Aliados de Impacto
Impulsamos economías de impacto

EXPLORING THE IMPACT INVESTMENT ECOSYSTEM: ACTORS, GAPS, AND OPPORTUNITIES IN PERU

WITH EMPHASIS ON AGRIBUSINESS AND VALUE CHAINS

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Prepared by:
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We also thank the different actors in the ecosystem who participated in interviews and feedback sessions for their commitment and collaboration in this study, providing valuable input to drive impact investment in Peru.

INTRODUCTION

Aliados de Impacto is an organization aimed at the transition towards an impact economy in Peru, fostering sustainable changes through the promotion of investments with a net positive social and environmental impact, to mobilize resources to achieve the United Nations Sustainable Development Goals. Created by COFIDE and the Government of Canada, with the support of the Swiss Cooperation and initial operating resources from the Anglo-American Foundation.

Aliados de Impacto is part of the Global Steering Group for Impact Investment (GSG) network, a London-based global organization founded in 2015 as the successor to task force established during the British presidency of the G8. The GSG brings together financial, business, philanthropic, and governmental leaders from over 40 countries, with the aim of driving the transition towards social and environmental impact economies worldwide.

In 2023, *Aliados de Impacto* and the GSG signed a grant agreement for the execution of the Project titled "National study of the Impact Investment Ecosystem in Peru". The objective was to generate evidence-based knowledge about the impact investment ecosystem and to develop mechanisms for the relationship and articulation of the ecosystem.

In order to accomplish this goal, *Aliados de Impacto* worked with two research partners:

I. 60 Decibels, a global firm specialized in impact measurement, conducted the analysis of financing demand (enterprises) and designed an impact measurement tool. Their work formed the basis of the study presented in Chapter 1.

II. Grupo de *Análisis para el Desarrollo* (GRADE), a private research center dedicated to studying economic, educational, environmental, and social issues relevant to the development of Peru and other Latin American countries. GRADE conducted the mapping of ecosystem actors, analysis of financing offer, and benchmarking in the agribusiness sector for the development of innovative financial instruments. The results of their research are presented in Chapters 2 and 3.

A FIRST GLIMPSE INTO THE STUDY

EXECUTIVE SUMMARY

This report provides a synthesis of the results and findings obtained from the National Study of the Impact Investment Ecosystem in Peru, implemented from October 2023 to April 2024. The study aimed to collect evidence-based information on demand, supply, and best practices in the region to develop a blended finance instrument focused on the agro-industrial sector.

This analysis is divided into three chapters addressing different aspects of the ecosystem. In Chapter 1, titled "Demand Analysis", an investigation of companies demanding impact investments was conducted. Among the key findings, 75% of the organizations are microenterprises, and 40% operate in the agribusiness sector. Regarding external financing experience, 73% of entrepreneurs reported receiving some type of financing, mainly for working capital (52%). The 15% mentioned having received financing from private or impact investors, highlighting benefits such as support for business growth and expansion, better interest rates, constant networking, and training and mentoring to receive financing. On the other hand, the study identified that 59% are measuring the impact of their organization, although 71% reported facing challenges when measuring social and environmental impact, including logistical challenges of data collection and communication, lack of specialized resources, and high costs associated with certifications.

In Chapter 2, titled "Mapping of Key Actors and Analysis of Financing Offer," 219 actors were identified within the impact investment ecosystem, each playing distinct roles, such as capital providers, financial intermediaries, supporting organizations, enabling environments, and enterprises. Additionally, a database of 135 actors linked to the agribusiness sector and value chains was developed.

Our analysis delved into three distinct routes for impact investment flows in the prioritized sector: Financing for Advanced-Stage enterprises, Financing for Early-Stage enterprises through Intermediary Financial Institutions (IFIs), and Financing for Early and Intermediate-Stage companies with Intensive Technical Assistance. Through this rigorous examination, bottlenecks were identified in the dimensions of pipeline, capital provision, financial intermediation, and impact ecosystem, hindering effective access to impact financing in the sector.

Finally, in Chapter 3, titled "Benchmarking in the Agribusiness Sector for the Development of Innovative Financial Instruments," successful cases of blended finance within Latin American Agribusiness sector were analyzed, identifying the best practices implemented, and drawing relevant lessons for the Peruvian context.

In summary, this report offers a comprehensive view of the impact investment ecosystem in Peru, highlighting opportunities and challenges, with emphasis on the agro-industrial sector. The findings and recommendations presented herein have the potential to guide future strategies for *Aliados de Impacto* and other ecosystem actors, fostering sustainable and inclusive economic growth in the country.

STUDY OBJECTIVES

Overall objective

To generate evidence-based knowledge about the impact investment ecosystem in Peru in order to optimize capital allocation, narrow the gaps between supply and demand, and recommend innovative impact financing tools. Likewise, the study seeks to develop mechanisms for the relationship and articulation of the system.

Specific objectives

- **Understand and analyze the impact of impact investments** from the perspective of Peruvian entrepreneurs through their experiences and develop an impact measurement tool.

- **Map the actors of the impact investment ecosystem in Peru** with a focus on the supply and other relevant actors related to the agribusiness sector. This analysis will identify roles and bottlenecks within the sector.

- **Identify and analyze opportunities in the agribusiness sector to develop innovative financial instruments.** The aim is to analyze successful cases of blended finance in Latin America, identify best practices implemented, and draw up recommendations for the development of such instruments in Peru.

KEY DEFINITIONS

What is Impact Investment? Impact investment is the flow of financial resources directed to organizations that produce goods and/or services with the purpose of creating a positive and/or environmental impact, with the expectation of obtaining a financial return (≥ 0) and with the commitment to measure their social and/or environmental impact.

What are the Characteristics of Impact Investment? Impact investment involves three characteristics:

1. **Intentionality,** to achieve a positive social or environmental impact through the investment, with a clear objective and specifying who Will benefit from these results.

2. **Measurement,** commitment to measuring, evaluating and monitoring the impact of the investment. It must have a measurement system to link the intention to the improvements in social and environmental results "delivered" by the actor who made the investment.

3. **Return,** impact investments are not donations, so they are expected to have a positive financial return.

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CHAPTER 1

ANALYSIS OF IMPACT INVESTMENT DEMAND

Exploring the business landscape in Peru: An analysis of profile, external financing experience, and familiarity with impact measurement

The demand side of impact investments was analysed through the characterization of the profile and experiences of business organizations. This demand assessment gathered direct data on how financing and support, or the lack thereof, impact business performance. Additionally, it delved into the extent to which entrepreneurs are familiar with impact measurement, the methods or tools they use, the challenges they face, and the aspects they are interested in measuring.

The conclusions presented are based on 116 online surveys completed by Peruvian entrepreneurs, and 50 telephone interviews with randomly selected entrepreneurs from those who completed the online survey and agreed to a follow-up call.

The results are indicative of the business environment in Peru and should be interpreted as such when reading the report. The surveys were conducted among Peruvian entrepreneurs, primarily from the Kunan and Eco and Bio-Businesses networks associated with the Ministry of Environment of Peru (MINAM), among other partners. The qualitative interviews support these findings and provide a more detailed understanding of the entrepreneurial experience. Additionally, three stories from the interviewees have been included to provide greater visibility to their profile and business experience.

Throughout the report, sections labelled "Delving into the Results" are included, representing the voices of the 50 entrepreneurs interviewed via telephone.

Methodology

Between December 2023 and January 2024, a total of 116 online surveys and 50 telephone interviews were conducted. The data collection process is detailed below:

Table 1 Data Collection

Country	Peru
Entrepreneur Population[1]	1,570
Online surveys	116
Telephone Interviews[2]	50
Language	Spanish
Confidence level	90%
Margin of error	7%

Net Promoter Score (NPS)

Several questions in the first chapter calculate the Net Promoter Score (NPS), a commonly used indicator to measure customer or entrepreneur satisfaction and loyalty. The NPS is calculated by asking entrepreneurs to rate the likelihood of recommending a product or service to a friend on a scale from 0 to 10, where 0 represents the lowest probability and 10 the highest. The NPS is the percentage of entrepreneurs giving a rating of 9 or 10 out of 10 ("Promoters") minus the percentage of entrepreneurs giving a rating of 0 to 6 out of 10 ("Detractors"). Those giving a rating of 7 and 8 are considered "Passives".

Interpretation of NPS:

- An NPS greater than 0 indicates positive aspects but areas needing improvement.
- An NPS greater than 50 is considered excellent.
- An NPS greater than 80 is considered superior (Top).
- An NPS less than 0 is considered negative, indicating an immediate need for improvement.

Study limitations

Access to businesses: The data collected comes from available entrepreneurs willing to complete the online survey during the study period. Dissemination was carried out to different business groups in Peru, mainly using MINAM and Kunan databases, meaning not all companies were identified and reached by the study. The results do not aim to be representative of all businesses in the universe.

Indicative Results: The results of this study are indicative of the Peruvian ecosystem and represent the stance of the respondents – they do not aim to be conclusive results. Responses reflect entrepreneurs' opinions at the time of answering, based on their understanding of the question and survey context. Most questions are closed-ended, naturally limiting the possibility to expand on or explain their answers. However, telephone interviews were conducted to delve into relevant topics and confirm the positions of entrepreneurs willing to provide further information.

1.1: PROFILE

This section aims to provide an understanding of the profile of the surveyed entrepreneurs, the types of organizations they represent, and the growth stage they are in, considering demographic data.

The key indicators in this section include:

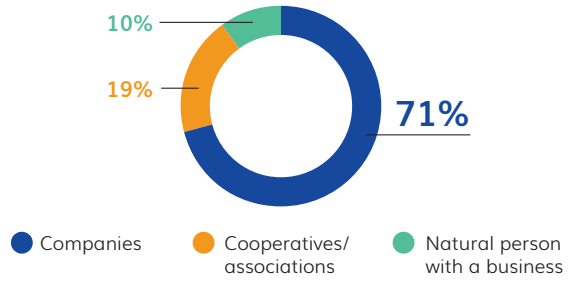
- **Time operating formally:** How long have your organizations been formally incorporated (with an active Taxpayer Number)?
- **Organization size:** Do you have a micro, small, medium or large organization? How many employees do you engage on average?
- **Growth stage:** What is the current stage of your business?

Organizations were classified according to their legal form (Figure 1), summarized into three main groups:

i) Companies: SRL, SAC, EIRL, SA
ii) Cooperatives/associations, including legal entities such as associations, registered committees, community, peasant community, cooperative, SAIS, CAPs
iii) Natural person with a business

[1]Representative information from the entrepreneur databases shared by Kunan (n=370) and MINAM (n=1,200).
[2]Interviews completed with entrepreneurs who agreed to participate in a follow-up call during the online survey.

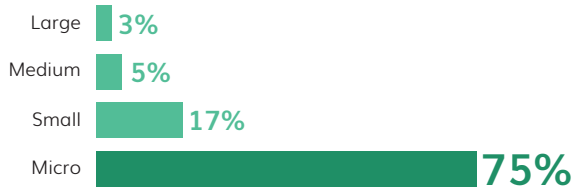
Figure 1 *Classification by type of organization (n=116)*



According to legal form, 71% of organizations are companies, 19% are cooperatives/associations, and 10% are natural persons with businesses.

Additionally, annual income was assessed according to the company size categorization determined by the National Superintendency of Customs and Tax Administration (SUNAT). 75% of organizations are microenterprises and 17% are small enterprises.

Figure 2 *Organization size by billing (n=115)**



* According to SUNAT's classification, a company's size is determined by its annual revenue as follows: microenterprise, with revenue of 195,479 USD or less; small enterprise, with revenue between 195,479 USD and 2,215,436 USD; medium enterprise, with revenue between 2,215,436 USD and 29,973,541 USD; and large enterprise, with revenue exceeding 29,973,541 USD. A conversion rate of 1 USD = 3.80 PEN has been used.

Regarding the number of employees, on average, **companies have 8.9 employees, of which 5.5 are full-time and 3.4 are part-time.**

Concerning business locations, of the 116 surveyed entrepreneurs, there is a significant concentration in Lima (42%), followed by Cusco and Junín (8% each).

Table 2 Classification by geographical location (n=116)

Department[3]	
Lima	42%
Cusco	8%
Junín	8%
Arequipa	6%
Other	36%

2 out of every 5 entrepreneurs report an organization located in Lima.

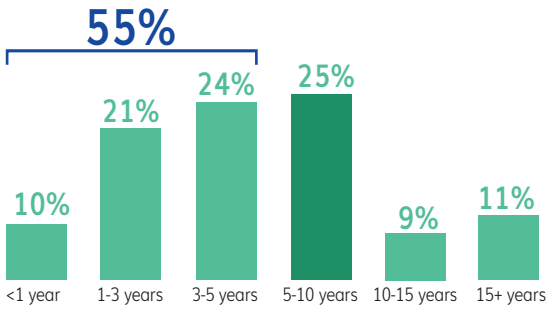
Additionally, the main sectors to which organizations belong were classified. It was identified that **40% of surveyed entrepreneurs primarily operate in the agro-industrial sector.** Other sectors highlighted include Tourism and Culture (13%) and Artisanal Manufacturing (8%).

Table 3 Classification by sector (n=116)

Industry or Sector[4]	
Agribusiness	40%
Tourism and Culture	13%
Crafts	8%
Consulting	7%
Sustainable Development	5%
Technology	5%
Textile and Fashion	5%
Other[5]	17%

Regarding the age of organizations, considering the time during which the business has legally operated, defined as being registered in the Unique Taxpayer Registry (RUC) at SUNAT, **55% of entrepreneurs report that their organization has been operating formally for less than 5 years**.

Figure 3 *Years of operation (n=115)*

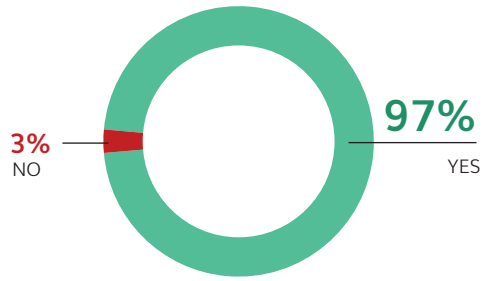


Furthermore, organizations were asked if they aim to generate social and/or environmental impact with the goal of financial gain and a commitment to measuring said impact.

97% mentioned they seek to generate impact. It is noteworthy that over 83% of surveyed entrepreneurs are part of the MINAM and Kunan bases, networks that group sustainable businesses, which significantly influences the high expressed interest.

[3] "Other" includes departments with under 5% representation, including La Libertad, Madre de Dios, Piura, Cajamarca, Callao and San Martín.
[4] Sector directly reported by the entrepreneurs.
[5] Other sectors are Health, Cosmetics, Financial Inclusion, Food, Education, Retail, Real Estate and Canine Grooming.

Figure 4 *Interest in seeking to generate impact (n=116)*



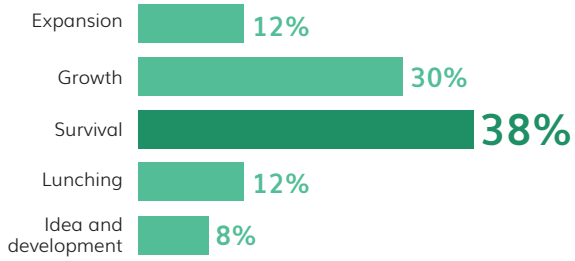
The stages of companies were analysed by asking organizations which of the options best describes the current stage of their business, according to the following definitions:

Idea and development: Exploring potential products and customers. Testing the market, validating the concept, and creating prototypes.

Launching: Actively building the business and refining the product or service. Acquiring the first customers.
Survival: Income sources begin to grow with new clients and consumers.
Growth: Constant demand for goods and services. Demand may exceed the supply capacity.
Expansion: Experiencing growth and expanding into new markets.

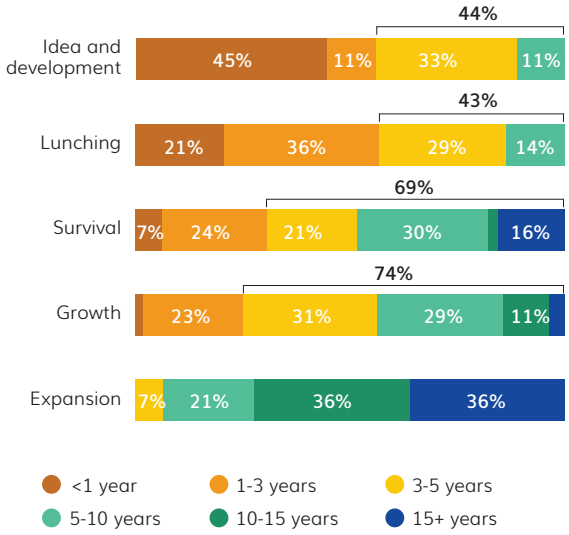
The survival stage is the most representative, with 38% of organizations at this stage, followed by 30% in growth.

Figure 5 *Development stages of organizations (n=116)*



It is relevant to highlight that over 40% of businesses, both in the idea and development stages as well as in the launch stage, and approximately 70% in survival and growth stages, have been in formal operation for more than 3 years (Figure 6). This poses a challenge for Peruvian entrepreneurs when attempting to scale their businesses, while simultaneously presenting an opportunity for financing providers, support organizations, and policy makers to drive and facilitate the growth of these enterprises.

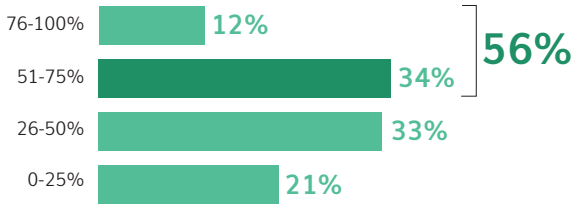
Figure 6 *Stage of development by years of registration (n=115)*



69% of organizations in the "survival" stage have been in formal operation for more than 3 years.

Finally, 56% report that more than half of the employees are women.

Figure 7 *Proportion of female employees (n=116)*



BOX 1. GENDER TRENDS IN ORGANIZATIONS

- Among surveyed entrepreneurs, 30% report that their organization was founded by a woman or a group of women, 35% by a mixed group (woman and man), and another 35% by men.
- 56% of organizations have more than 51% women employees. Of these, 47% were founded by women, 37% by a mixed group, and 17% by men.
- 30% of organizations founded by women operate in the agro-industrial sector.
- Organizations founded by women have an average of 6.6 employees compared to mixed-gender enterprises (9.5 employees) and those founded by men (10.4 employees).
- 36% of organizations founded by women report more than 5 years of formal operations. Among companies founded by men, this percentage is 46%.
- When analysing by stage of development, organizations with founders from mixed groups (woman and man) show greater progress. 62% of mixed-gender organizations are in "growth" or "expansion" stages, compared to 33% of companies founded exclusively by women or men, respectively.
- Organizations founded by women are less familiar with impact measurement: 61% of organizations founded by women mention being aware of these metrics and 42% report measuring their impact, compared to organizations founded by men (77% and 62%, respectively) and mixed organizations (79% and 69%, respectively).
- Among telephone interviewees who are currently measuring their impact, 8% reported their main interest is measuring female empowerment.

DELVING INTO THE RESULTS:

What were the main challenges you faced when starting your business?
This open-ended question was asked during the telephone interviews. (n=50)

36% mention financial limitations and access to financing

30% report market entry

22% mention supply chain management

"We manufacture plastic wood with recycled material; 90% plastic and 10% recovered plant fibres. Hence, in addition to recycling, less trees are logged. We manufacture everything from furniture (chairs, tables, benches) to pallets for the agricultural industry."
Agribusiness

"The main challenges at that time were economic issues; financing to start and have the necessary clothing."
Agribusiness

"The most difficult aspects in this business are finding the right market, to set a price and launch our product." –
Company, environment

"Communities who harvest moss are in very remote areas, seriously hampering transporting and moving goods." –
Agribusiness

"We are a family business located in Urubamba, in the Sacred Valley of the Incas. We transform products from Peruvian biodiversity into healthy foods for instant consumption. We currently have more than 120 producers (cereal mixes, granolas, energy bars and cookies).
Agribusiness

1.2: FINANCING AND RESOURCES

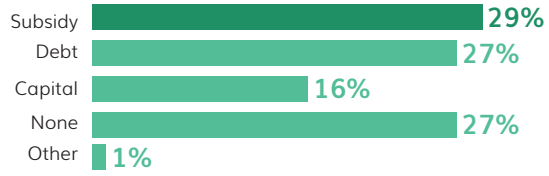
This section reviews the impact of external financing on the organizations of interviewed entrepreneurs, as well as their level of satisfaction. Additional information on non-financial resources allows a better understanding of entrepreneurs' needs.

The key indicators in this section include:

- **External financing:** What type of financing have entrepreneurs used and how have they used it?
- **Financing source:** What has been their main source of financing? What was their experience?
- **Non-financial resources:** What non-financial resources have they used? Are there any resources that will be more supportive in the future?

Entrepreneurs were queried about the types of external financing their companies received, encompassing debt financing, equity investment, grants, or other forms. 29% mentioned grant funding, followed by 27% reporting debt financing, with an equal proportion indicating no access to any.

Figure 8 *Types of External Financing (n=115)*



*Others include small, medium, and large enterprises.

73% of entrepreneurs have received some kind of external financing. The most common instrument is through grants.

Additional analysis:

Organizations in the survival, growth and expansion business stages show the greatest diversity in financing.

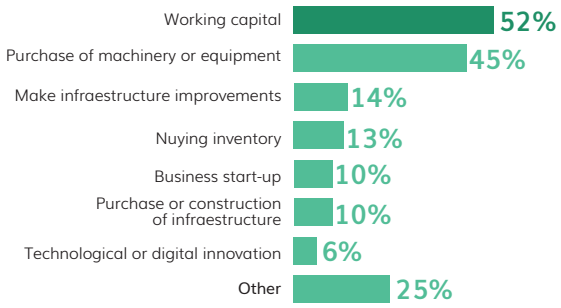
4 out of 5 entrepreneurs in the idea and development stage have not received financing. Of those in the launch stage, 2 out of 5 report grants as their main source of financing. The main financing sources for those in the survival and growth phase are debt (23% and 41%) and grants (27% and 29%). 2 out of every 5 entrepreneurs in the expansion stage report debt as their main financing source.

A third of microentrepreneurs have not received any financing and another third report having received a grant. Among other entrepreneurs*, 1 in 10 reports not having received financing and mention debt as the main source of financing (48%).

A question was asked about the use of financing. **52% of entrepreneurs who received external financing used it as working capital.**

Additionally, 45% invested in machinery or equipment, and 14% allocated funds to infrastructure enhancements.

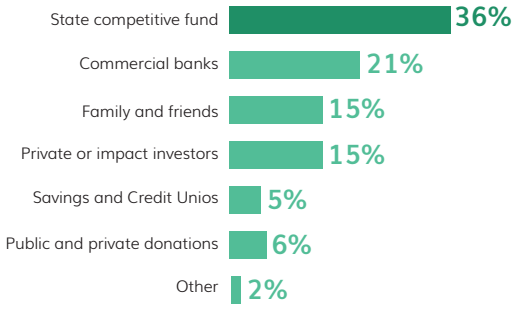
Figure 9 *Use of Financing (n=84)*



'Other' includes staff training (19%), trade promotion (19%) and refinancing existing debt (14%).

In terms of their most recent financing source, 36% of entrepreneurs who secured external financing mentioned State competitive funding, with prominent programs including Innóvate Perú, Startup Perú, Procompite, and the Internationalization Support Program (PAI).

Figure 10 *Financing Source (n=82)*



Only 15% of entrepreneurs mention accessing financing from private or impact investors*. Of these, they were asked about the benefits perceived from accessing this funding source (n=12), with highlights including:

17% mention access to **working capital**
17% report **ongoing networking**
17% mention **more advantageous interest rates**

*It's worth noting that several impact investors channel their investments through microfinance institutions, which could be exemplified by entities such as savings and credit unions.

DELVING INTO THE RESULTS:

What was your experience receiving external financing?
This open-ended question was posed during the telephone interviews, yielding the following responses (n = 35*):

Competitive funding (n=11)

64% report training and support financing

55% report receiving support for growth and expansion

Commercial banks (n=8)

50% mention access to alternative financing after receiving financing

38% report negative experience due to high interest rates

Private or impact investors (n=8)**

63% mention training and support to receive financing

50% report receiving support for growth and expansion

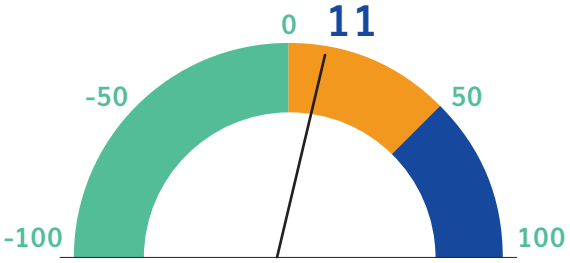
* Question asked only to entrepreneurs who received external financing.
** Some of the interviewed entrepreneurs mentioned obtaining funding from investors such as Rabobank, Incofin, NESsT, Root Capital, Amazonia Impact Ventures, Beneficial Returns, Shared Interest, MCE Social Capital, Peru Opportunity Fund.

Experience with foreign financing in Peru is good, but there is room for improvement.

Net Promoter Score® (NPS)

Respondents were asked, on a scale from 0 to 10, how likely they would recommend raising funds through the [primary source of financing] for their business to a friend, where 0 is not at all likely and 10 is extremely likely.

Figure 11 ***Probabilidad de recomendar recaudar fondos a través de la fuente de financiamiento (n=84)***



NPS = % Promotors 9-10 likely to recommend

% Detractors 0-6 likely to recommend

The Net Promoter Score® (NPS), an indicator used to measure customer satisfaction and loyalty, was employed to understand the likelihood of entrepreneurs recommending accessing external financing. The NPS is calculated by subtracting the percentage of "Detractors" (those rating 0 to 6) from the percentage of "Promoters" (those rating 9 or 10). Those rating 7 or 8 are considered "Passives".

Table 4 Net Promoter Score (NPS) Classification by Company Size

Segments	NPS
Micro	7
Small	6
Medium	50
Large	50

Promoters mainly value received support. Detractors would like to see lower interest rates.

Following the NPS question, respondents were asked to explain their rating to gain insights into what they value and what causes dissatisfaction. (n=84)

Promoters: 37%

They love:
1. **Contribution to the growth of the organization and support received** (36% of Promoters; 10% of entrepreneurs)
2. **Opportunity to access capital** (13% of Promoters; 4% of entrepreneurs)
3. **Wide offer of non-refundable funds** (10% of Promoters; 3% of entrepreneurs)

Passive: 37%

They like:
1. **Secure and reliable sources of income** (23% of Passive; 6% of entrepreneurs)

They would like to see:
2. **Greater diversification of funds** (30% of Passive; 8% of entrepreneurs)
3. **Lower interest rates** (16% of Passive; 4% of entrepreneurs)

Detractors: 26%

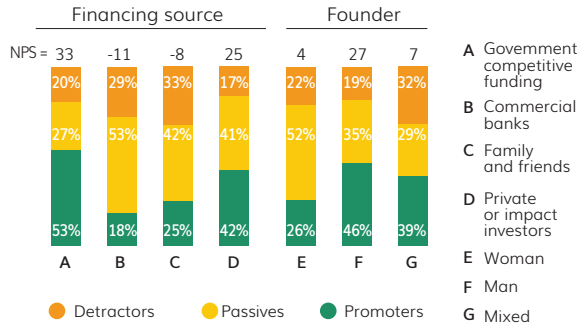
They would like to see:
1. **Lower interest rates** (27% of Detractors; 5% of entrepreneurs)
2. **Offerings aligned with organizations' interests** (23% of Detractors; 4% of entrepreneurs)
3. **Greater knowledge about the impact sector** (18% of Detractors; 4% of entrepreneurs)

Experience with foreign financing per main financing sources and founder gender.

NPS Segmenting

NPS analysis. Satisfaction level by segment. (n=84: Competitive funds=30, Commercial banks=17, Family and friends=12, Financing from private or impact investors=12, Women=23, Men=26, Mixed=31)

Figure 12 ***Satisfaction level analysis by segment (n=84)***



Experience per financing source

Promoters

- Entrepreneurs who would recommend accessing financing from 'State competitive funds' mention the support received for the growth of their organization as the main reason for recommending them, followed by the opportunity to access capital.
- Those who have received financing from 'commercial banks' report the opportunity to access other types of funds later and the speed of disbursement as reasons for recommendation. At the same time, they mention high interest rates.
- Beneficiaries of financing from 'private or impact investors' mention the contribution to the growth of the organization and low interest rates as the main reasons for recommending them.

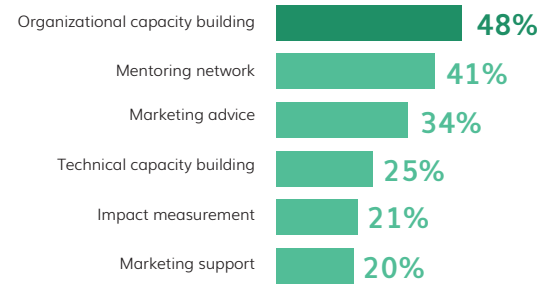
Detractors

- Entrepreneurs who have received financing from 'commercial banks' or 'friends and family' are less likely to recommend resorting to financing. The main reasons for not their reticence are high interest rates and that the offering does not meet their organizations' needs.
- Entrepreneurs who would not recommend accessing 'State competitive funds' mention a lack of clarity in the financing terms.

The most utilized non-financial resource by entrepreneurs is organizational capacity strengthening at 48%.

Entrepreneurs were asked to select the top three non-financial resources or offerings they have used in their business. 48% mentioned organizational capacity building and 41% mentoring network.

Figure 13 ***Non-financial resources or offerings (n=100)[6]***



[6] Excluding 13 interviewees who have not used non-financial support offers or resources.

Among other resources stand out:

- Advisory for obtaining financing (17%)
- Support groups (15%)
- Financial management support (15%)
- Legal advice (15%)
- Product development advisory (13%)
- Administrative support (11%)

DELVING INTO THE RESULTS:

What are the main non-financial challenges you have encountered in scaling your business?
This open-ended question was asked during telephone interviews. (n=50)

36% mention product marketing

28% mention access to specialized resources

24% report impact of the national economy on production and sales

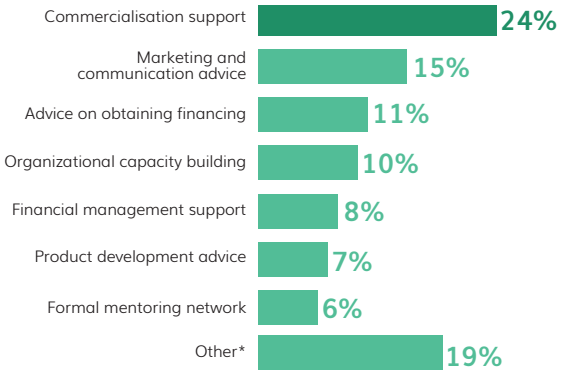
"Now our processing facilities are small. We have already bought the land. We need the capacity to build."
Cooperative, agribusiness

"The challenges I face today include unfair competition, price wars, rising fuel costs, and increased fees through SERNANP."
Tourism Company

24% of entrepreneurs report their need of support for sales as the main non-financial support in future.

When asked, envisioning the future of your company, what non-financial offering or resource do you believe will be most beneficial for your needs? 24% mentioned marketing support, followed by 15% mentioning marketing and communication advice.

Figure 14 ***Non-financial resources for the future (n=115)***



Other includes impact measurement (19%), support in human capital or hiring (14%), and strengthening of technical capacities (14%).

Additional Analysis:

The most mentioned resource by entrepreneurs at different stages is marketing. This is especially necessary for entrepreneurs in the idea and development stages (44%). Entrepreneurs in the survival stage mention marketing and financing as the main additional resources. On the other hand, those in the growth stage emphasize organizational capabilities and financial management.

DELVING INTO THE RESULTS:

Could you share with us the reason why the non-financial resource chosen will be important for the future of your business?
This open-ended question was asked during telephone interviews. Respondents answer based on the non-financial resource they consider most important for the future of their business. (n=50)

Marketing support (n=19)

42% mention the need to access distribution channels and expand their market

42% report their need for operational and strategic support.

Marketing and communication advice (n=12)

58% mention creating brand awareness and product education

42% report a need for improved communication strategies

Advice to obtain financing (n=6)

50% mention the need to access identification, access and financial management resources.

83% mention the need to prepare and submit projects.

1.3: IMPACT MEASUREMENT

This section aims to elucidate the viewpoint of entrepreneurs regarding impact measurement and the instruments employed for this objective. Additionally, it seeks to identify the supplementary assistance required by entrepreneurs in Peru to assess their impact.

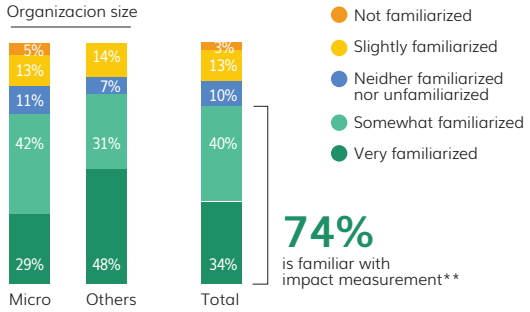
The key indicators of this section are as follows:

- **Impact measurement:** How acquainted are business owners with impact measurement and to what extent are they engaged in it?
- **Measurement tools:** What are the main tools used to measure impact?
- **Challenges in measuring impact:** What challenges have entrepreneurs faced in measuring their impact?

74% of entrepreneurs report they are acquainted with impact measuring.

They were asked to what extent they are familiar with the concept of impact measurement in the context of their business (n=116 I Micro=86, Others*=29). 74% are familiar with impact measurement, being higher in small and medium-sized enterprises than in micro-enterprises.

Figure 15 ***Familiarity level with impact measurement (n=116)***



* Includes small (n=20), medium (n=6), and large (n=3) organizations.
**Note: 83% of the interviewed entrepreneurs belong to MINAM and KUNAN bases, belonging to networks focused on sustainability.

DELVING INTO THE RESULTS:

Can you elaborate on the impact your business seeks to create?
This open-ended question was asked during telephone interviews directed at those who indicated that their company seeks to generate a social and/or environmental impact. (n=49)

37% mention education and environmental conservation

35% report job and development opportunities

20% mention innovation in clean energy

"We have recovered more than 20 species of endemic bees, and we are working to recover new species with great potential."

Company, agribusiness

"Our initial objective is to have an impact on housewives and over time we have seen a growth in mothers working with us."

Company, food and drinks

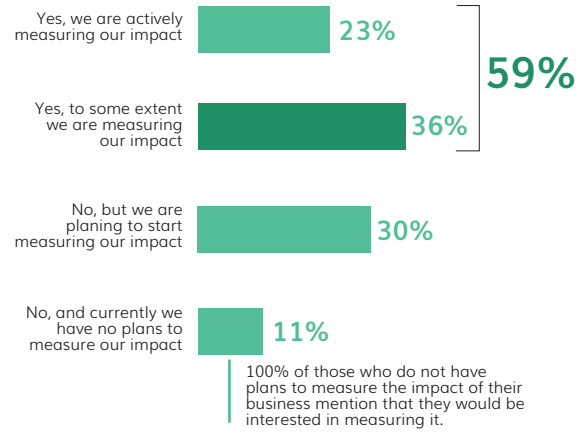
"We work with some solar energy equipment. It permits a more comfortable life, access to lighting without use of other sources such as candles and burners."

Company, energy

59% of entrepreneurs already measure their organization's impact and 30% are planning to do so soon.

Regarding how entrepreneurs are currently measuring their social and/or environmental impact, 36% mention that they are measuring their impact to some extent, followed by 30% who mention not measuring but are planning to do so.

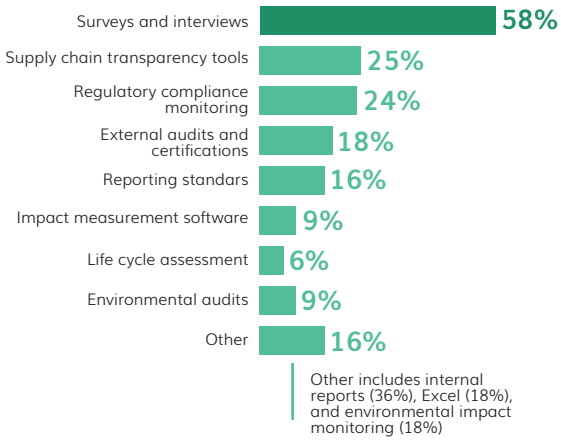
Figure 16 *Impact measurement in business (n=116)*



The main tool used by those currently measuring their impact is surveys and interviews.

The main tool used by those currently measuring their impact is surveys and interviews. 58% mentioned surveys and interviews as the method or tools they currently use to measure the social and/or environmental impact of their business activities, followed by 25% who use supply chain transparency tools.

Figure 17 *Impact measurement tools used (n=67)*



DELVING INTO THE RESULTS:

Challenges when measuring social and/or environmental impact.
Regarding the challenges of measuring the social and environmental impact of their business activities, 71% of entrepreneurs mention facing challenges (n=31).

Information was requested on the challenges they face in measuring the social and environmental impact of their business activities, highlighting the following (n=22):

36% mention collection and communication logistical challenges

36% mention lack of specialized resources

18% mention high costs of certifications

There is particular interest in evaluating impact vis-a-vis the environmental footprint, as well as impact on workers and community.

Entrepreneurs were asked which aspects of impact measurement they are particularly interested in (e.g., social, environmental, community), with 48% highlighting the environmental footprint and the impact on employees and local communities (n=44 | Micro=31, Other=13).

Table 5 Key interests in impact measurement

Main Interests	Total	Micro	Other
Environmental footprint	48 %	52 %	38 %
Impact on workers and local communities	48 %	42 %	62 %
Alignment with SDGs	30 %	29 %	31 %
Conserving biodiversity	25 %	16 %	46 %
Economic empowerment and job creation	9 %	13 %	0 %
Women's empowerment	9 %	13 %	0 %

Impact measurement tool

An impact measurement tool adapted to the Peruvian context has been designed to help companies and organisations assess the impact they have on their target audiences, enabling them to take concrete actions to improve and enhance their products, services and programmes.

Based on the 5 dimensions of the Impact Management Project (IMP) and the extensive experience of 60 Decibels, which has developed more than 2,000 projects in 60 countries, this tool is accompanied by a detailed guide that provides step-by-step guidance to facilitate its implementation.

The tool consists of two blocks: the first one focuses on the main impact indicators, while the second one includes 4 complementary modules addressing topics such as fostering quality jobs, community impact, women empowerment, financial resilience and farmer productivity, the latter especially targeted at the agricultural sector.

Access the tool here and start measuring the impact of your business.

1.4: ENTREPRENEUR STORIES

This section shares the personal stories of some entrepreneurs to highlight the profiles of individual entrepreneurs, their experiences, challenges and impact objectives.

White Moss Exporting

Entrepreneur harvests white moss in the high Andes

Gabriel's[7] company produces and exports white moss, a product endemic to Peru. They work in direct collaboration with communities in the **high Andean region**, who do the harvesting. Gabriel's company buys the white moss and processes it mainly for export abroad.

Gabriel's business model generates **social, environmental, and economic impact** in this region. By buying the moss directly from the community members who harvest it, money is injected into the region, benefiting the communities economically. Additionally, between 60 and 65% of actively harvesting individuals are women. Gabriel and his team seek to promote female empowerment both in the community and at home.

[7] The entrepreneur's name has been changed to protect his identity.

Environmentally, moss used to be considered a weed by communities, leading to its burning to facilitate the harvesting of other products such as potatoes, eventually damaging the soil and local ecosystem. Now, thanks to the value that Gabriel and his company have brought to the moss, communities actively protect it, avoiding its burning and thus preserving the ecosystem.

Faced challenges

When starting his business, Gabriel faced mainly the challenge of transportation and logistics in the region, which is complicated. Additionally, indigenous communities had experienced abuses by unethical individuals or organizations taking advantage of natural resources, leading to distrust towards Gabriel's company, which had to dedicate effort and time to gain their trust.

Gabriel has also encountered **challenges in scaling his business**, mainly related to obtaining funds. He has had difficulties accessing traditional banks and lenders due to the social nature of his venture.

"This sector is challenging, requiring significant effort to achieve results. At times, one may feel that the State not only does not provide support, but even creates constraints."

Experience with financing

Recently, Gabriel's company received financing from private/impact investors (non-commercial), allowing them to maintain their operations and have the necessary working capital.

International organizations such as Shared Interest, MCE Social Capital, Peru Opportunity Fund, and NESsT have been important sources of financing for Gabriel's company throughout its 13 years of operation.

These organizations offer more favourable interest rates, better grace periods, and greater flexibility, which has been fundamental to the success of Gabriel's company. For him, the most important thing is the approach these organizations have towards his business, **understanding and supporting** his model as what they are, a social enterprise and not a traditional business.

Klipartz

Exporting Medicinal Plants

Entrepreneur sells Peruvian medicinal plants abroad

Carlos[8] exports medicinal plants, mainly from Peru's lush jungle. Aware of the environmental impact of his activity, his company has established a forest management plan in collaboration with producers from native communities, with the aim of preserving the region's biodiversity.

Carlos' company is certified as biocommerce by Promperú, which drives them to follow rigorous certification parameters, promoting sustainability and equity in all their operations. They also ensure to train local producers and to eliminate any form of discrimination based on gender, religion, or other factors.

Despite their focus on sustainability, Carlos recognizes the importance of measuring the impact of his business. Over 14 years, they have maintained an Organic Certification, but **the size of his company makes it difficult for them to access more expensive certifications**, such as carbon footprint measurement. Carlos is committed to adapting to market requirements to add value to his products and meet current demand.

Experience with financing

Carlos's experience with external financing has been bittersweet. Although he has worked with impact funds, he has found that **interest rates are lower than those of traditional banks in Peru, but still high.** Additionally, he considers the requirements of impact funds demanding and has required hiring additional staff to manage the financial interaction with them. However, he also highlights advantages such as a grace period of one year; furthermore, **this process has prompted Carlos to train suppliers, increase the number of producers, and involve communities even more, actively including women**.

"Now, we have a loan with them, and we have had financing for specific projects, for example, to go to the international market with the PAI. We have also had financing from Innóvate to get HACCP certification, a quality certification for the plant."\

Challenges

Initially, Carlos had trouble raising capital and opening new markets. He mentions three main non-financial challenges as well to scale his business: the first is creating an international marketing strategy and positioning his business in the global market. The second is competition from the informal market in Peru and the little support from government for formal entrepreneurs. A third challenge is capital. Carlos mentions that interest rates are very high, which has prevented his organization from setting up a quality laboratory.

Carlos's company is working to access the international market by attending international fairs, identifying potential clients and participating in business roundtables promoted by Promperú.

[8]The entrepreneur's name has been changed to protect his identity.

Freepik

Exporting Coffee

Leader of a coffee producers and exporters' association

Juan[9] belongs to a coffee producers' association that harvests, processes and exports coffee.

From the beginning, generating impact through his business was one of his main objectives, to the point that that led him to organize themselves as an association and not as a company.

They focus on the association's members and their families, preserving the environment and bridging the gender gap in the sector.

"The organization's objective goes far beyond the financial issue, that is to identify and contribute to achieving objectives that contribute to a better quality of life among the members and citizens within our area of intervention."

Faced challenges

The association initially had trouble in identifying its target market. It took them time to understand where it was better to export their product, mainly considering its quality and the price people would be willing to pay for it.

Access to financing is the main challenge they face today. Given the activity they carry out, it is essential for them to avail themselves of working capital prior to the start of campaigns and to do that, financing becomes critical.

"Moreover, our challenge is to consolidate a robust and capable work team that can manage the organization in a dynamic, diplomatic way, especially the operational, accounting and technical aspects."

Experience with financing

In 2023, Juan's association accessed international financing for the first time through a Swiss financial institution. The experience was highly positive as it not only met their original objective but also allowed them to acquire knowledge and practices for seeking financing from other institutions.

Among the positive aspects of this experience, ease of access stands out, as it required no more guarantees than export contracts, and the interest rates proved favourable.

[9]The entrepreneur's name has been changed to protect his identity.

Conclusions

1. Financial constraints and challenges in accessing funds are the main barriers identified by Peruvian entrepreneurs when starting their businesses, highlighting the critical importance of external financing in business development. According to the study results, 73% of entrepreneurs have received some form of external financing, with subsidies being the most common form of financing.

2. The most valued source of financing by entrepreneurs is state contestable funds, followed by financing from private or impact investors. In contrast, experiences with commercial banks and borrowing from family and friends were perceived negatively, mainly due to high interest rates and a lack of adaptation to business needs. Additionally, a higher level of satisfaction with financing experience was found for men compared to women.

3. Marketing support is crucial at all stages of business development, especially in the idea and development stages. While specific resource needs vary from marketing advice to obtaining financing in the survival stage to strengthening organizational capacities and financial management during growth. This suggests a need for a differentiated approach according to the stage of business development, which can guide the strategy of ecosystem actors.

4. Despite more than half of the surveyed entrepreneurs claiming to measure their organization's impact, they still face logistical and resource challenges to do so effectively. Additionally, a growing interest in measuring environmental and social impact was identified among those who have not yet done so.

Recommendations

1. Provide platforms that facilitate access to impact investment for those seeking external financing. These platforms should offer support not only monetarily but also serve as allies in defining objectives and expansion strategies for the business. This can enhance entrepreneurs' experience and boost the growth of their businesses.

2. Facilitate accessible and understandable social and environmental impact measurement tools for companies, as well as providing logistical support, specialized resources, and counselling or mentoring programs to foster skills development in impact measurement. This would help entrepreneurs understand and scale their impact effectively, promoting continuous improvement in their practices.

3. Establish training and counselling programs to strengthen business, marketing, and financial management capabilities, especially in early and growth stages. This can improve the viability and sustainability of businesses.

4. Implement specific programs to promote female entrepreneurship and ensure equitable access to financing opportunities and business support. This would contribute to reducing gender gaps in the business world and promoting diversity and inclusion in the sector.

CHAPTER 2

MAPPING OF KEY ACTORS AND ANALYSIS OF FINANCING OFFER

Identifying actors in the impact investment ecosystem: prioritizing financing offer and other key actors in the agribusiness sector

The roles played by various actors comprising the impact investment ecosystem were analyzed and identified, with a particular focus on those providing financing within Peru's Agribusiness sector. Additionally, financing flows within this environment were analyzed and potential obstacles that could be constraining sectoral development, followed by the presentation of viable solutions to overcome these challenges.

Methodology

Information from various actors in the impact investment ecosystem was compiled through secondary sources, resulting in a comprehensive mapping segmented by the role and function of each actor. In addition, in-depth interviews were conducted with relevant organizations in the prioritized sector, along with the implementation of a strategic workshop aimed at validating the ecosystem characterization.

An important starting point for the execution of this research was the formation of the advisory team. Comprising five experts, both male and female, in different fields related to impact investment, the agribusiness sector, blended finance, gender, and environmental sustainability, this team played a key role in the development of the project. Members included Jorge Farfán (KPTL), Alejandra Ramírez (NESsT), Caterina Oliva-Monti (Independent), Julio Nishikawa (CARE Peru) and Jesús Valverde (MINAM).

The main function of this team was to provide guidance and support to the consulting team, thus facilitating the management of relevant information for the study.

2.1: ACTORS IN THE IMPACT INVESTMENT ECOSYSTEM

A total of 219 actors were identified in Peru's impact investment ecosystem.

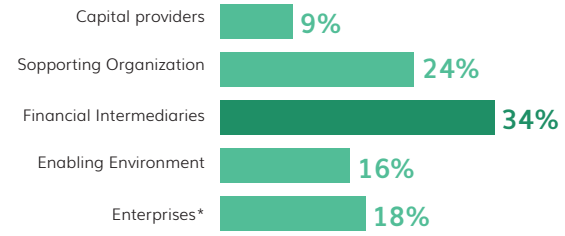
Data collected on the different actors were organized using a classification matrix, where the main variable is "function", describing the role that each actor plays within the ecosystem.

Table 6 Classification of Ecosystem Actors

Variable	Description
ID:	Number assigned to the actor within the impact investment ecosystem.
Actor Name	Name of the organization
Origin:	Geographical origin of the actor, categorized into two values: national and international.
Function:	**Capital Providers:** Entities or individuals that supply financial funds or resources for impact investment. These providers seek not only financial returns but also aim to generate positive social or environmental impact through their investments.
	Financial Intermediaries: Entities that manage or channel financial resources to impact-generating organizations to meet their working capital or financial investment needs in impact projects.
	Enabling Environment: Set of actors and factors that seek to boost impact investments. The absence or misalignment of these factors can slow down the development of impact investments.
	Supporting Organization: Entities providing support and services to businesses, projects or initiatives seeking to generate a positive social or environmental impact. These organizations play a key role in offering strategic guidance, training and other services that help strengthen and grow impactful businesses or projects.
	Enterprise: Impact-generating organization receiving financial resources in order to obtain economic returns and generate measurable social and/or environmental impacts. These entities are expected to be capable of optimizing social and/or environmental impact using market-based solutions, so as to obtain their own operational and financial sustainability.

Of the actors identified and classified according to the previous detail, 34% are financial intermediaries and 24% are supporting organizations, the two groups with the highest representation.

Figure 18 *Identification of Ecosystem Actors by Function*



**In the case of the "enterprise" function, the information under consideration does not represent a comprehensive mapping, as Chapter 1 of the study has identified businesses that complement this analysis.

A total of 135 actors were identified, playing roles such as capital providers, financial intermediaries, enabling environment and supporting organization within the agribusiness sector and value chains.

Based on the comprehensive mapping of actors, those identified as part of the financing offer and other key actors in the agribusiness sector and value chains were prioritized. In this context, the financing offer encompasses agents who provide a wide range of financial services, facilitate transactions, offer advice and contribute to the overall functioning of the impact investment ecosystem.

Table 7 **Identification of actors related to financing offers and other key aspects of the ecosystem, classified by function and type:**

Function	Type	Number of Actors
Capital Providers	Multilaterals / Cooperatives	12
	Corporations	2
	Government	2
	Private Investment Fund	1
	Foundation / Large NGOs	1
Financial Intermediaries	Impact Investment Fund	25
	Private Investment Fund	3
	Bank	3
	Microfinance Institution	10
	Crowdfunding Platform	1
Supporting Organizations	Associations / Guilds	13
	Incubators and Accelerators	10
	Incubator	9
	Accelerator	5
	Consulting Firm	7
	Think Tank	3
Enabling Environment	Government	13
	Foundation	6
	NGO	6
	Multilateral	2
	Cooperative	1
Overall total		135

Exploring the sector's impact investment ecosystem: primary data collection

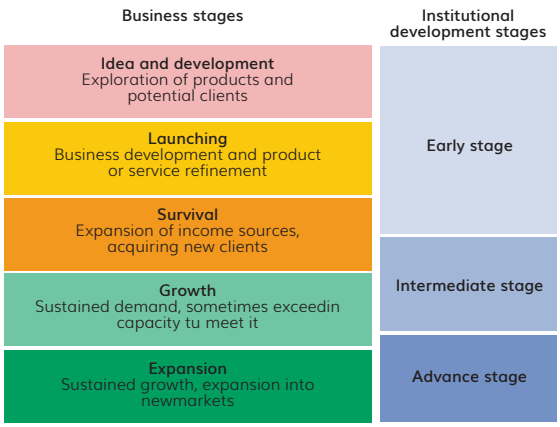
Eighteen actors from the agribusiness sector were interviewed to understand internal financing flows in the impact investment ecosystem and examine the channeling of financing, advice and enablement to identify opportunities and potential obstacles that could affect its development. The results are based on information collected through semi-structured interview guides, categorized by function and type of actor.

Table 8 Interviewed Ecosystem Actors

Function	Type	Organizations
Capital Providers	Multilateral / Cooperatives	IDB – LAB
		KFW Development Bank
		USAID Peru
		Conservation International
Financial Intermediaries	Impact Investment Fund	OikoCredit
		EcoEnterprise
		NESsT (Impact Investment Fund)
		Shared Interest
		Alterfin
	Bank	Rabobank
Supporting Organizations	Incubators / Accelerators	NESsT (Accelerator)
		Incubagraria
	Associations	Latimpacto
		ProHass
	Consulting Firm	Crossboundary
		Andes Impact Partners
Enabling Environment	State	ProInnovate
		COFIDE

The examination of the information gathered highlighted the need to segment impact investment demand. While the traditional classification is based on the business maturity stage, for the agribusiness sector, a classification based on the institutional development stages of the company was chosen. This segmentation of the demand allows for the classification of impact investment offerings by type of company served by each actor of the ecosystem.

Figure 19 *Classification of Enterprises by Institutional Development Stage*



2.2. ROUTES OF IMPACT INVESTMENT FLOWS

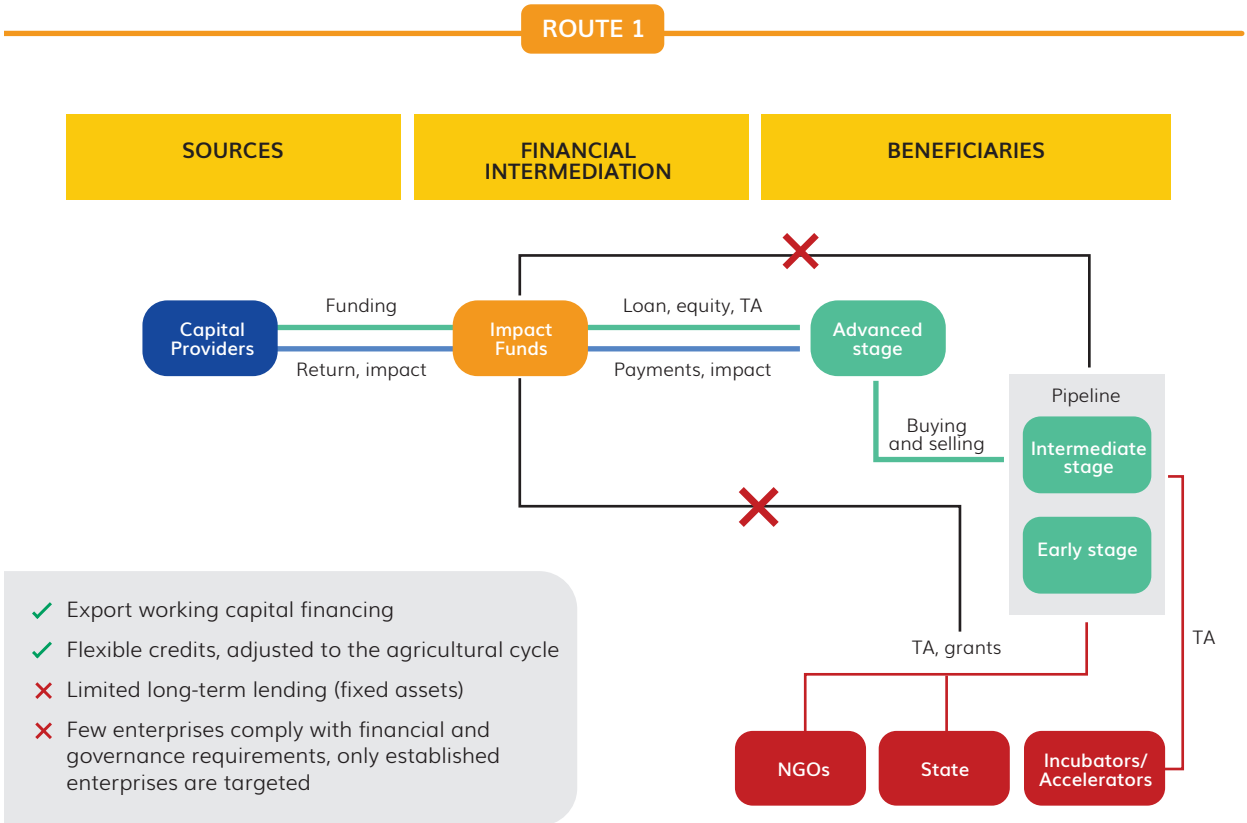
Three main routes of impact investment flows were identified in the Peruvian agribusiness sector.

Route 1: Financing for companies at advanced institutional development stage

This predominant route in the country, involves the channeling of financing from capital providers – multilaterals, cooperatives, family offices, large NGOs – to impact funds. These funds primarily provide loans and flexible equity to established companies, mainly working capital for exportation. Despite this dynamic, there is a shortage of long-term credit for fixed assets in most impact funds.

The main challenge lies in the limitation of the project and company pipeline in the agribusiness sector. Despite the efforts of NGOs, public entities, and other institutions offering technical assistance, few companies meet the minimum standards to access impact financing. Even the most advanced companies face difficulties in obtaining long-term financing.

Figure 20 *Financing Flow to Advanced Stage Companies*



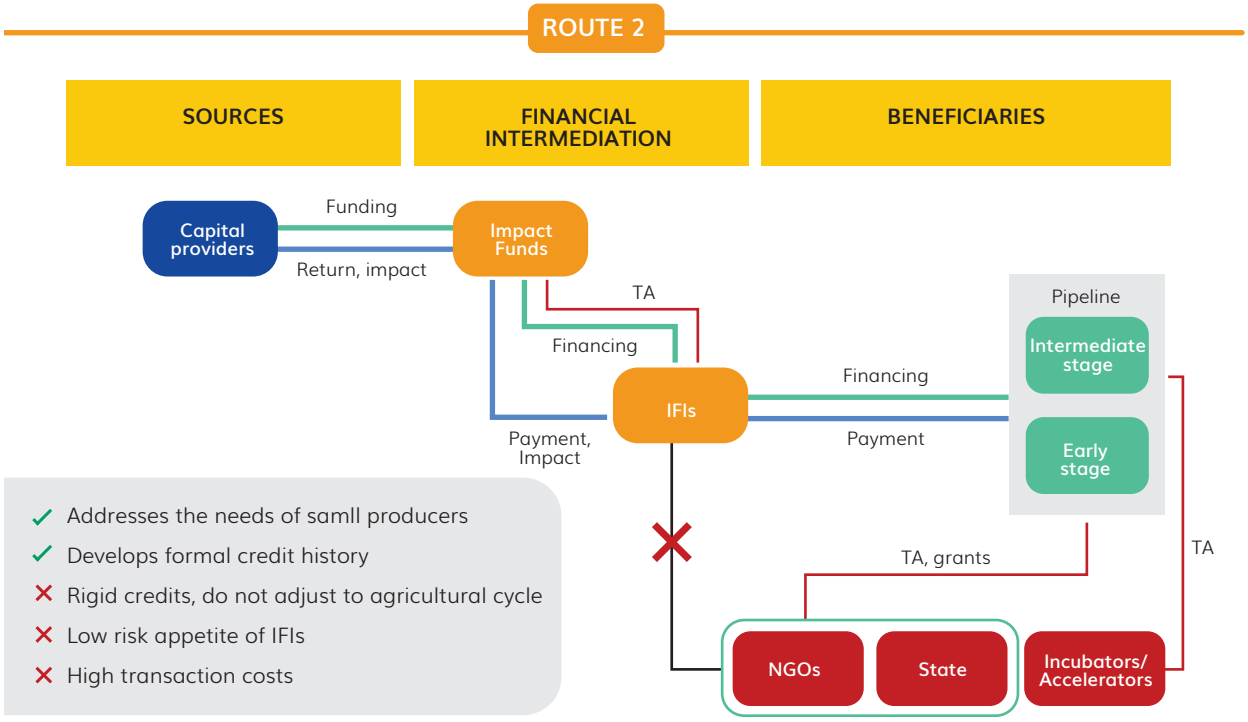
- ✓ Export working capital financing
- ✓ Flexible credits, adjusted to the agricultural cycle
- ✗ Limited long-term lending (fixed assets)
- ✗ Few enterprises comply with financial and governance requirements, only established enterprises are targeted

Route 2: Financing for companies in early institutional development stage, through Intermediary Financial Institutions (IFIs)

This route, while less implemented in the agribusiness sector, is common in the realm of financial inclusion. It channels funding or equity to IFIs (banks, savings and credit unions, etc.) with the aim of expanding credit offer for small and medium-sized enterprises. This Access to credit meets the needs of small producers and facilitates the development of a formal credit history for individuals and entities previously excluded from the financial system.

However, credits granted by IFIs tend to be rigid and ill-suited for agricultural business cycles. Coupled with IFIs' reluctance to take on risks in the sector, it is common for these types of interventions to divert towards non-agricultural activities, especially in rural areas. Furthermore, similar to the first route, the lack of communication between IFIs and supporting entities such as NGOs, public entities, incubators, and accelerators limits the utilization of collected information to reduce transaction costs associated with financial inclusion in the field.

Figure 21 *Financing Flow to Early-Stage Companies*



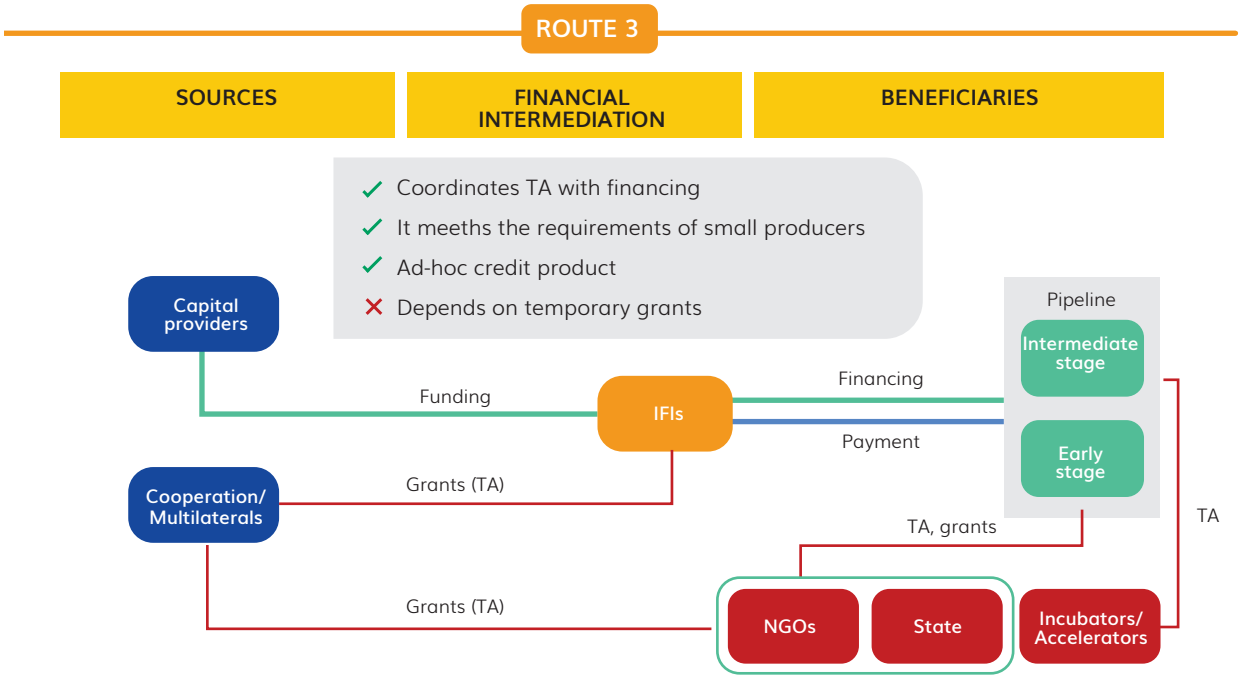
Route 3: Financing for companies in early and intermediate stages, with intensive technical assistance

This route combines a donation and grants-based intervention for technical assistance and acceleration, along with an operation similar to Route 2, to expand the microcredit offer in the agro-industrial sector. Although only one case is documented in this study, the design is expected to be replicable in the future.

In this case, an international cooperation agency provides grants to IFIs to develop specific products aimed at the agribusiness sector, tailored to the needs of small enterprises. Additionally, it offers monetary incentives to IFIs for achieving the intended placements, thereby increasing their risk appetite and encouraging them to obtain new external financing, thus expanding the credit offer in priority areas. This cooperation also provides grants to NGOs and public entities to give productive technical assistance to the target audience, thus closing the intervention circle.

Although this dynamic effectively coordinates technical assistance and financing, it is important to note that the funds that make it possible are limited and do not guarantee the long-term sustainability of the model.

Figure 22 *Financing Flow to Early and Intermediate Stage Companies*



2.3: BOTTLENECKS IN IMPACT FINANCING IN THE AGRIBUSINESS SECTOR

Direct impact financing is mostly concentrated on companies at advanced stages of institutional development, systematically failing to reach those in earlier stages. This is due to the scarcity of companies or projects complying with the necessary requirements to access this type of financing. Furthermore, there is a disconnect between pipeline development and impact investment, resulting in a lack of synergies and coordination between both flows of resources and information.

Bottlenecks were identified in the pipeline development, capital provision, financial intermediation, and in the impact ecosystem

In addition to identifying the main constraints in the impact investment ecosystem of the agribusiness sector, suggestions for possible solutions are proposed and validated in a workshop implemented during the course of the study, in which ecosystem actors took part.

(1) Pipeline Analysis in the Agribusiness Sector

The pipeline refers to the set of companies in early and intermediate stages of institutional development, representing potential opportunities for investors, financers, and technical assistance programs. This analysis is crucial for identifying areas for improvement in impact investment flow.

Bottlenecks

In Early or Intermediate-Stage Companies:

- Predominance of informal practices in management and governance that hinder their access to financing for development.
- Inappropriate cultural practices such as low productivity or activities that affect environmental sustainability.

In Growing and Expanding Companies:

- Lack of adequate financial management and preparation to attract larger investors.

Proposed Solutions

- Provide technical assistance specialized in business management and governance for early-stage companies, with a focus on who provides it, how it is approached, and who is prioritized.
- Offer technical assistance to improve cultural practices and increase productivity, with an emphasis on environmental sustainability.
- Implement incentives that encourage collaboration among producers, as current state initiatives have limited results.
- Explore investments in fixed capital, such as irrigation systems, as current investment is focused on working capital.
- Provide technical assistance in financial management and advisory services to access financing from capital providers for growing companies.

(2) Analysis of Capital Provision in the Agribusiness Sector

This dimension refers to the provision of financial funds from various sources to companies in need of financing for their activities, projects, or investments. In the Peruvian context, specific challenges are faced

that must be addressed to ease the development of the impact investment ecosystem in this sector.

Bottlenecks

- The lack of standardization in impact measurement results in the use of ad-hoc indicators and self-reporting, without a common framework of indicators for providers.

Proposed Solutions:

- Develop impact measurement standards accepted by all actors involved in the ecosystem, defining transparent indicators and measurement protocols.
- Foster the interest of capital providers in including positive or neutral environmental and social impacts as part of their operations, even those not focused on impact investment.

BOX 2. IMPACT INVESTMENT MEASUREMENT

Impact measurement is essential to impact investing because it allows for managing progress and performance of activities, learning, being accountable, and informing decision-makers. Likewise, it is demanded by capital providers to identify to what extent their resources achieve expected results, and is key for impact-generating enterprises to verify if their work contributes to social and/or environmental needs (Galarza & Ruiz, 2020).

A good impact measurement involves:

- Developing a conceptual framework for the desired change.
- Designing a data collection system on actions and impacts.
- Regularly monitoring investment progress and performance.
- Independently evaluating to ensure credibility with third parties.
- Presenting impact results in an accessible for stakeholders.
- Having practical systems to integrate learning and knowledge for greater impact.

In the Peruvian context, several organizations are recognizing the importance of measuring the impact of investments. According to information obtained during interviews, some multilateral organizations or cooperatives do have a Monitoring, Evaluation, and Learning (MEL) that includes various indicators for constant monitoring and reporting to their stakeholders.

On the other hand, financial intermediaries also develop their own measurement tools to assess the impact of their investments.

Their indicators include measuring variables such as poverty reduction, gender equality, environmental responsibility, income improvement, productivity, carbon footprint, adapting indicators to each specific context. Nevertheless, they highlight that it is a complex and costly process, in which methodologies are not standardized.

Despite efforts, there is a recognized lack of a consolidated and universally accepted model for measuring the impact of investments in the country. Therefore, it is vital to build a standardized impact measurement model involving all ecosystem actors, especially in the agribusiness sector, to define appropriate objectives and metrics.

> *"Social impact measurement involves investigating the number and socioeconomic characteristics of employees, as well as the degree of women's participation in the organization. These aspects are measured and periodic reports are requested. Regarding environmental impact, information is requested on possession of certificates related to organic practices, sustainable agriculture and other similar standards".*
>
> *Multilateral Organization*

> *"Measuring impact in the agribusiness sector is challenging and very costly. The organization primarily measures the number of producers, incomes, productivity (Price per kg, ton, hectare), quantity of income from evaluated activities, use of water resources, water used for harvesting processes, carbon footprint, circular economy. Regarding environmental impact issues, there is much that can be measured, but it requires extensive knowledge and training".*
>
> *Financial Intermediary Organization*

(3) Analysis of Financial Intermediation in the Agribusiness Sector

Financial intermediation, involving the role of institutions such as banks and cooperatives as mediators between capital providers and enterprises in need of financing, faces bottlenecks in the Peruvian context that must be addressed.

Bottlenecks

In Early or Intermediate Stage Companies:

- Low risk appetite from investment funds and IFIs due to the high risk of the agribusiness sector.
- Lack of credit products adapted to the specific agricultural cycles of each value chain.
- High transaction costs in the sector.
- Scarcity of long-term credit options.

In Advanced Stage Companies:

- Lack of local capital available for financing companies at any stage.
- Shortage of long-term credit options.

Proposed Solutions

- Implement mechanisms to reduce risk for investors and IFIs, which could include guarantees.
- Specialized technical assistance to design flexible credit products, as regards terms and conditions, tailored to the sector.
- Improve credit qualification and monitoring processes, including more efficient and cost-effective technologies for credit risk assessment, possibly through Fintech-based solutions.
- Promote blended finance to provide access to alternative sources of financing when local capital is insufficient.

(4) Analysis of Impact Ecosystem in the Agribusiness Sector

This dimension provides an overview of how investment flows to companies are developed and managed. The ecosystem encompasses capital providers, supporting organizations, government agencies, financial institutions, and enterprises promoting initiatives with impact in the sector.

Bottlenecks

- Lack of alignment between technical assistance provision efforts and the requirements and needs of financial intermediaries.
- Absence of a platform that facilitates connection and collaboration among ecosystem actors, leading to missed opportunities for cooperation and synergies.
- Disconnection of technical assistance efforts. Investment funds and other financial intermediaries operate independently, with no coordination among organizations.

Proposed Solutions

- Establish a formal coordination mechanism between capital providers, financial intermediaries, and organizations providing technical assistance.
- Create a coordination platform for information exchange, joint activity planning, and identification of collaboration opportunities.

BOX 3. GENDER FOCUS IN IMPACT INVESTMENT

The gender focus in the impact investment ecosystem involves integrating gender considerations into all activities, policies, and decisions related to capital provision, intermediation, and advisory. Its aim is to promote gender equality and women's empowerment.

According to the interviews conducted, multilateral organizations include a gender component in their interventions, focusing on the development of women in both productive activities and managerial positions.

On the other hand, some financial intermediaries offer better interest rates to projects or companies led by women, and others have implemented investment selection processes based on a gender perspective.

State institutions and supporting organizations also promote women's participation in the business sphere through competitions and programs supporting women-led entrepreneurship.

These actions demonstrate a commitment to gender equality and women's empowerment in the Peruvian agribusiness sector, reflecting the integration of gender criteria by key actors in the impact investment ecosystem.

> *"In all the organization's interventions, the gender component is included, always requiring that one line of action be committed to women's development, not only in productive activities but also in managerial positions, among others."*
>
> *Multilateral Organization*

> *"In initiatives, gender criteria are considered. For example, in the surveys they send, they inquire about the number of female associates and workers in the cooperative, encouraging projects involving female producers or partners. Additionally, the organization offers a better interest rate to woman-led-entrepreneurship."*
>
> *Financial intermediary, microfinance organization*

> *"The gender focus is being incorporated into the organization's promoted competitions. Significant consideration is being given to this aspect. Last year, a call was made targeting micro, small, and medium-sized enterprises led by women, seeking acceleration programs specifically designed for women entrepreneurs."*
>
> *Supporting organization*

Conclusions

1. The study conducted a non-exhaustive mapping of actors based on secondary information, references from the advisory team, and interviews, allowing for the identification of various actors and roles involved in providing capital to the agribusiness sector. However, it is important to note that this mapping is indicative of the ecosystem and would require additional efforts to cover the entire universe. Among the mapped actors, the greatest concentration is in financial intermediaries and supporting organizations.

2. There is a concentration of direct impact financing in companies at advanced stages of institutional development, leaving companies in earlier stages lagging behind due to a shortage of projects that meet the necessary requirements.

3. A disconnect is observed between the development of the pipeline in early and intermediate stages and impact investment, resulting in a lack of synergies and coordination between both flows of resources and information.

4. Bottlenecks were identified in the dimensions of the pipeline, capital provision, financial intermediation, and impact ecosystem, hindering effective access to impact financing in the Peruvian agribusiness sector.

Recommendations

1. Specialized technical assistance is recommended in management, corporate governance, and cultural practices for early-stage companies, as well as to improve financial management and preparation to attract larger investors in companies in the growth and expansion phase.

2. It is essential to develop impact measurement standards accepted by all ecosystem actors, as well as to encourage capital providers to include positive environmental and social impacts in their operations.

3. Implementing mechanisms to reduce risk for investors and financial institutions is suggested, as well as offering specialized technical assistance to design flexible credit products tailored to the agribusiness sector.

4. It is important to establish a formal coordination mechanism between capital providers, financial intermediaries, and organizations providing technical assistance, as well as to create a coordination platform for information exchange and joint activity planning.

CHAPTER 3

BENCHMARKING IN THE AGRIBUSINESS SECTOR FOR THE DEVELOPMENT OF INNOVATIVE FINANCIAL INSTRUMENTS

Exploring blended finance opportunities in the agribusiness sector: a benchmarking analysis of successful cases in Latin America

Opportunities within the agribusiness sector were identified and analyzed for the development of mixed finance instruments, commonly referred to as "blended finance". Successful cases of blended finance in the agribusiness sector in Latin America were examined. This analysis involved not only identifying the structure of the financial instruments used, but also describing the roles of the key actors involved in these operations.

Methodology

A search and compilation of primary and secondary information was conducted on prominent practices and diverse approaches in implementing blended finance instruments within the agribusiness sector. In addition, a benchmarking matrix was created to analyze in detail the strategies and implementation models of blended finance projects across Latin America. In this way, the main actors involved in the cases and their roles, the instruments used, investment vehicles, supply-demand dynamics, and valuable lessons learned were primarily identified.

Definitions

Blended finance, is an innovative mechanism characterized by the combination of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development. This approach has emerged in response to the insufficient funding available to achieve the Sustainable Development Goals (SDGs) and other development targets (Convergence, 2024).

In this context, *blended finance* combines public and private efforts to provide a more efficient solution to environmental and sustainable development challenges. Its emphasis lies in interdisciplinary cooperation and institutional strengthening (Innpactia, 2023).

Below are the main benefits of implementing blended finance:

1. **Efficient Resource Leveraging:** This strategy maximizes resource impact by blending public and private funds, creating a multiplier effect that facilitates access to additional capital, and amplifies the reach of initiatives.

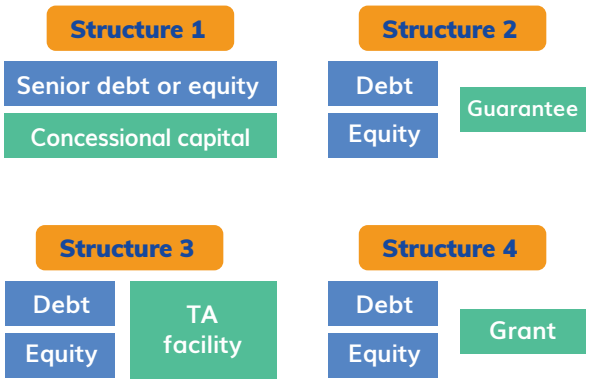
2. **Investment Risk Mitigation:** By merging public and private resources, blended finance effectively mitigates the risks associated with investment in development projects, especially in contexts where uncertainty and market conditions may deter private investors. The presence of public financing in the form of guarantees, insurance, or equity participation enhances the confidence of private investors and encourages their engagement in projects deemed high-risk.

3. **Supporting the Sustainable Development Goals (SDGs):** Blended finance directly aligns with the SDGs and other development goals by providing financial resources for projects that address social, economic, and environmental challenges, thus making it easier to achieve these goals.

4. **Serving Underserved Sectors:** This approach strategically targets sectors and regions that have traditionally been neglected by conventional financial markets, bridging financing gaps and promoting a more inclusive and equitable development.

Before delving into successful case studies found in Latin America in the agro-industrial sector, it is important to give examples of blended finance structures.

Figure 23 ***Examples of blended financing structures***



Exploration of Blended Finance Cases in the Agribusiness Sector: primary data collection

Four organizations were interviewed to gather information on the landscape of *blended finance*. These interviews included questions about national and international experiences in using blended finance, requirements and limitations for applying these instruments, and potential recommendations for implementing them in Peru's agribusiness sector.

Table 9 **Organizations interviewed on blended finance**

Organization
Convergence
Nuup
MIGA – World Bank Group
Crossboundary

A benchmarking matrix was created to analyze successful blended finance cases in Latin America. The process involved the selection of cases based on criteria of innovation, replicability, and impact, the structuring of the matrix with relevant information, and the verification of data accuracy.

A total of 6 successful blended finance cases within the agribusiness sector in Latin America were identified.

3.1: VACA MADRINA PROGRAM (COLOMBIA)

Instrument: Guarantee scheme, technical assistance.
Actors: 1) *Capital Providers* (IDH and *Fondo Acción*), 2) *Financial Intermediaries* (Banks), 3) *Anchor Companies* (*Alquería*), 4) Milk producers, 5) *Supporting Organization* (guarantee scheme manager).
Demand: 2,700 dairy cattle producers in different regions of northern Colombia, including Cesar, Santander, Bolivar, Norte de Santander, and Magdalena.

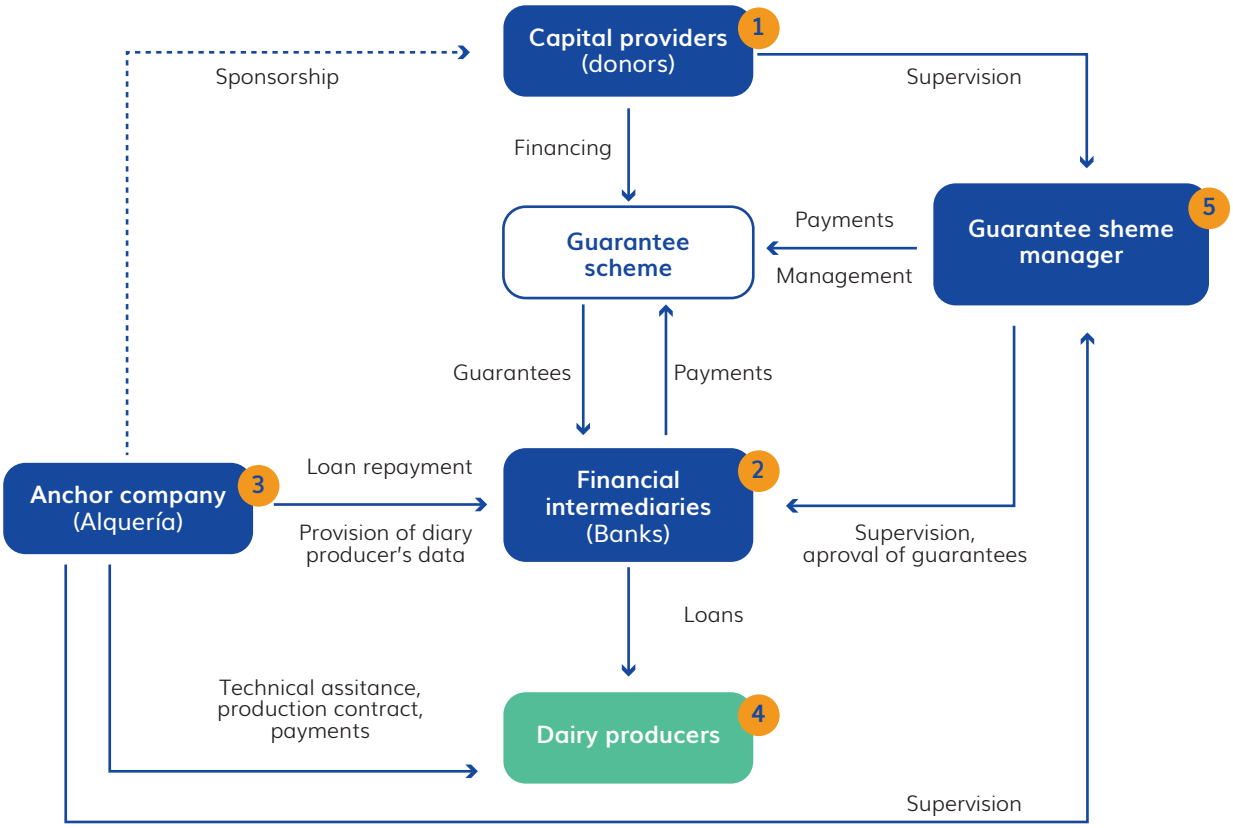
USAID, through its initiative known as Equitable Finance Activity, hired the consulting firm *CrossBoundary* to identify investment opportunities in the rural sectors of Colombia. In this context, one of the prioritized initiatives was the successful pilot of the Vaca Madrina Program created by *Alquería*, a company specialized in dairy production in Colombia. The program seeks to transform livestock farming by implementing sustainable livestock practices. As a result of the first year of program implementation and leveraging international cooperation resources such as IDH ($1.3 billion), *Fondo Acción* ($970 million), resources from traditional financial entities, and Alquería's own resources, technical assistance was provided to 90 producers, who not only improved the productivity of their milk, but also reduced GHG emissions. In this vein, it was decided to scale up this project from 90 to 2,700 producers in several regions of northern Colombia, including Cesar, Santander, Bolívar, Norte de Santander and Magdalena.

The scalability of this program posed significant challenges in terms of deploying a larger-scale technical assistance program. Alquería had limited capacity, and when recommendations were made within the technical assistance program, they often involved considerable capital investments, CAPEX. However, most producers lack their own resources to finance these investments, and financial institutions show little interest mainly due to producers' lack of awareness and the absence of financial products designed for this segment.

In this regard, the design of *blended finance* became a key approach to address these challenges, mitigate risks, and finance the transformation of dairy producers to a silvopastoral livestock farming model. On one hand, technical assistance served as the main instrument to convey knowledge and monitor the implementation of the program; and, on the other hand, the guarantee instrument for supporting the credits granted. This instrument was designed with specific criteria to ensure the participation of multiple credit entities and capital providers. Blended finance includes a guarantee scheme manager, who structures and manages the guarantee scheme, reports on financial impact, and coordinates with banks, donors, and Alquería. In contrast, Alquería, the company managing the technical assistance program, selects the beneficiary producers and is committed to buy the milk and pay the loan installments to the financial intermediaries of the farmer through invoice discounting. Additionally, it oversees all due diligence processes with donors and supervises the guarantee scheme manager.

The loans offered to dairy producers were provided through financial intermediaries. To this end, a selection of banks and financial organizations offering specific credit lines for this purpose was made, and currently there are approximately 3 or 4 entities willing to participate in the project under certain conditions. Regarding the risk profile, they are expected to design long-term credit products, with a grace period of 2 years and a total duration of 7 years, which is significantly extended in the agricultural context. Furthermore, they are expected to offer interest rates that do not match microcredit rates, which in Colombia can exceed 35% or even reach 40%, but are more aligned with subsidized rates, approximately 18 to 19%. These entities must also establish a credit and risk analysis process that is tailored to the specific characteristics and needs of the producers associated with Alquería. It is important to emphasize that the Project is currently in the implementation phase.

Figure 24 *Blended Finance Structure: Vaca Madrina Program*



3.2: SOCIAL INVESTMENT FUND (PARAGUAY)

Instrument: Loans, technical assistance.
Actors: 1) Enabling Environment (Public-Private Council composed of representatives from the business community, chambers of commerce, and companies), 2) Capital Providers (Tomás Espiridión Dávalos Fleitas, *Alquimia* SA, Paraguayan Foundation for Cooperation and Development (part of the United Nations Global Compact), *Empresa de Comercio y de Desarrollos Inmobiliarios SA*, Solfrio SA (import/export company), and Fundación Capital) 3) Supporting Organization (Federation of Production Cooperatives - FECOPROD), 4) Purchasing company, 5) Farmers.
Demand: 352 small-scale farmers from the districts of *Capiibary*, *Choré*, and *Carayaó*, some of the poorest regions in Paraguay.

Chamomile tends to evoke soothing associations, but in Paraguay, it caused a stir to drive efforts designed to help people break out of poverty. Under a government program called "*Sembrando Oportunidades*" (Sowing Opportunities), private investors teamed up with small-scale farmers to cultivate chamomile as a new commercial crop in some of the poorest parts of Paraguay. As part of this innovative public-private endeavor, a Social Investment Fund was established to mobilize investments, cover initial production costs, and provide farmers with Access to markets.

This experience was seen as a pilot to explore new opportunities with other crops and sources of investment. Of the total farmers involved in the Project, 85% expressed interest in continuing chamomile production the following year. One of the most significant reasons is that they were not compelled to incur debt to participate, as the Social Fund did not provide them with a loan per se, but rather supplied them with inputs directly.

In this way, it proved to be a beneficial tool for opening up new opportunities for small-scale farmers, allowing them to cultivate products linked to a specific market and meet significant demand for commercial crops that can be produced out of season. Farmers also received funding to cover production costs, along with technical assistance to cultivate and market the new crop.

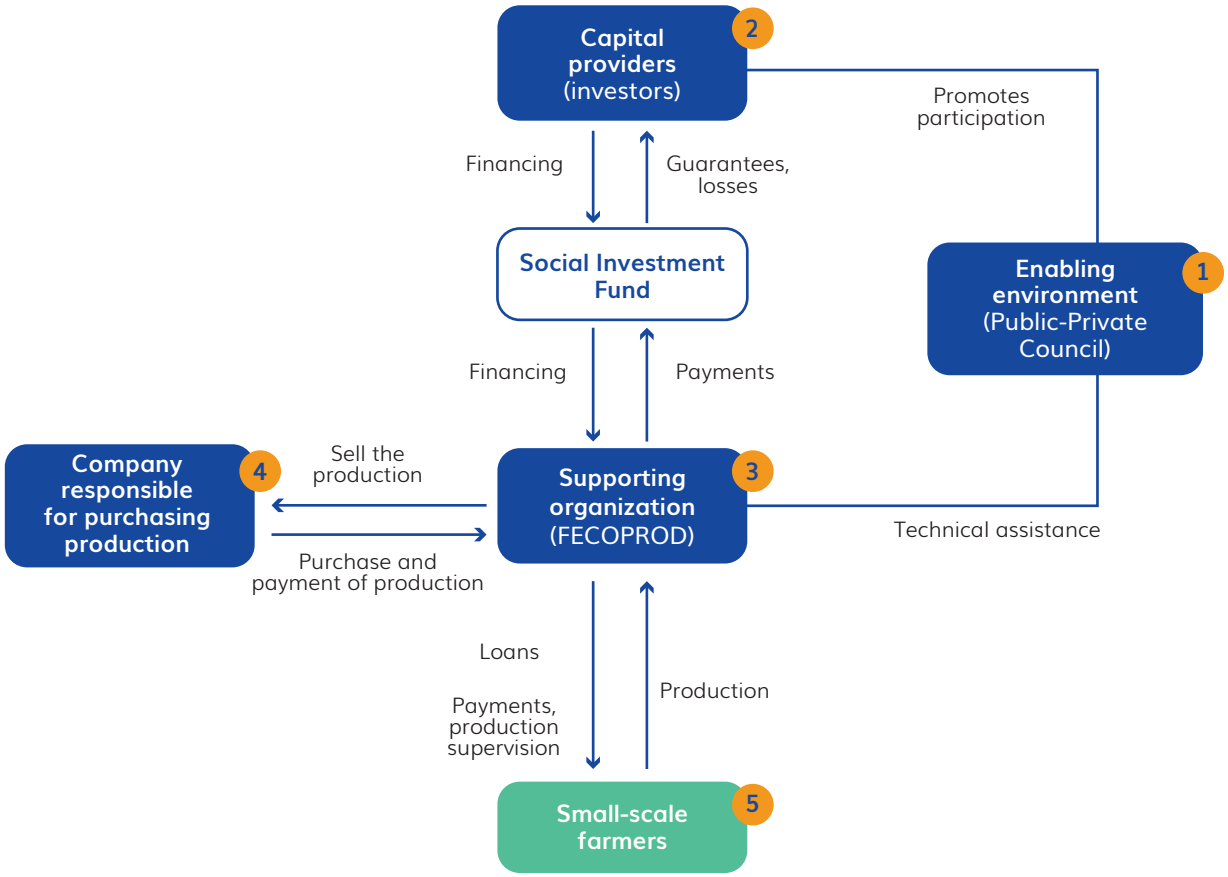
This pilot project yielded significant positive impacts. Firstly, because the project created a guaranteed market, it could provide participating families with the much-needed certainty, both in terms of a secure contract and prices. Companies also offered a guarantee of the basic inputs that farmers needed to meet their production commitments, such as seeds and organic fertilizers. Secondly, whenever possible,

families were involved in the value-added process. In the case of chamomile, in addition to sowing, harvesting, cleaning, sorting, and preparation, families were responsible for separating chamomile flowers (higher value) from chamomile leaves and stems (lower value) for delivery to the processing plant.

The core of this project was the creation of the Fund to mobilize capital from interested organizations and private investors. The bank's fund was used to purchase the necessary inputs to launch the project, so that families did not have to use their own resources to participate. The project was designed in such a way that if there were losses, the private investors— not the small producers—would absorb them. Risks were shared based on the size of each trustee's investment.

This is crucial to ensure success. As with any social impact investment project, the program works if organizations and companies interested in providing blended finance absorb the risk for families living in extreme poverty, who are the least capable of coping with potential crises.

Figure 25 ***Blended Finance Structure: Social Investment Fund***



3.3: DEVELOPING THE MACAÚBA VALUE CHAIN (BRAZIL)

Instrumento: *Contingent recovery grant, equity.*
Actors: 1) *Capital Provider* 1 (IDB LAB, Climate Investment Fund), 2) *Capital Provider* 2 (private investors, Innovative Oil and Carbon Solutions - INOCAS), 3) *Capital Provider* 3 (Althelia Ecosphore), 4) *Enterprise* (INOCAS), 5) *Producers*.
Demand: Agricultural producers of macaúba palm oil.

The INOCAS project, a German-Brazilian company, aims to establish the first commercial value chain for macaúba palm oil production. Through an innovative model, small-scale farmers receive compensation for harvesting macaúba trees on their grazing lands, generating income both from the fruit and from the fodder for their livestock. This approach seeks to create jobs, diversify income, and provide environmental benefits by capturing CO2 and rehabilitating marginal lands.

Blended finance plays a crucial role in this project, with the participation of IDB LAB, which gave $1

million contingent recovery grant, and the Forest Investment Program, which contributed $3 million in capital, thus financing the initial costs and supporting the viability of the venture.

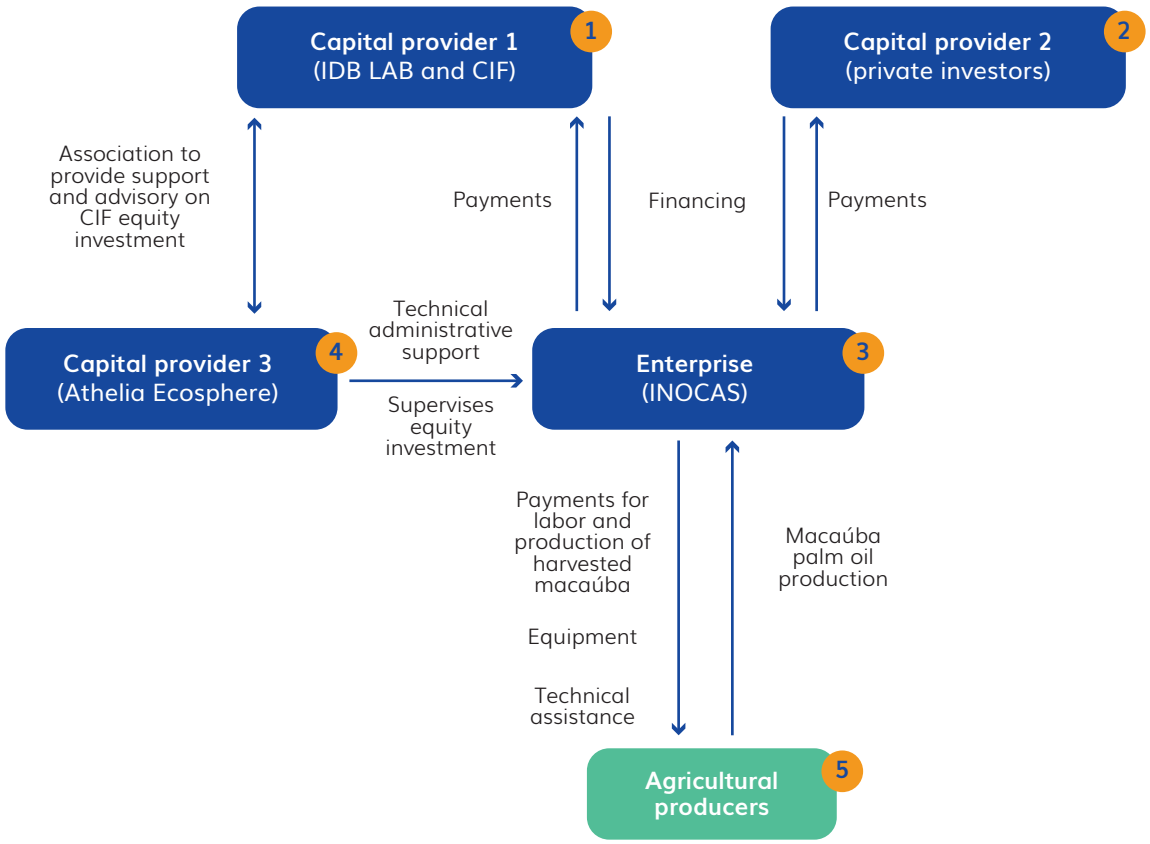
An important actor in this blended finance operation is INOCAS, which receives financing from capital providers (IDB LAB, CIF, and private investors). INOCAS provides seed capital and technical assistance to producers, purchases the production, processes it, and makes payments to small-scale producers. It offers a variety of sales options for harvesting, being the most popular the one where producers take responsibility for harvesting and loading the crop, sharing the yields on a 50/50 basis with INOCAS.

INOCAS also takes care of the initial land preparation, planting, and provides seedlings and inputs as fertilizers until the first (usually after four to five years). Moreover, it provides ongoing technical assistance to farmers, who commit to monitoring the trees and following the instructions provided by INOCAS. Biological assets are owned by INOCAS for 20 years, after which they are transferred to the associated landowners free of charge.

According to the project estimates, small producers are expected to produce approximately R$180 more per day, twice the average daily income of a rural worker in the area.

It is important to point out that the project has attracted certain financing beyond the parties involved in the IDB LAB agreement, with additional funds in the form of bridge loans totaling slightly over $300,000. Moreover, additional investors have emerged, with Althelia agreeing to invest additional capital (an initial estimate of $6 million) to expand the cultivated area from the initially projected 2,000 hectares to between 5,000 and 10,000 hectares, and to help finance the construction of a modern oil processing plant. Athelia's support for a provisional facility was based on the purchase of carbon credits derived from the macaúba business. Discussions are underway with Brazilian and European institutions to invest $50-$60 million to plant another 30,000 hectares of macaúba over the next five years. Other investors have expressed interest in participating at a later stage, once the business model is proven. On a smaller scale, two NGOs have offered concessional grants to establish a demonstration farm showcasing the role of macaúba palm in agroforestry systems and the benefits of sustainable practices and organic certification.

Figure 26 ***Blended Finance Structure: Developing the macaúba value chain***



3.4: FAMILY FARMING FINANCING PROGRAM (PROAF) 2.0 (MEXICO)

Instrument: First-loss guarantee through the National Guarantee Fund (FONAGA), created to facilitate credit to farmers, and technical assistance to both SOCAPs and family farmers.
Actors: 1) *Capital providers*, public-Secretariat of Agriculture and Rural Development, and private, Savings and Loan Cooperatives Societies (SOCAP); 2) *Financial Intermediary* 1- Trust Funds for Rural Development– FIRA, who manages the National Guarantee Fund (FONAGA) and the Special Fund for Technical Assistance and Agricultural Credit Guarantees (FEGA). They also provide assistance to SOCAPs and family farmers; 3) *Financial Intermediary* 2, Savings and Loan Cooperatives Societies - SOCAP, credit agents that offer financial services and credit procedures.
Demand: Family farmers with small-scale production units.

"The Family Farming Financing Program (PROAF), is an instrument designed by the Trust Funds for Rural Development (FIRA)- Bank of Mexico, to boost financial inclusion for family producers from the lowest economic strata in Mexico, where only 2.7% of rural economic units received financing. It is executed through Savings and Loan Cooperatives Societies (SOCAP), called "credit unions", which have extensive experience in offering different financial services in remote rural areas."[10]

PROAF, supported by public guarantees to encourage private credit, exemplifies the effective use of blended finance in the agricultural sector. A key aspect of PROAF's success lies in the technical support received from the FIRA institution to the local "credit unions". This helped these credit unions to develop agribusiness skills and to offer agricultural credits at more affordable rates.

In this case, there is participation from both the public and private sectors. On one hand, the public sector is represented by the Ministry of Agriculture and Rural Development, which provides resources from the federal government for the National Guarantee Fund (FONAGA) and the Special Fund for Technical Assistance and Agricultural Credit Guarantees (FEGA). On the other hand, the private sector provides credit to family farmers through the credit unions, as well as the second-tier bank that administrates the guarantee fund and gives technical assistance to cooperatives and farmers.

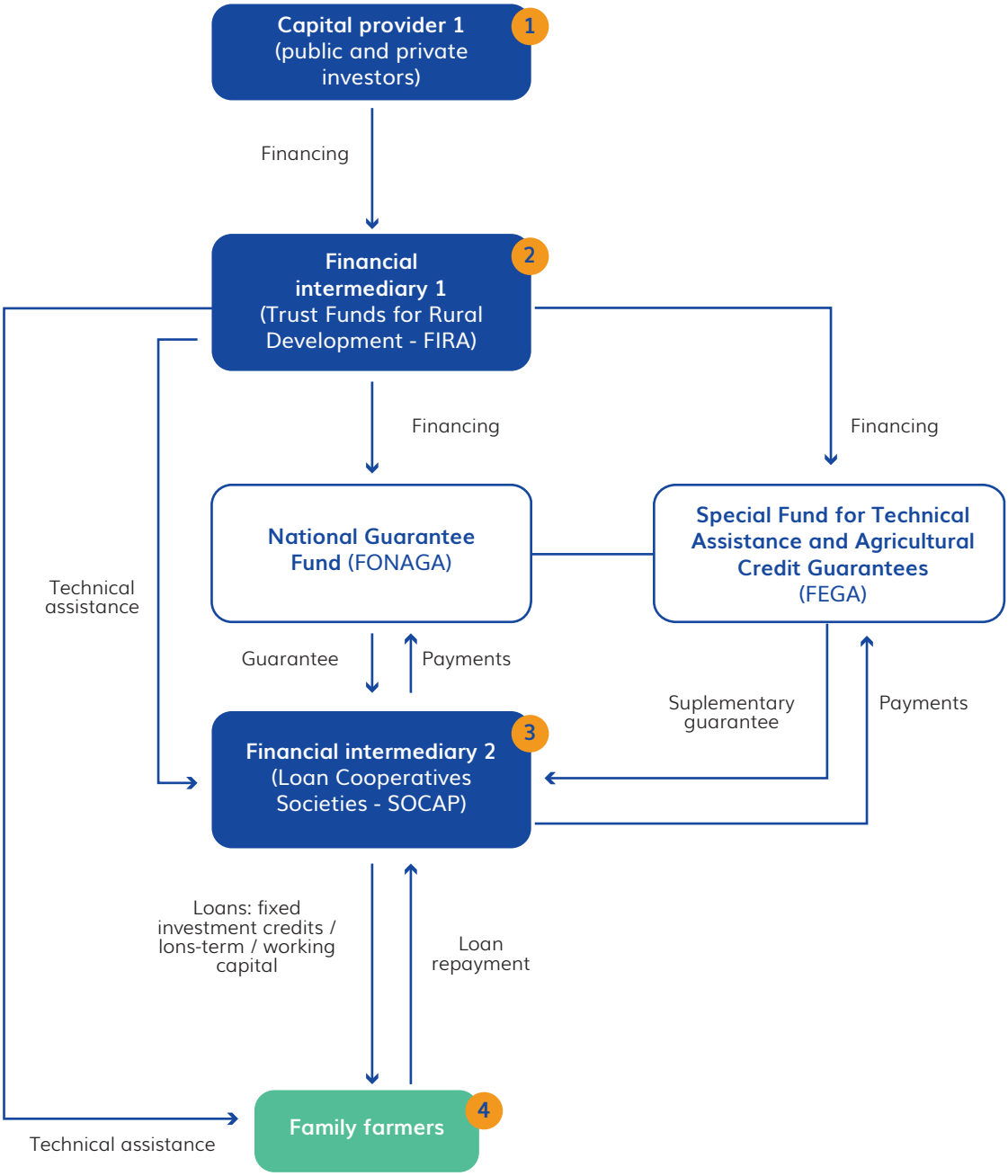
The FONAGA grants guarantees on a loan-by-loan basis to farmers with specific percentages assigned: 20% for long-term fixed investment loans; 10% for working capital loans to new borrowers for FIRA; and 5% for working capital loans to recurrent borrowers. The SOCAPs will always maintain at least 20% of the risk on their own books, ensuring the alignment of interests.

PROAF gave family farmers access to agricultural loans, often for the first time. From 2015 to 2018, the program benefited 21,707 producers, 61% of whom had never had credit with FIRA before. The program also has a gender focus: 45% of borrowers are women family farmers, and nearly 80% of them are in the lowest tier of FIRA's credit rating system. In addition, PROAF boosted agricultural credit in municipalities with low financial penetration.

This has promoted the financial inclusion of family farmers, with loans adapted to their needs and suitable terms, and has fostered gender equity by benefiting a significant portion of woman.

[10]https://www.alide.org.pe/financiamiento-agricola-y-rural/

Figure 27 *Blended finance Structure: Family Farming Financing Program (PROAF) 2.0*



3.5: COA, FINANCIAL PLATFORM (MEXICO)

Instrument: Origination incentives, liquid guarantees, technical assistance for Financial Institutions and producers.
Actors: 1) *Donors* (W.K. Kellogg Foundation, USAID through Sustainable Prosperous Communities); 2) *Capital providers*: private resources providing financing to financial entities for their operations; 3) *Supporting Organization:* Coa operations manager (Nuup); 4) Financial intermediaries, banks.
Demand: Producers and small-scale agribusinesses in the agricultural sector.

Within the framework of the Sustainable Prosperous Communities Project, implemented with the support of the United States Agency for International Development (USAID) by a consortium led by The Nature Conservancy, in collaboration with the organizations Technoserve, Nuup, Findeca, and Dalberg, the financial iniative "Coa" was launched. Aceli, Dalberg, Nupp, and The Nature Conservancy are the founding organizations of Coa, with Nuup being responsible for managing its operations. In this regard, Coa seeks to promote private capital investment in the agricultural and forestry sectors through risk mitigation mechanisms, fostering sustainable and regenerative practices in the field. Its objective is to encourage financial institutions to provide loans to producers and their agribusinesses, even in cases that may be riskier or initially less profitable. Coa acts as a facilitator, promoting collaboration with local lenders and supporting small and medium-sized agricultural and forestry enterprises in their quest for financing.

Coa currently operates in the Southeast of Mexico (Chiapas, Oaxaca, and Yucatan Peninsula), and is in its first year of operation. Coa operates using instruments that solve any problem faced by financial institutions and/or credit applicants.

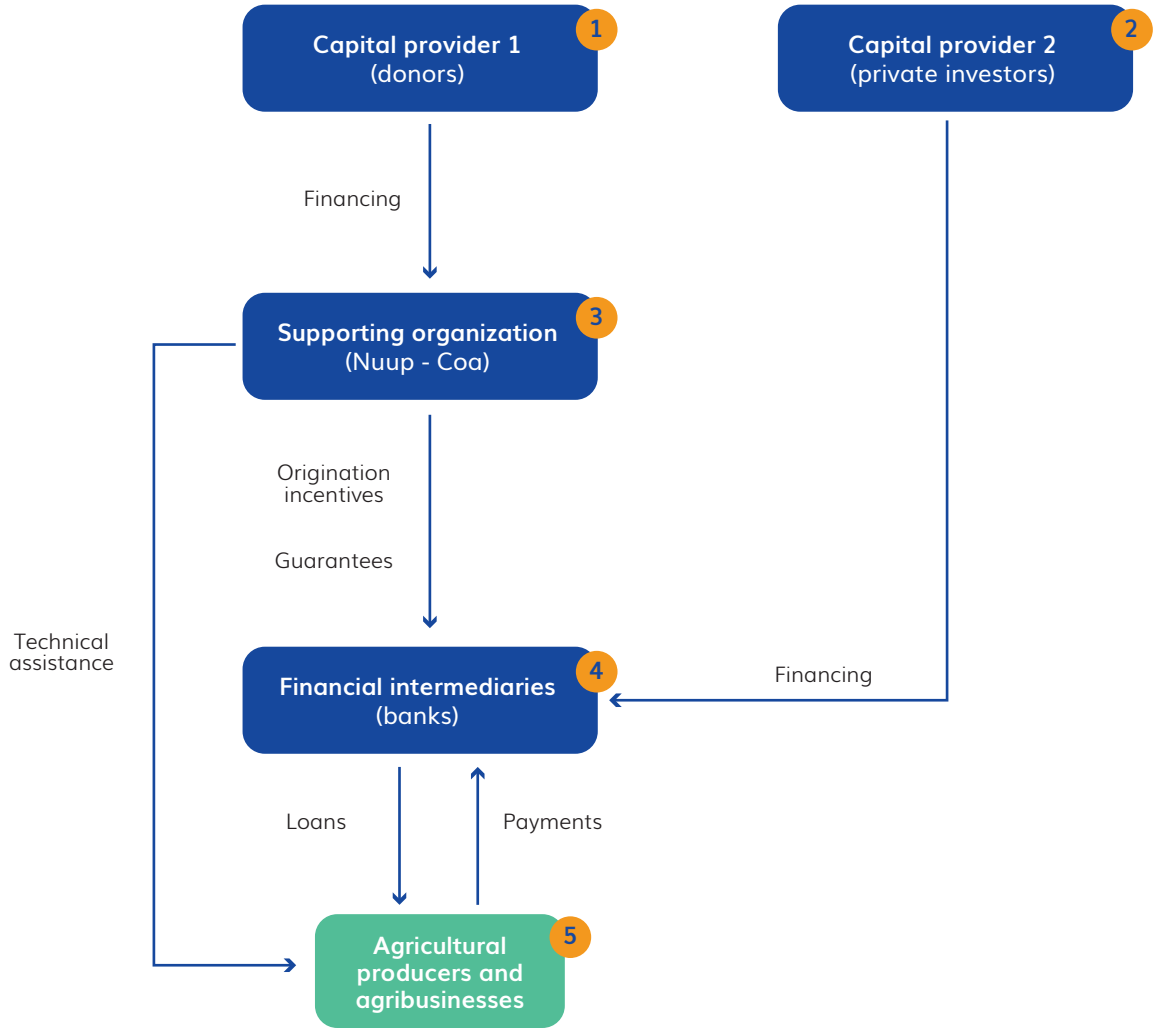
Coa does not provide capital itself but instead has resources for incentives to mobilize private capital. The instruments provided by Coa are as follows: 1) **Origination incentives**, these are payments to financial entities to offset the high costs associated with their activities in identifying new borrowers with high social and/or environmental impact, and providing them with smaller loans that would not be feasible without these incentives because they are not profitable. 2) *Liquid Guarantees*, which aim to mitigate risk for financial entities. They enable the approval of loans to producers who lack fixed assets or their own guarantees, thus expanding credit opportunities for small-scale producers; and 3) *Technical assistance*, this includes capacity building for financial institutions, which is designed to address their strategic priorities and scopes, as well as access to financing for individuals applying for credit. This assistance is intended to help farmers and/or their companies identify their financial needs, improve their financial, accounting, and administrative management, and successfully access financing by meeting the requirements set by financial institutions.

In the initial phase of the project, most of the funds were allocated to the coffee value chain, representing 53% of the loans, followed by tomatoes with 27%. This preference is due to the predominant production characteristics in Southeastern Mexico and the focus on financial entities. During the first six months, close to $4,700,000 in loans, and $140,000 in incentives were mobilized, benefiting 2,352 producers and 32 agribusinesses.

In terms of statistics, Nuup has approved 41 origination incentive requests in six months. 78% of the loans were granted to producers from indigenous communities, 40% were eligible for bonuses for the inclusion of women, and 30% were allocated to new clients.

A key actor in this blended financing initiative was Nuup, through Coa, a platform that designs financial instruments for capital providers to supply resources to financial intermediaries, such as financial entities.

Figure 28 ***Blended finance Structure: Coa, Financial Platform***



3.6: AMAZON BUSINESS ALLIANCE (PERU)

Instrumento: Credit, non-reimbursable funds, co-financing, technical assistance.
Actors: 1) *Capital providers*, investors who finance projects such as USAID, Government of Canada (providing non-reimbursable funds), and Conservation International Ventures and other foundations (who give credit in the form of debt). 2) *Supporting Organizations*- Conservation International – who manages the Amazon Business Alliance; 3) *Supporting Organizations*- Implementing Partners: organizations to which non-reimbursable funds are given to build capacities in agricultural enterprises; 4) Enabling Environment, public institutions with which strategic public-private alliances are established to meet project goals; 5) Financial Intermediaries, Banks/ Credit Unions.
Demand: Sustainable businesses in the Amazon with business models having a positive economic, social, and environmental impact.

The Amazon Business Alliance is a platform led by the United States Agency for International Development (USAID), the Government of Canada, and Conservation International. It seeks to promote economic development based on the sustainable use of natural resources, aiming to improve the well-being of people, with a foundation in gender and intercultural approaches. The Amazon Business Alliance collaborates with local and indigenous communities, investors, government officials, corporate partners, research centers, and civil society organizations.

The Alliance incorporates financial instruments such as competitive loans and grants, alongside ongoing support from its strategic allies, to promote business models that contribute to the sustainable development of the region. Moreover, they work closely with public sector actors to help create enabling conditions for the sustainable business ecosystem to thrive and grow.

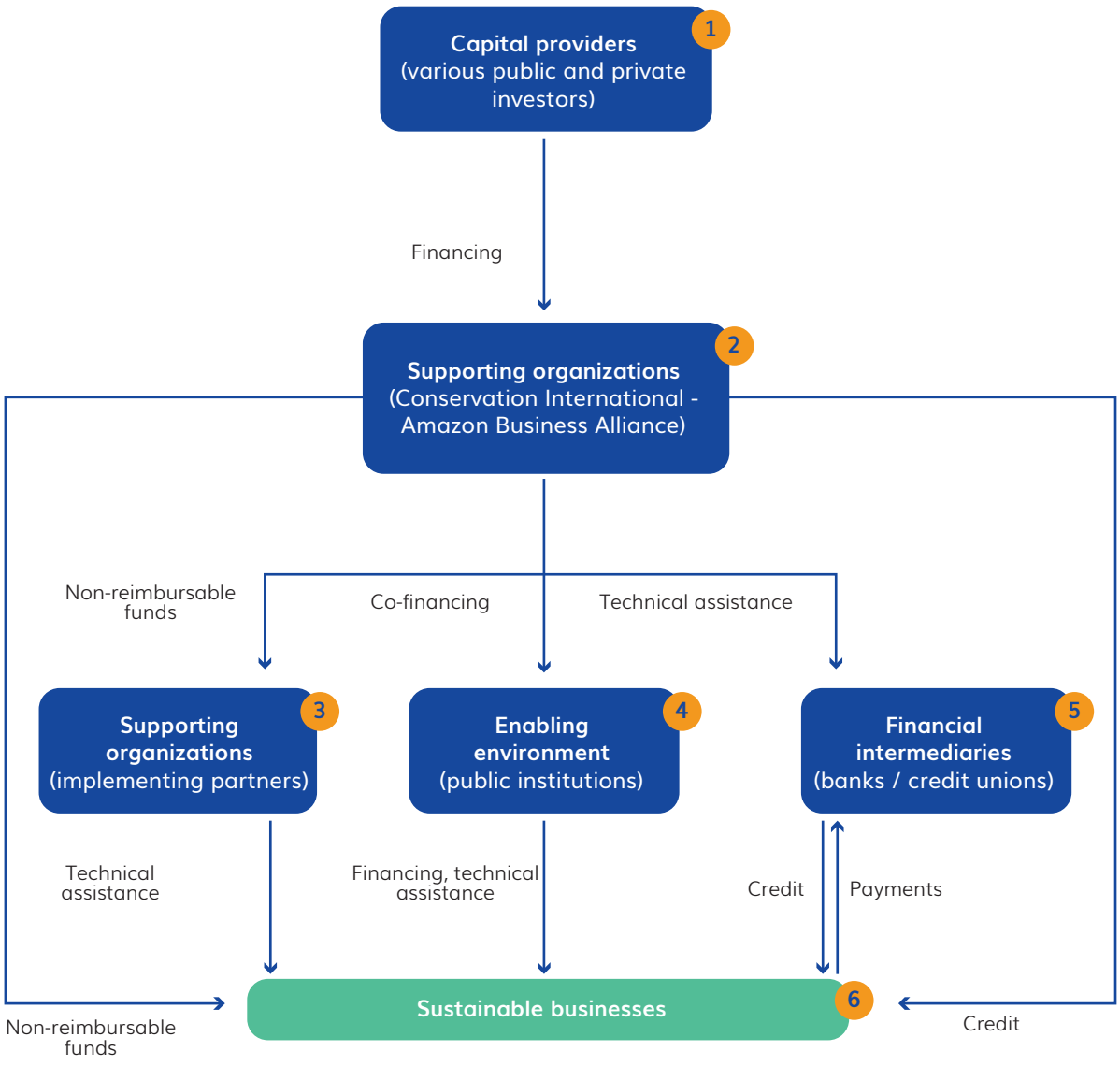
These mechanisms include 1) *Private Sector Credits*, such as those provided by Conservation International Ventures, who offers financing through debt instruments, and financial entities that channel financial products to businesses. These are soft and accessible credits designed to make the business more attractive to investors and may include reductions in interest rates based on outcomes, such as meeting conservation goals; 2) *Non-reimbursable Funds* for capacity building, which can be allocated to the company or its implementing partners; 3) *Co-financing from public funds* to help achieve the Alliance's goals and vice versa. For example, co-financing with public institutions to provide technical assistance and financing to businesses; and 4) *Technical Assistance*, where the Alliance intervenes through direct technical support to help financial institutions design suitable financial products for businesses.

With the technical assistance provided by the Amazon Business Alliance, one financial institution created a *biocredit* product that not only offered appropriate interest rates but also protected the environment.

The project started with an initial fund of USD20 million to drive sustainable businesses, with plans to integrate an additional USD50 million from private funds for future investments, along with USD20 million from public funds allocated to sustainable businesses.

Regarding social benefits, 10,000 people are expected to improve their livelihoods, including 2,500 women. Additionally, it is also expected that 20,000 hectares of forests will be restored through innovative models, with another 60,000 hectares of forests under proper management.

Figure 29 ***Blended finance Structure: Amazon Business Alliance***



3.7: BEST PRACTICES IDENTIFIED IN BLENDED FINANCE OPERATIONS CASES

1. **Designing Tailored Financial Instruments to Specific Needs:** It is essential to create customized instruments, such as guarantee schemes or contingent grants, to address the particular barriers and risks faced by target segments, thereby enhancing effectiveness and involvement of the actors involved.

2. **Promoting Collaboration among Multiple Actors:** Most successful cases involve partnerships among the public, private, multilateral organizations, and non-profit entities, leveraging the strengths and resources of each actor to comprehensively address complex challenges.

3. **Strengthening the Capacities of Local Financial Intermediaries:** Instead of competing with existing financial institutions, it is advisable to provide them with technical assistance and tools to effectively serve neglected segments. This promotes long-term sustainability and scalability of solutions.

4. **Incorporating Risk Mitigation Mechanisms:** Implementing instruments such as guarantee funds or origination incentives, or shared risk structures, is key to reducing the exposure of investors and financial intermediaries, easing the flow of capital towards projects that would otherwise be considered too risky.

5. **Prioritizing Technical Assistance and Capacity Building:** In addition to facilitating access to financing, it is fundamental to give support and training to end beneficiaries, such as small producers or businesses, to maximize their impact.

6. **Promoting Beneficiary Engagement and Local Ownership:** Actively involving local communities, indigenous peoples, and end beneficiaries in the design and implementation of initiatives enhances cultural ownership, acceptance and sustainability of interventions.

7. **Promoting Transparency and Accountability:** It is crucial to establish robust mechanisms for monitoring, evaluation, and independent auditing to ensure the efficiency, integrity, and impact of blended finance operations.

8. **Pursuing Scalability and Replicability:** When designing blended finance structures, it is advisable to adopt an approach that allows for scaling and replicating successful solutions in other sectors or regions, thereby maximizing the impact and efficiency of invested resources.

Derived from analyzed experiences, these best practices can serve as a guide for the effective design and implementation of future blended finance operations in Peru, contributing to the achievement of Sustainable Development Goals and promoting inclusive and environmentally responsible development.

Conclusions

1. *Blended finance* is an innovative financial mechanism relevant for addressing socio-environmental issues as it enables the coordination of actors and the pooling of efforts.

2. Six cases were identified in the agro-industrial sector in Latin America, covering countries such as Colombia, Paraguay, Brazil, Mexico, and Peru. Each case illustrates how different blended financial instruments have been used to address specific challenges in the agribusiness sector, such as access to credit, crop diversification, and rural development.

3. The design of the instruments must be tailor-made and based on quantified needs.

4. It requires careful coordination among multiple actors. This could pose a challenge in the Peruvian context where institutional capacity may be limited.

5. Eight best practices were identified from the analyzed cases, including tailored design of financial instruments, promotion of collaboration among multiple actors, capacity building of local financial intermediaries, and prioritization of technical assistance.

Recommendations

1. Use the best practices identified as a guide for the design and implementation of future blended finance operations in Peru, with an emphasis on the agro-industrial sector, which is relevant in the country due to its contribution to GDP, job creation, and potential social and environmental impact.

2. Identify critical areas of opportunity to align interests and actions among relevant actors in rural development. This requires: a) Gathering comprehensive information about companies and value chains with potential for coordinated action among public, concessional, and commercial resources, b) Systematizing information on spaces where environmental and social impacts can be deeper or more immediate, and actively connecting all important actors to achieve agreements in an organic and sustainable manner.

Aliados de Impacto

Impulsamos economías de impacto