



BLENDED FINANCE INVESTMENTS

OBJECTIVE: To achieve sustained peace through the advancement of the SDGs and increasing private investment in the areas most affected by the conflict through innovative financing models, where official development aid resources are used to reduce the risk of social investments in these territories.



USD \$ 2.2 M

MPTF total amount

USD \$ 13,4 M

Private sector leverage
leverage ratio: 1:6

*In addition to direct investments PBF funded
US \$0,766 M for impact measure and operational expenses.



30 months

Duration

15/12/2019

30/06/2022

Start/end date



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

Implementing
partners

The UN's financing approach for SDGs, from "Funding to Financing", aims at establishing new partnerships for mobilizing private resources with innovative financing models, also using limited ODA's resources for leveraging investments (Blended Finance), and reaching locations where private actors would otherwise invest less or not at all.

In Colombia, there is a strong and direct correlation between development gap and conflict areas. Nearly 88% of the 170 municipalities most affected by violence and armed conflict are located in rural and remote areas with limited economic capacity, characterized by a lack of access to public goods and services paired with a lack of quality as well as geographical coverage of education, deficient access to health services and high rates of informal employment and unemployment. Therefore, Colombia has an historic opportunity to overcome violent conflict, addressing its root causes by achieving SDGs across the country and to sustain peace. To do this, it is necessary to attract private investments for the most fragile regions, to promote sustained and sustainable economic growth and social development.



75%



Financial
progress

90%



Technical
progress



Risk for impact investors is reduced

Resources for stabilization and
sustaining peace are increased

Private sector increases
their social impact investments

Quality of life of rural population
most affected by violence
and conflict is improved



THEN:

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



2.500



Total beneficiaries

5.867



Loans granted

8.000



Impacted families

Bolívar
Córdoba
Antioquia
Chocó
Cauca
Nariño
Putumayo

WHY BLENDED FINANCE?

An innovative mechanism of Development Finance where the “blend” among international cooperation and private sector resources allows to give viability to projects where the private sector would not invest on its own due to risk or profitability issues. Blended Finance instruments have a catalytic effect when considering the mobilization of both private financial resources (leverage) and the commitment to development impact. It has a direct impact on the Sustainable Development Goals and was born from an initiative led by Multilateral Development Bank under their “from billions to trillions” commitment to mobilize more resources towards the eradication of poverty and inequality.

Private sector partner	Main results	Blended finance instrument
 Acumen – International Social Impact Fund	<p>Consolidation of the “Investing for Peace Fund” to invest in community-led agribusinesses with patient capital, particularly paddy rice and coconut. The expectation is to reach more than 500 producers in the short-term by building companies in alliance with the community-led association Acumen. This contributes to stabilization and peacebuilding by creating new income, supporting social cohesion, and empowering vulnerable communities. The first company “Espiga del Atrato” was founded in alliance with Asprodema in 2021.</p>	<p>Resources contributed to the Investing for Peace Portfolio. Acumen as an impact fund will inject patient capital / junior equity to set up companies in association with community-led associations.</p>
 Bancóldex – National Development Financial Institution	<p>A special credit line was launched at the end of 2020 to finance UNEP’s ecosystem-based adaptation technologies (MEbA). With this special line it is expected to disburse 2.400 loans to small agricultural producers through local microfinance institutions. This line promotes rural development and facilitates licit income generation in conflict affected municipalities, while reducing the possibility of climate-related conflicts through adaptation.</p>	<p>Bancóldex used the funds as an interest rate subsidy, so that the special credit line had an attractive and competitive intermediation rate for local microfinance institutions.</p>
 CorpoCampo – Colombian Private held company	<p>Investment in “The Açai berry dream” where more than 500 farmers, including 80 former combatants and 56 indigenous are committed with açai berry cultivation while CorpoCampo guarantees the purchase and ensures income stability. Additionally, the açai berry palms cultivation has potential for selling carbon credits.</p>	<p>The resources were used for traditional technical assistance to support short-term and food security crops, while the Açai palm reaches its productive stage in a 4-year cycle investment.</p>
 IC Fundación – Colombian Private Philanthropy Foundation	<p>Investment in “Chocolate of Colombia”, supporting Fairtrade (2021) certification, good practices, and machinery improvement of the processing plant for the development of value-added cocoa products. This investment safeguards cocoa cultivation in the region, ensuring its productivity and maintaining a permanent flow of income for over 900 cocoa growers gathered in 8 associations in this area highly affected by conflict.</p>	<p>The resources will be used for traditional technical assistance for the payment of local technicians who will support cocoa farmer associations certification and for machinery acquisition to strength cocoa value-added process transformation.</p>
 Incofin – International Social Impact Fund	<p>This investment made viable a USD \$ 4 M operation loan from Incofin to Contactar, a microfinance cooperative. With these resources Contactar is expanding its presence in remote municipalities, while expanding banking services and reducing the historical financial gap in the south of the country. Up to date, 5.000 loans were disbursed, 47% of them to women.</p>	<p>The resources will be used for an exchange guarantee known as a cross currency swap, which made the loan operation profitable for both the borrower and the lender.</p>
 Supracafé – International private held company	<p>Investing in the Association of Women Coffee Growers of Cauca (AMUCC) has allowed to increase the base to 420 women, guaranteeing profitable and legal income in this conflict-affected region of which most AMUCC women have been victims. This investment allows to consolidate their identity in a way that allows traditionally oppressed groups to turn into agents of change.</p>	<p>The resources are used for traditional technical assistance, registration of the AMUCC coffee brand, and a contribution to the Revolving Fund for pre-financing of the harvest.</p>
 Wegrou – Start-up & Mercy Corps – INGO	<p>Launching of the “From bean to cup” platform which allows to sell specialty and organic coffee produced by women of El Tambo without intermediaries, promoting empowerment and resilience of female households and victims of the conflict. This investment is the prototype of a scalable and replicable model of peace and reconciliation, connecting the knowledge and management skills of city professionals with the local wisdom and artisanal experience of rural women coffee growers. Visit “50 amigas” at (www.indiegrow.co).</p>	<p>50% of funds are used in seed capital for the start-up and 50% for traditional technical assistance.</p>



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BUSINESS ENHANCEMENT

- Espiga del Atrato, a company in which Acumen is partnering with, has accumulated sales since its foundation and have started to sell rice in its store in downtown Quibdó (COP \$30.2 million of accumulated sales). In the first quarter of 2022, 3 tons of rice have been threshed. The company is working with Fondo Acción to provide technical assistance and distribute rice seeds in the municipality of Medio Atrato.
- For Acumen's investment partnering with Asoprocaoc and Asoprocof, the review of the business creation documents, and its legal formalization have begun. The regulator was consulted on the availability of the brand and company name that was selected in the strategic planning workshops. Following the conclusions and information received, the Cocovida brand will be registered once the company is legally founded.
- Acquisitions plan for Chocolate Colombia (IC Fundación) processing plant renewal was accomplished. As a result of new equipment and improvements at the factory is now working with 80% automation of its processes. The team at the factory is working in structuring and reviewing of the new cost model.
- As a result of Supracafé's support to AMUCC women and while pending approval of budget modifications by the Fund's committee, during the first quarter 2022 activities were carried out with the associates to address issues such as pre-financing and logistics; work plan to comply with the proposed modifications; advice on vehicle maintenance, from technical and economic basis, together with structuring of an agreement for an advance on the harvest (revolving fund) which will be managed by Caficauca Cooperative.

RURAL DEVELOPMENT AND MARKET ACCESS

- Following notification in September 21 of Fairtrade certification by Flocert, in the first quarter 2022, a new export of 12.5 tons of certified cocoa was consolidated for Cargill B.V. Between March 28 and April 4, the legal representative of Asocaval actively participated in the international fair London Coffee Festival, an important exhibition that brings together several rural coffee and cocoa initiatives worldwide, with the support and sponsorship of the Embassy of the United Kingdom Asocaval representative traveled to London on behalf of Chocolate Colombia. In addition.
- IC Foundation supports with follow-up visits and formulation of new proposals to mobilize new resources for organic certification in 5 organizations of Chocolate Colombia: Asocaval, Aproaca, Acata, Afapul and Asoprodeca.
- After launching of www.indiegrow.co (Wegrou / Mercy Corps) in February 21, the promotion and sale of the roasted and/or ground coffee of the "50 Amigas" continues through the website, social networks and agenda meetings with potential clients, emphasis on the US and local market. As of March 2022, more than 1,500 pounds of "50 Amigas" coffee have been sold in addition to 85 pounds of coffee that were used as gifts for the 50 women participating in the program and 35 units delivered as commercial samples and gifts to implementing partners.
- To date, the acai berry dream (CorpoCampo) has signed 523 contracts with 611 people for the production and commercialization of acai through CorpoCampo, 521 individual and 2 collective contracts: (1) with the Cooperativa Multiactiva del Pueblo Putumayense, which covers 80 ex-combatants of the extinct FARC-EP from the ETCR La Carmelita, Puerto Asís and (2) with the cabildo of the Inga de Condagua indigenous reservation.
- 303 of the producers linked to the Acai berry dream project (Corpocampo) have already formalized their documentation in order to receive incentives for the maintenance of Amazonian and short-cycle crops. The 611 producers have strengthened their knowledge and agronomic practices for the management of Amazonian fruit agroforestry crops through extension visits offered by Corpocampo team.

ACCESS TO FINANCING

- The funding resources granted by Incofin to Contactar Cooperative have been fully utilized, 5,050 loans were disbursed, allowing small farmers to increase the installed capacity of their crops, diversify its agricultural products and to improve their quality of life and of their families, 47% granted to women. The average placement rate as of December-2021 was 34.9% per year. (more than 20 basis points below the maximum allowed and current microcredit rate of 56,04%)..
- Since its launching, 3 entities have requested resources from the MEbA line for COP \$4,000 million (35% of the available quota), 818 credit operations have been legalized to finance climate change adaptation technologies, 35% of which have been granted to women. Coverage of 65 PDET and ZOMAC municipalities has been achieved, reaching 36% of these municipalities. For this quarter the municipalities with accumulated disbursements above COP \$100 million: Santander de Quilichao, Caldono, María la Baja, Piendamó and Caloto.
- At the beginning of March 2022, a field visit was carried out in a demonstration school of the MEbA measures, the ICAM in Ubaté, 21 officials from eight microfinance entities participated in this visit that served as a scenario to see alternatives for the placement of the line, test methodologies for its verification, and initiate a conversation regarding the financial and non-financial solutions that can be offered within the framework of this special program/line.

GENDER/ETHNIC

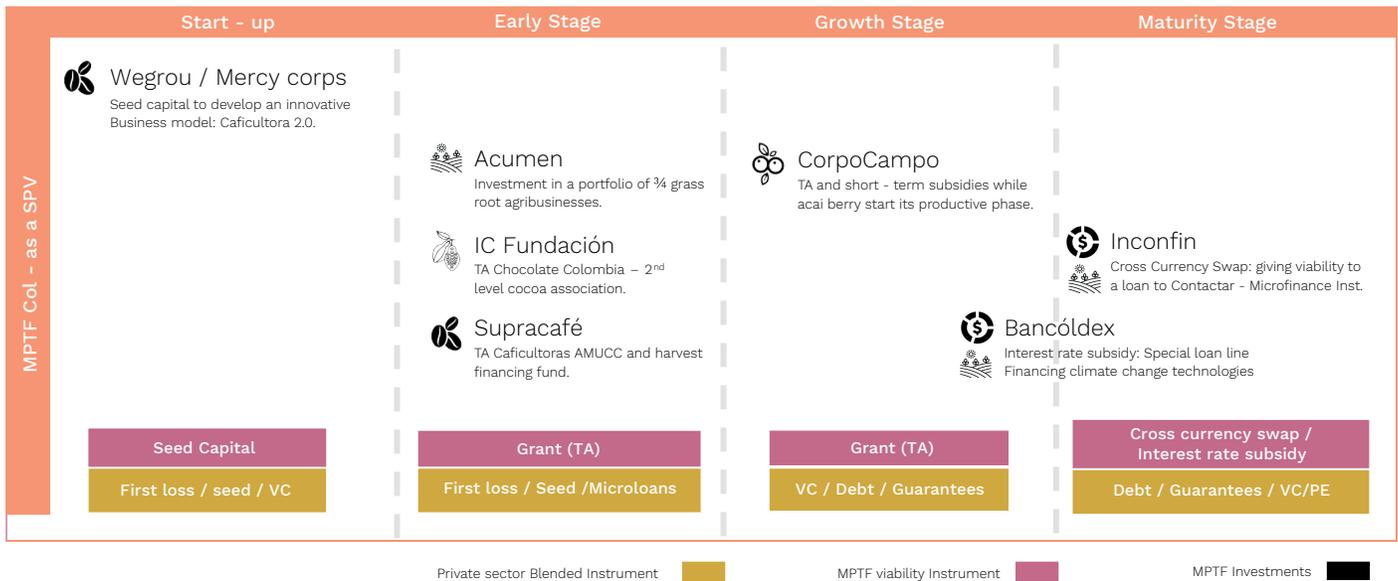
- The board of directors of the new company founded in partnership with Asprodema - Espiga del Atrato (Acumen) is composed of three members from Asprodema and two from Acumen. Four board members are Afro-Colombian, including two Afro-Colombian women. There is also an external Afro-Colombian advisor. To date, 3 board meetings have been held.
- Out of the 611 rural producers linked to date with short-term crops in "The acai berry dream" (CorpoCampo), 244 are women (40%), technical assistance and training have been provided for US \$48,000.
- CorpoCampo has managed to engage 56 indigenous Ingas belonging to the Alpamanga (15), Villa Catalina (31) and Condagua (10) reserves. This work will allow 418 indigenous people belonging to 3 resguardos (Alpamanga, Puerto Limón and Wasipungo) to benefit from 3 forest management plans that were finalized in Dec. 21, after hiring an external operator with expertise in this area.
- During strengthening process of AMUCC women (Supracafé) there are 95 indigenous women belonging to the Misak ethnic group which are now AMUCC associates.

ENVIRONMENTAL SUSTAINABILITY

- The special credit line published and available through Bancóldex for Microfinance Institutions is financing 28 measures for adaptation to climate change developed by UNEP in its MEbA program.
- CorpoCampo has managed to establish a total area of 523 hectares under agroforestry models for sustainable use of Amazonian products, with 504 farming families. The company was able to consolidate 2,000 hectares under forest management plans for the sustainable use of wild acai. A project for the sale of carbon credits is under study, considering the planting of acai as a reforestation process for this palm endemic to the region.
- For AMUCC associates (Supracafé), support was provided for the implementation of 250 wastewater treatment systems installed on coffee farms, ensuring the use of good environmental practices to conserve water resources and thus guarantee the sustainability of the Flo Fairtrade and Organic certification.



BLENDING FINANCE INSTRUMENTS



INNOVATIONS

- The investments will contribute and promote the stabilization and development of the PDET municipalities. This is one of the first prototypes for the United Nations to have a Blended Finance "facility" in the country.
- As a result of these Blended investments, projects with interesting innovations are being developed, such as: (1) a new business model resulting from an unusual alliance between an NGO and a start-up for the development and marketing of the "50 amigas" brand; (2) private companies being created with patient capital from Acumen in alliance with grassroots associations; (3) the first Fairtrade umbrella certification for a second tier cocoa association - Chocolate Colombia.
- This initiative aims to promote the adoption of more instruments and modalities of innovative finance for development, while identifying best practices of joint work in cooperation with the private sector.

LESSONS LEARNED

- The private sector's interest in participating in this type of initiatives has been proven, along with its capacity to mobilize additional financial resources in an exponential manner, impacting development and sustainability. Through this call, resources were leveraged in a 1:6 ratio, while the private sector, in its contribution and commitment, was linked to the SDG agenda.
- International cooperation and the UN System could position themselves as "intermediaries / brokers" instead of implementers, with the aim of solving the financing gap for ventures in the territories.



SDG CONTRIBUTION

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
 \$ 1.184.000

USD \$2.2 M

PRIVATE RESOURCES

\$ 1.189.520
 \$ 4.000.000
 \$ 3.500.000
 \$ 4.773.400

USD \$13.4 M

