SDG 16 – Peace, justice and strong institutions. Especially when taking in to account the financial gap in Colombia to achieve what was agreed and signed with FARC-EP peace agreements and assuming a decrease on ODA due to recent Colombia's integration as an OECD member country.



Risk for impact investors is reduced

Resources for stabilization and peace sustainability are increased

Private sector collective processes to sustain peace are strengthen

Quality of life of rural population most affected by violence and conflict is improved by blending OAD with private investments



THEN:

The historical gaps and inequalities that have fueled the conflict will shrink, strengthening territories stabilization, advancing on SDG agenda and sustaining peace.



El futuro es de todos

Gobierno de Colombia

2.500

8.266

6.828



Total beneficiaries



Loans to disburse



Impacted families

WHY BLENDED FINANCE? An innovative mechanism of Development Finance where the “blend” of cooperation resources and private sector resources allows to give viability to projects where a private investor can go by its own. This mechanism has a direct impact in Sustainable Development Objectives and was born from a Development Multilateral Banks initiative “From billions to trillions” and their commitment to mobilize more resources towards poverty and inequality eradication.

Blended Finance instruments have a catalytic effect, when considering mobilization of both financial resources (leverage) and development impact - SDGs. While evaluating different investments via Blended instruments, it can be identified which ones generate the greatest impact and can be replicated.

CALL FOR PROPOSAL KEY MOMENTS

1. TERMS OF REFERENCE STRUCTURING

- Conversations with impact funds, enterprises and foundations was established to identify gaps, expectations and receiving feedback.
- This allows to create special formats and to design an innovative process adapted to private sector needs.
- ToR's were designed in a collective process accompanied by Deloitte.

4. LEGAL STRUCTURING

- With each selected investment, a process was carried out to formalize resources disbursement with the support of the Fund's management agent - UNDP.
- General and special activities were agreed depending on the nature of each project, along with products design in order to disburse the approved resources.
- Mechanisms were agreed and identified to receive expected returns into the fund - MPTF.

2. PROPOSALS EVALUATION & PRE-SELECTION

- 26 Concept Notes were received, analyzed and qualified by MPTF's Technical Committee.
- A special scorecard was designed which allows to evaluate basic criteria accomplishment for the Call and to facilitate pre-selection of 12 Concept Notes.

5. MONITORING AND EVALUATION

- For 2 years projects will assure follow-up activities to indicate its evolution.
- Implementers will submit progress and results achieved in their projects quarterly, along with annual and final reports, aligned with the Fund's Operations Manual.

3. PROPOSALS EVALUATION & RECOMMENDATION

- Out of the 12 Concept Notes, 10 sent their complete investment documents.
- MPTF's Technical Committee evaluate them again via a scorecard and hearing their initiatives during an exciting pitch session.
- 7 investments received its definitive approval by MPTF's Steering Committee.

6. SOCIAL PROGRESS INDEX MEASUREMENT

- The Social Progress Index (SPI), will measure the ability of investment beneficiaries to meet their basic human needs.
- This measurement will be executed with Foundation Avina and UNDP Colombia Support to evaluate contribution to wellbeing on direct population to be impacted.
- 2 Index measurements will be held (1) as Base Line at the beginning of interventions and (2) as a middle term measurement at the end of MPTF's resources disbursements.



SELECTED INVESTMENTS



ACUMEN

investment in an agribusiness portfolio with operation and presence in PDET municipalities within the framework of their Fund Investing for Peace. Acumen will provide patient capital to establish and strengthen these businesses, as well as, strategic consulting, technical assistance and post-investment support. All investment opportunities will be to create for-profit companies from associations promoted by regional producers or local entrepreneurs and considering its high social impact.



CORPOCAMPO

Resources to support the development of the project "El sueño del açai" to strengthen the production and commercialization of Açai in Putumayo, linking CorpoCampo with peasants and former combatants in the region.



SUPRACAFÉ

Improvement of capacities, transformative innovation and development of own brand of coffee for the Association of Women Coffee Producers of Cauca - AMUCC, developing of profitable and legal economic alternatives for young women and ex-combatants in Cauca region.



IC FUNDACIÓN

Strengthen of a second-floor cocoa association "Chocolate Colombia" located in the region of Nudo de Paramillo. Resources will be allocated to achieve Fair-trade certification of related associations and for machinery acquisition and improvement of capacity to ameliorate value added production at association cocoa transformation facility, providing a legal livelihood alternative for cocoa producers in this region largely affected by violence.



WEGROU + MERCY CORPS

Project lead by an alliance between a nonprofit foundation Mercy Corps and a startup Wegrou, this project will promote empowerment and connections for women coffee growers in El Tambo, Cauca region. Women will be selling directly their special coffee brand within international clients through a connecting platform. This entrepreneurial project will contribute to the resilience of female household heads in this municipality.



INCOFIN

Incofin's loan to finance lending activities of "Cooperativa Contactar" in order to continue developing its microfinance business model in Colombia's south region. The resources of this loan will be disbursed among PDET municipalities, where Contactar have presence and influence, promoting the reduction of the historical financial gap and access to financial services in remote regions of the country.



BANCÓLDEX

A special credit line available for 11 microfinance institutions to increase the productivity and resilience of small producers in rural areas through sustainable investments developed by UN Environment (MEbA), promoting rural development of farmers in PDET municipalities.



BLENDING FINANCE INSTRUMENTS



INNOVATIONS

Selected investments execution will contribute and promote stabilization and Development of PDET municipalities. This is one of first United Nations prototype to have a Blended Finance “facility” in Colombia. Investments will contribute to progress on the SDG agenda, considering that each investment must identify how it will contribute to sustainable development from its projects and through the strengthening of the private sector. This initiative aims to promote the adoption of more innovative finance instruments and vehicles for development, while identifying best ways of working and practices for cooperation to work alongside the private sector.

LESSONS LEARNED

- Engaging actors with knowledge and experience with the private sector, such as Deloitte, was vital to launch this call where its innovative nature prevails and where it was possible to adapt to the needs and way of working of the private sector during its interventions to identify eligibility.
- Private sector's interest in participating in these types of initiatives is confirmed, along with its ability to mobilize additional financial resources exponentially, with an impact on development and sustainability. Through this call, resources were leveraged in a ratio of 1: 7, while the private sector was linked in its contribution and commitment to the SDG agenda.
- Identification of appropriate legal instruments that allow working with the private sector as a partner which makes feasible and efficient the structuring of initiatives like this, should be promoted within the United Nations System.

LEVERAGE

- Equity / first loss capital – Seed Capital
- Exchange risk mitigation – Cross currency Swap
- Interest rate subsidy
- Technical Assistance

MPTF RESOURCES

\$ 450.000
\$ 300.000
\$ 300.000
\$ 1.050.000

USD \$2.1M

PRIVATE RESOURCES

\$ 666.700
\$ 4.000.000
\$ 5.200.000
\$ 5.513.700

: USD \$15.4 M

