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FACT SHEET

Investing For Peace



Photo: USAID/Colombia

The rapid growth of the Colombian economy over the past decade masks a growing inequality between the urban and rural areas of the country. Overall, the country has made considerable strides in reducing poverty and extreme poverty; however, there remains a persistent gap between urban and rural areas. In 2012, the poverty rate in rural areas was 1.65 times the rate in urban areas and the extreme poverty rate in rural areas was 3.45 times that of urban areas. Indeed, this year's current agrarian census¹ demonstrated that 44,7% of Colombians in rural areas are

still living in poverty. At the same time, the armed conflict has also deepened the income gap. The violence has not only forced more than six million people out of their lands, but also hampered the inflows of private investment into these areas, thus accentuating the social and economic exclusion of the rural communities.

During the past two years, Acumen, a global nonprofit social venture fund that uses market-based approaches to tackle poverty, has identified a number of companies that are establishing operations in some of the priority conflict affected municipalities as defined by the Government of Colombia. Many of these companies are building supply chains that reach into rural communities, providing them with technical assistance to improve crop yields and the quality of their production as well as access to markets, while other companies focus on the provision of basic services. Without a vibrant private sector that provides income generation, income stability, and employment opportunities in the rural Colombia, there will not be a viable path out of poverty for rural populations. To address this challenge, the U.S. Agency for International Development (USAID) in Colombia, and Acumen have joined forces to establish the Investing For Peace Fund, an initiative aimed at generating inclusive rural economic growth in marginalized areas of Colombia through private sector investments.

The Fund will make equity and debt investments in early-stage companies who demonstrate the potential to have large-scale impact on the poor. USAID will not be an investor/limited partner and will not hold any form of equity in the Investment fund nor receive any return of principal or additional investments. Rather, Acumen, acting as the Global Development Alliance partner, will invest philanthropic donations

¹ <http://www.caracol.com.co/noticias/actualidad/el-447--de-los-campesinos-colombianos-esta-en-la-pobreza-dane/20150811/nota/2889742.aspx>

and USAID cooperative agreement funds using its patient capital investment model. Leveraging USAID's grant as its first investment of capital, Acumen increases its ability to raise additional capital from other donors who are likewise committed to a social/development agenda.

OBJECTIVES

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:

1. Deploy USD\$4 million in financing to for-profit social enterprises that are addressing issues of monetary and multidimensional poverty;
2. Support these enterprises with targeted technical assistance to increase the likelihood of success as they scale; and
3. 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.

As a result, 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 USD\$4 million in additional, follow-on capital investments from third party private-sector investors.