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## INVESTING FOR PEACE

### OBJECTIVE

USAID's Investing for Peace activity generates inclusive rural economic growth in Colombia's marginalized areas through private sector investments. While Colombia has made considerable strides over the past decade in reducing extreme poverty, there remains a persistent gap in income equality between the country's urban and rural areas. As recently as 2015, census research demonstrated that more than 45 percent of Colombians in rural areas are still living in poverty, with the extreme poverty rate in rural areas nearly four times that of urban areas. Deepening the gap is the country's long-standing armed conflict. The violence has not only displaced more than six million people, but has also created a significant hindrance when it comes to attracting private investment in these areas.

Acumen, a global nonprofit social venture capital fund that uses market-based approaches to tackle poverty, has identified a number of companies that are establishing operations in conflict-affected municipalities, as defined by the Government of Colombia. Many of these companies bring access to supply chains that can improve farmer incomes in rural communities through technical assistance that these firms can provide to improve crop yields and quality.

Without a vibrant private sector that provides income generation, income stability, and employment opportunities in rural Colombia, there will not be a viable path out of poverty for rural populations. The activity is implemented by Acumen, a Global Development Alliance partner, and will run from June 2015 – June 2018.

### COMPONENTS

## **FUNDING**

Investing for Peace will make equity and debt investments in early-stage companies who demonstrate the potential to have large-scale impact on the poor. Acumen will invest philanthropic donations and USAID cooperative agreement funds using its “patient capital” investment model. Leveraging USAID’s grant as its first capital investment, Acumen increases its ability to raise additional capital from other donors who are likewise committed to a social/development agenda. USAID will not hold any form of equity in the investment fund nor receive any return of principal or additional investments.

## **INVESTING**

The program seeks to invest in pioneering enterprises that operate in conflict-affected municipalities to generate wealth, employment, and improved incomes for the rural poor. The program will deploy \$4 million in financing to for-profit social enterprises that are addressing issues of monetary and multidimensional poverty; support these enterprises with targeted technical assistance to increase the likelihood of success as they scale, and; implement a strategic communications and outreach program to showcase success stories and encourage other private sector investors to follow Acumen’s lead and invest in these regions. USAID/Colombia expects eight investments that will directly impact at least 1,500 households (6,000 people). As a result of outreach activities, USAID/Colombia expects at least \$4 million in additional capital investments from third party private-sector investors.

## **RESULTS**

- Inaugurated a new cacao factory, which has the capacity to process 120 tons of fine chocolate per year in Popayán (Cauca). Cacao de Colombia is a producer and marketer of premium chocolate and cocoa grains sourced from smallholder farmers affected by Colombia’s armed conflict. Cacao de Colombia is using funds to strengthen its operational capacity and expand market access to about 1,200 small farmers.
- Invested in Azahar Coffee, a Colombian social enterprise that works with smallholder farmers to source specialty green beans for export to international markets, in addition to roasting and distributing coffee in Colombia. The company helps farmers improve the quality of their beans and increase productivity, while enabling purchase of their coffee beans at a premium price increase farmer incomes.