

NATIONAL STUDY OF THE IMPACT INVESTMENT ECOSYSTEM IN PERU WITH EMPHASIS ON AGRIBUSINESS AND VALUE CHAINS

CONTEXT

Despite being considered a middle-income country, Peru faces significant inequality, as evidenced by its Gini index of 40.3 in 2023. This disparity manifests itself between rich and poor, between urban and rural areas, and between different segments of the population, hindering its progress towards sustainable development. In this context, impact investment is key to boosting development and reducing inequalities by channelling resources towards innovative initiatives with positive social and environmental impacts, while ensuring financial returns.

In 2023, Peru was admitted to the Global Steering Group for Impact Investment (GSG), an organization that brings together financial, business, philanthropic, and governmental leaders from over 40 countries to promote impact economies worldwide. This adherence was the result of efforts led by COFIDE, with support from the Government of Canada, resulting in *Aliados de Impacto*, Peru's National Advisory Board, an organisation that seeks to promote the transition to an impact economy in the country, and whose mission is to facilitate the mobilisation of public and private financial resources for programmes, projects and institutions that contribute to solving socio-environmental problems and, thus, achieve the country's sustainable development goals.

That same year, *Aliados de Impacto* and the GSG signed a grant agreement for the implementation of the "National Study of the Impact Investment Ecosystem in Peru" project from October 2023 to April 2024, with funding provided by the International Development Research Centre (IDRC) of Canada, through the project "Tapping into Local Research Expertise to Deepen Evidence-Based Impact Investing."

RESEARCH OBJECTIVES AND PARTNERS

The study aimed to generate evidence-based knowledge about the impact investment ecosystem in Peru to optimise capital allocation, narrow the gaps between demand and supply, and recommend innovative impact financing tools. Additionally, it sought to develop mechanisms for linking and articulating the ecosystem.

To achieve this goal, Aliados de Impacto worked with two research partners: ¹ 60Decibels, responsible for the analysis of the demand for impact investment (companies), as well as the design of an impact measurement tool, and GRADE², a local research partner responsible for mapping ecosystem actors, analysing financing supply, and benchmarking in the agribusiness sector for the development of innovative financial instruments. Additionally, there was support from a multidisciplinary advisory team that assisted GRADE and provided technical guidance throughout the study.

METHODOLOGY

To carry out the study, the following methodologies were employed:

- 60Decibels conducted online surveys (n=116) and telephone interviews (n=50) with Peruvian entrepreneurs.
- GRADE conducted 22 interviews with key stakeholders, collected data from secondary sources, and held a findings validation workshop with key ecosystem actors.

MAIN FINDINGS

From the analysis of impact investment demand:

- 75% of companies are microenterprises, with an average of 8.9 employees, and 40% belong to the agribusiness sector, which is the main one.
- 38% of the companies are in survival stage and 30% in growth.
Support for commercialization is crucial at all stages of business development, especially in the idea and business development stages.
- 73% have received some type of external financing, mainly for working capital (52%), where sources such as state competitive funds (36%), commercial banks (25%), private or impact investors (15%) stand out.

State grant funds are the most valued source of financing by entrepreneurs, followed by funding from private or impact investors. In contrast, experiences with commercial banks and family and friends were negative, mainly due to high interest rates and lack of adaptation to business needs.

¹ 60Decibels, a global company specialised in impact measurement that provides comparable and actionable social impact data.

² Grupo de Análisis para el Desarrollo (GRADE), a private research centre dedicated to the study of economic, educational, environmental, and social issues relevant to the development of Peru and other Latin American countries.





- 59% are measuring their organisation's impact. Of these, 71% report facing challenges in measuring the social and environmental impact of their activities, pointing to logistical challenges of collection and communication (36%), lack of specialised resources (36%) and high costs associated with certifications (18%).

From the mapping of key actors and analysis of financing supply:

- There are more than 180 actors in the impact ecosystem in Peru and around 135 related to the agribusiness sector and value chains.
- There are three main routes of impact investment flows in the Peruvian agribusiness sector: i) financing to companies in advanced stages of institutional development; ii) financing to companies in early stages of institutional development, via intermediary financial institutions (IFIs); and iii) financing to companies in early and intermediate stages, with intensive technical assistance.
- There is a concentration of direct impact financing in companies in advanced stages, leaving companies in earlier phases lagging due to a scarcity of projects that meet the necessary requirements.
- There is a disconnect between early and mid-stage pipeline development and impact investment, resulting in a lack of synergies and coordination between the two flows of resources and information.
- There are bottlenecks in impact investment flows in the Peruvian agro-industrial sector that hinder their effective access to impact finance, such as:
 - Regarding the pipeline: Predominance of informal management and governance procedures and inadequate cultural practices (low productivity, negative environmental impacts).
 - Regarding capital provision: Requirement of positive or neutral environmental and social impacts; non-standardised impact measurement.
 - Regarding financial intermediation: Low risk appetite; credit products that do not correspond to the reality of the agricultural cycle; high transaction costs of the agricultural sector; insufficient supply of long-term credit; and lack of local capital for business finance at any stage.
 - Regarding the impact ecosystem: Technical assistance provision efforts are not aligned with the requirements and needs of financial intermediaries; there is no platform to facilitate connection and collaboration among actors; and technical assistance efforts tend to be disjointed.

From benchmarking in the agribusiness sector for the development of innovative financial instruments:

- Blended finance is an innovative financial mechanism relevant for addressing socio-environmental issues by facilitating actor coordination and pooling efforts, with high relevance in the agribusiness sector and value chains due to the perceived high risk and fragmentation among agricultural producers in Peru.

- Some typical configurations of blended finance include first-loss capital, guarantees, technical assistance, and grants.
- Six successful cases of blended finance in agribusiness in Latin America were mapped: Vaca Madrina Program (Colombia), Social Investment Fund (Paraguay), Developing a Macaúba Value Chain (Brazil), Family Agriculture Financing Program (PROAF) 2.0 (Mexico), Coa financing platform (Mexico), and Amazon Business Alliance (Peru).
- After analysis of the cases, it was concluded that the design of the instruments should be tailored and based on quantified needs. It requires careful coordination among multiple stakeholders. This could pose a challenge in the Peruvian context where institutional capacity may be limited.
- Good practices were identified from the cases analyzed in Latin America, including the tailored design of financial instruments, promoting collaboration among multiple actors, strengthening the capacities of local financial intermediaries, and prioritising technical assistance.

RECOMMENDATIONS

- Provide platforms that facilitate access to impact investment for companies seeking external financing. These platforms should offer support not only financially but also serve as allies in defining objectives and business expansion strategies.
- Establish comprehensive training, advisory and technical assistance programmes to strengthen the business, marketing, financial management, corporate governance, and cultural practices of enterprises, including preparedness to attract investors.
- Facilitate impact measurement tools for companies, including logistical support, specialised resources, advisory programmes, and promote standards accepted by all actors in the ecosystem, encouraging capital providers to consider environmental and social impacts in their operations.
- Implement specific programmes to promote female entrepreneurship, ensuring equitable access to financing opportunities and business support.
- Implement a comprehensive system that reduces risk for investors and financial institutions, provides specialised technical assistance to design flexible credit products tailored to the agribusiness sector, and establishes a formal coordination mechanism between capital providers, financial intermediaries, and technical assistance organisations, with a platform for information exchange and joint planning of activities.
- Regarding the design of the blended finance instrument, critical areas of opportunity should be identified to align interests and actions among key rural development actors. This implies compiling detailed information on enterprises and chains with the potential to coordinate public, concessional, and commercial resources, as well as systematising data on areas where environmental and social impacts are most significant.

WHAT IS IMPACT INVESTMENT?

It is the flow of financial resources directed to organisations that produce goods and/or services with the purpose of generating a social 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 features:

- **Intentionality**, to achieve a positive social or environmental impact through the investment, with a clear objective and specifying who will benefit from these outcomes.
- **Measurement**, commitment to measure, evaluate and monitor the impact of the investment; a measurement system must be in place to link intent to improvements in social and environmental outcomes "delivered" by the actor who made the investment.
- **Return**, expectation of positive financial return, impact investments are not donations.

LESSONS LEARNT FROM THE RESEARCH PROCESS

- It is important to establish varied and open communication channels with research partners, maintain fluid and transparent communication, and promote an environment of effective collaboration.
- In the same vein, providing support becomes relevant, offering technical assistance to facilitate the co-creation process, contextualizing with local and sectoral conditions, as well as providing operational support to all research partners' activities (information, connections, calls, etc.), which are indispensable for the efficiency of the process.
- Active involvement of the multidisciplinary advisory team, their technical guidance, and the implementation of progress meetings facilitated the resolution of doubts and provided the necessary guidance for the study's development. For GRADE, it was crucial to have a reference point where individuals with extensive experience were willing to address questions about definitions, concepts, and approaches that were not resolved from the outset because we were in a learning process.
- The research process with GRADE not only achieved the intended results outlined in the study, but also the development of new technical capabilities and the incorporation of new concepts among the researchers, which is highly relevant for knowledge generation processes and advisory in future studies.



Access the online publications of the study
aliadosdeimpacto.com/category/recursos/

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