ENHANCED DATA BRIEF | MARCH 2024

Blended Finance in Latin America & the Caribbean: Agriculture & Forestry

HIGHLIGHTS

- In Latin America and the Caribbean (LAC), agriculture and forestry are critical sectors for the region, economically, socially, and environmentally. LAC is the world's leading net food-exporting region, and LAC's forests hold 34% of global carbon mitigation potential.
- The Convergence Historical Deals Database (HDD) has recorded 51 transactions in the agriculture sector that have targeted LAC in part or in full, representing aggregate committed financing of $7 billion. Of these 51 transactions, 17 have targeted forestry solutions in LAC, representing aggregate committed financing of $3.4 billion.
- Agriculture transactions in LAC have targeted Colombia most often (13 transactions), but Brazil has received the highest amount of aggregate financing for this sector to date ($3.8 billion).
- Funds are more prominent as a vehicle type amongst agriculture transactions in LAC (57%) compared to their proportion of all agriculture transactions (29%) and all HDD transactions (29%).
- Technical assistance (TA) is used nearly twice as much in LAC agriculture (49%) than in the HDD overall (26%).
- Smallholder farmers are the largest end beneficiaries of blended agriculture transactions in LAC (83%), followed by the rural population (66%) and low-income consumers (60%).
- Challenges facing the agriculture sector in LAC include the negative impacts of climate change, difficulties accessing traditional financing solutions, new and changing regulations, and challenges associated with measuring impact.
- Blended finance provides opportunities to help address these challenges by de-risking transactions that will be impacted by climate change, providing innovative methods of financing to smallholder farmers and foresters, providing TA to help farmers uptake new technologies to meet regulations, and standardizing impacts for transparency.

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CONVERGENCE BLENDING GLOBAL FINANCE

Introduction

Latin America and the Caribbean (LAC) is one of the most biodiverse regions on the planet and plays a critical role in global agriculture. It is the world's leading net food-exporting region, and LAC food exports can help lower and stabilize international food prices at a time when the global food supply chain is facing massive challenges.

With its centrality to ensuring food security, supporting livelihoods, maintaining biodiversity, and driving economic growth and development, agriculture directly supports the achievement of multiple Sustainable Development Goals (SDGs), including SDGs 1 (No Poverty), 2 (Zero Hunger) and 8 (Decent Work and Economic Growth). One study, for example, found that an increase in agricultural productivity has nearly twice the impact on reducing extreme poverty as a comparable productivity increase in industry or services. Agriculture in LAC has played a key role in the region's economic growth, with rapidly expanding agricultural output in the region over the past two decades almost doubling the sector's contribution to LAC's economy.

LAC's status as a biodiversity superpower, meanwhile, is due in large part to its forests. LAC contains 57% of the world's primary forests, with almost half of the region's land surface covered by forests storing an estimated 104 gigatons of carbon. The globe's largest natural carbon sink, tropical forests are critical to the fight against climate change, with LAC's forests holding 34% of global carbon mitigation potential. Agriculture, however, drives close to 90% of global deforestation (e.g., approximately 52% of global forest loss is due to conversion into cropland) and contributes to almost 20% of global greenhouse gas (GHG) emissions. With farmers in many rural areas working in both agriculture and forestry, mobilizing financing to support the implementation of sustainable agriculture and forestry practices is critical, both globally and in LAC.

The scaling of financing to global agriculture and forestry solutions, however, faces various challenges. The investment deficit in agriculture to meet the targets for SDG 2 (Zero Hunger) in developing countries is estimated at $260 billion. High transaction cost/return ratios and information asymmetries among sector operators and financial institutions and investors are some of the key challenges the sector faces in attracting financing, with these challenges made more acute by loosely structured value chains and a preponderance of small-scale operators and transactions.

In global forestry, meanwhile, a lack of access to financing and sustainable revenue generating streams can cause challenges for reforestation and timber projects. For example, a study by Terraformation, a company that focuses on early-stage financing for biodiverse carbon projects, found that 95% of the global forestry teams consulted did not have enough access to funding, with these teams urgently reporting the need for more training and technology to successfully grow their projects.

Finally, LAC as a region faces structural challenges like low productivity, high inequality and informality, and deficient public services and institutions. With an average GDP growth rate of 2% in 2023, LAC is one of the slowest growing regions globally. Additional factors such as political and administration transitions and regulatory reforms present further challenges to private investors in the region.

Blended finance can play a key role in helping to catalyze financing toward LAC's agriculture and forestry sectors. This brief analyzes how blended finance approaches have been deployed in LAC's agriculture sector to date, with a focus on forestry. It also presents insights from interviews conducted with industry stakeholders. The Convergence database has captured 51 agriculture transactions in LAC, in part or in full, representing aggregate committed financing of $7 billion. Of these 51 transactions, 17 have targeted forestry solutions in LAC, representing aggregate committed financing of $3.4 billion.

Agriculture & Forestry in LAC: An Overview

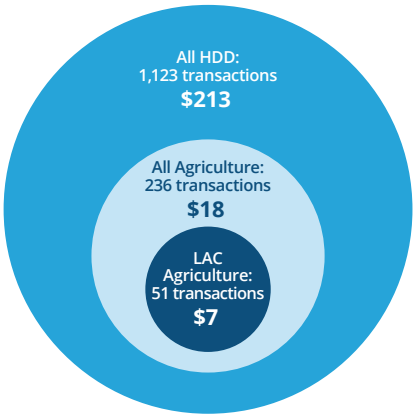

Figure 1: LAC agriculture market compared to all agriculture and all HDD transactions (billions) (all time periods)

With its vast latitudinal range, topographical variety, and rich biodiversity, farming systems in LAC are diverse and complex. Agriculture uses nearly 33% of all of LAC's land area and 75% of its freshwater resources. In 2021, agriculture accounted for 6.7% of the region's GDP and 15% of employment on average. Some countries, including Bolivia, Ecuador, Guatemala, and Haiti have more than a quarter of their workforce employed in the sector. Major agriculture exports in LAC include soybean, pork, maize, poultry, animal feed, sugar, coffee, and fruits and vegetables.

Forestry is also a significant sector in LAC. With only 16% of the Earth's land surface, LAC contains 50% of the world's known biodiversity and 25% of all forests. While the region is an important source of raw forestry materials, the processing of these materials is largely done elsewhere. LAC accounts for 18% of the value added in the primary forest sector, but only 3% in wood-processing industries and 6% in the pulp and paper industry. Overall, the contribution of the forest sector to regional GDP is higher in LAC than in any other major region in the world.

Convergence's HDD has recorded 51 blended transactions targeting agriculture solutions in LAC to date, representing aggregate committed financing of $7 billion. This represents just over 20% of the total number of agriculture deals in the HDD and nearly 40% of aggregate financing for all agriculture deals. Due to the many overlaps between agriculture and forestry, for the purposes of this brief, forestry will be considered within the larger context of the agriculture sector. Of the 51 transactions, 17 focus on the agro-forestry sub-sector, representing aggregate committed financing of $3.4 billion.

Figure 2 shows the cumulative transaction count and aggregate financing over the past decade for both LAC and all agriculture blended finance deals. The growth rate of transactions in LAC has been slower over the past decade than the overall agriculture blended finance market, while the aggregate financing growth rate has been higher. This suggests the size of LAC agriculture transactions has grown.

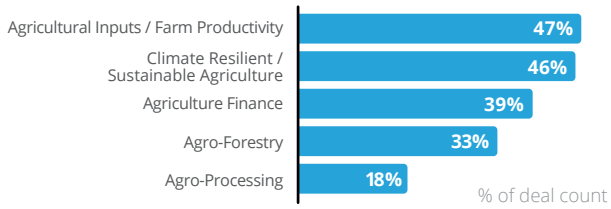

Figure 3: Top 5 sub-sectors in LAC agriculture blended finance transactions (all time periods)

As shown in Figure 3, 46% of blended agriculture transactions in LAC have targeted agricultural inputs and farm productivity. Agriculture productivity gains in LAC over the past two decades have been uneven and concentrated in countries such as Brazil and Uruguay, which generally run capital-intensive, large-scale farms. Other countries that depend more highly on subsistence farming, such as Bolivia, Guatemala, Nicaragua, Honduras, El Salvador, and Peru have reported lower productivity levels during this time frame.

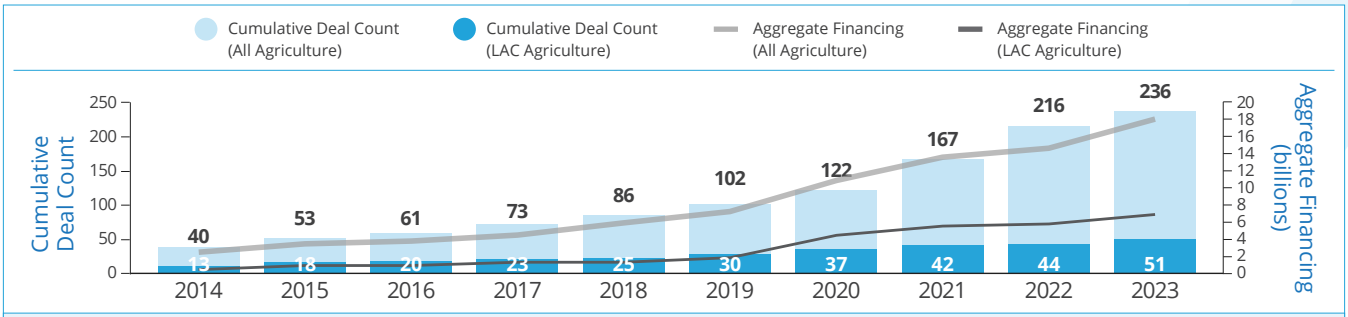

Figure 2: Market size and growth of blended finance in LAC agriculture

2 Data updated as of March 2024.

Agriculture finance is the third most targeted sub-sector amongst LAC's blended agriculture transactions (40%). With 41.7% of adults in the region lacking an account with a bank or another financial institution, regional farmers may have difficulty accessing the capital required to upgrade equipment and purchase assets that can reduce productivity gaps.

Blended finance can help to support agriculture productivity and financial inclusion in LAC, with concessional capital providers playing a key role in de-risking lending to smallholder farmers. Digitization of the agriculture sector can also help to increase agricultural productivity and financial inclusion. IDB Lab suggests two main opportunities for digitization in agriculture: increasing the use of smart farming tools and using farmer data from digital agriculture tools to extend financing to farmers. However, these opportunities face barriers such as commercial viability and implementation costs.

Blended finance can help to address these issues. For example, AgVentures II, managed by SP Ventures, is a blended venture capital fund that targets seed and early-stage investment opportunities in ag-tech small- and medium-sized enterprises (SMEs) that directly offer productivity and environmental solutions to farmers in Latin America. The focus areas for the fund include precision farming, software solutions, food technology, and tech-enabled financial services for the agribusiness sector.

The fund consists of concessional capital provided by the Global Environment Facility (GEF). GEF's contribution was critical to garnering investor confidence given the incipient nature of the venture capital market in the region. With an improved risk-adjusted returns outlook, the fund secured capital from corporate venture capital arms such as Syngenta Ventures.

Figure 4 shows the number of deals and aggregate financing by country. The size of the circles corresponds to the amount of aggregate financing. Blended agriculture transactions in LAC have mostly targeted Colombia (13 transactions), however Brazil has received the highest levels of aggregate financing for agriculture transactions in the region ($3.8 billion).

While the blended finance market is nascent is some LAC countries, there is growing interest in regional cooperation when using blended finance to solve critical development challenges. For example, Brazilian Banco Nacional de Desenvolvimento Economico e Social (BNDES), in partnership with IDB, launched the Green Coalition for the Amazon in 2023. One of the Coalition's aims is to design innovative financial solutions to mitigate risks, in part through blended finance, and thereby significantly scale up private sector investments in the Amazon region for several focus areas, including promoting the conservation and restoration of the Amazon biome.

Other regional initiatives have been launched by outside players. For example, the European Commission has established a global investment agenda called the Global Gateway, which sets strategic and sectoral priorities and reinforces alliances to leverage more financial resources, develop sustainable infrastructure, and promote high social and environmental standards. In the context of Latin America, around 140 investment projects have already been identified. The European Union is building partnerships with the private sector, development banks, and the public sector, and facilitating the mobilization of funds and their allocation into investments that have positive social and environmental impacts. The Global Gateway investment agenda prioritizes the Green Transition and climate change mitigation and adaptation, which include actions in the sectors of agriculture and forestry.

Figure 4: Deal count and aggregate financing of blended agriculture transactions in LAC, by country (all time periods)

Spotlight on Sustainable Agriculture in LAC

Unsustainable practices in agriculture and forestry continue to be widely used across LAC. These practices can undermine critical ecosystems, contribute to GHG emissions, and threaten the viability of the food production systems in the long-term. Within the region, agriculture and ranching are responsible for 70% of habitat conversion, and deforestation in LAC is triple the global rate. The agriculture sector is also responsible for nearly 75% of the region's freshwater resource requirements and is among the leading cause of land and soil degradation.

There are economic, social, and environmental benefits to implementing more sustainable practices. For example, in Latin America, one hectare restored can bring $1,140 in economic benefits to the local economies. Moreover the Organization for Economic Cooperation and Development (OECD) found that companies, retailers, and investors in the sector are increasingly demanding innovative production systems and a transition to sustainable agriculture, meaning there is a growing consumer and investor base for sustainable products.

Sustainable agriculture practices, however, often have high perceived risk amongst investors and can be cost-prohibitive to farmers and foresters. Smallholder farmers transitioning to sustainable agriculture practices may face barriers to accessing traditional sources of financing. Guilherme Zaniolo Karam, Business and Biodiversity Manager at the Boticário Group Foundation provides insights on the challenges to transitioning to sustainable farming:

> *"A challenge we face related to agriculture in Latin America is the lack of financial support to farmers that aim to achieve sustainability. This support usually lasts for two or three years and enables the farmer to transition from conventional agricultural practices into sustainable practices such as agro-forestry and organic agriculture, among others. During this period, new requirements and techniques must be implemented, and often the production levels will be lower at the beginning. Therefore, new investment is needed."*

Blended finance can play a role in de-risking the transition by providing more favourable loan conditions, such as longer repayment periods, supporting capacity-building through technical assistance (TA), or enabling financial institutions to lend to projects that would otherwise be beyond their risk tolerance.

With sustainable agriculture practices being integral to achieving multiple SDGs, blended finance investors should be aware of whether agricultural deals incorporate a sustainability lens. Jorge Bismarck Pinto Mollinedo, Stock Investment Manager from Capital +SAFI has noted, however, that investors do not always consider the full impacts of the transactions they are financing:

> *"When we are visiting investors in Europe and America, there is a very clear situation that they are not genuinely factoring in social and environmental issues in their investment processes. I'm talking about multilateral to commercial investors—all of them! For many of them, you're not seeing those considerations in their actions."*

Karam provides tangible metrics investors should consider when interpreting the sustainability of an agriculture transaction. The first rests on understanding local laws and regulations. In Brazil, for example, the Brazilian Forest Law requires rural landowners to designate and maintain a portion of their property area as "Legal Forest Reserves" as a means of preserving native vegetation and conserving biodiversity. Different tools can help detect whether rural landowners are abiding by this regulation, such as the MapBiomas, a collaborative online platform that seeks to make land use knowledge accessible to promote conservation and the sustainable management of natural resources.

Karam also suggests seeking data on a number of metrics, including water usage compared to land productivity, land biodiversity (such as the number of threatened species), levels of sedimentation in watersheds, job creation, the amount of pesticides used within the agricultural practice, and the rate of use of no-till farming.

The OECD also provides considerations for investors when practicing responsible business conduct in LAC agriculture. Specifically, investors should consider five key issues: environmental protection and the sustainable use of natural resources; labour rights; tenure rights over and access to natural resources; governance; and food security and nutrition.

Especially through TA, blended finance can help investors and program managers establish robust monitoring and reporting systems. These systems can ensure that agriculture projects adhere to sustainability standards and transparency requirements. TA can also help address the data gaps that currently exist in metrics related to sustainability, as well as fund the creation and accessibility of knowledge products on best practices for structuring sustainable blended finance transactions.

Finally, investors can adopt voluntary sustainability standards (VSSs), which can help lower their financial risks and enable sustainable development outcomes when investing in agricultural transactions. VSS-compliant farmers need to adopt more sustainable practices, monitor compliance, and evaluate impacts against the standard.

Transaction Analysis

A QUARTER OF LAC AGRICULTURE BLENDED TRANSACTIONS ARE BETWEEN $10 MILLION AND $25 MILLION IN SIZE

LAC agriculture transactions have a median size of $39.4 million (compared to $20 million for all agriculture transactions and $50 million for all blended transactions), with 31% of the 51 transactions above $100 million in deal size. Agriculture transaction sizes tend to be overall slightly smaller for several reasons. Most of these transactions in the HDD benefit smallholder farmers who operate on relatively small plots of land and may not have access to large amounts of capital. Moreover, agricultural production is often seasonal, with expenses and revenues concentrated within specific times of the year. This may lead to more sporadic financial transactions when compared to other sectors that have more consistent cash flows. Lastly, it can be difficult to reach scale given the fragmented nature of farming, with many farmers operating independently.

LAC agriculture deals, however, tend to be slightly larger than the overall agriculture blended market. One explanation may be that, as shown in Figure 6, funds are the predominant vehicle, which allows investors to pool larger financial commitments together to achieve scale, whereas companies are predominant when looking at the broader blended agriculture sector. According to the HDD, these companies tend to be focused in only one country and often have a niche specialty, meaning that they operate on a smaller scale.

The largest LAC agriculture transaction captured in the HDD is PUMA II, a $2.1 billion agro-forestry project that received financing to grow the existing Klabin pulp and paper manufacturing facility in Brazil to meet increasing demand for forestry products. The project received public concessional financing from the Japanese International Cooperation Agency (JICA) and IDB Invest, which helped strengthen private sector investor confidence in the borrower and improve its credit quality.

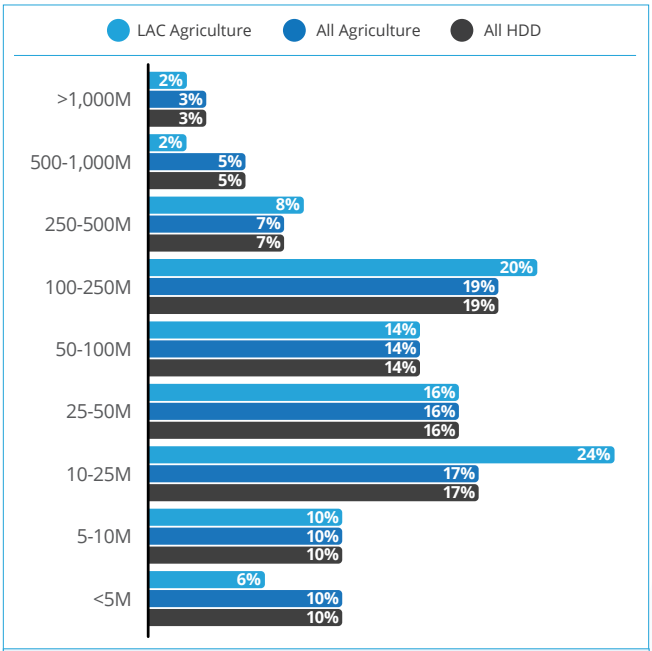

Figure 5: LAC agriculture transactions by total size

FUNDS PREDOMINATE IN LAC AGRICULTURE; COMPANIES UNDERREPRESENTED

Funds are overrepresented in LAC agriculture transactions (57%) compared to all agriculture transactions (29%) and all HDD transactions (29%). Funds provide a scalable solution for investors to enter the market. CGIAR (formerly the Consultative Group for International Agricultural Research) and Convergence found that most underlying projects or recipients of funding in agriculture have small financing needs (under $1 million). Mobilizing financing to these projects through blended finance would therefore benefit from aggregation at a portfolio level, which can be achieved through financing funds that extend debt or equity, or by directly funding corporate value chain actors that can manage a portfolio of projects.

This type of intentional scaling may be symptomatic of the maturity of the agricultural industry in LAC compared to other regions of the world. As the world's largest net food exporter and with high levels of faciliated economic development, investors in the region recognize the importance and benefits of aggregating financial transactions.

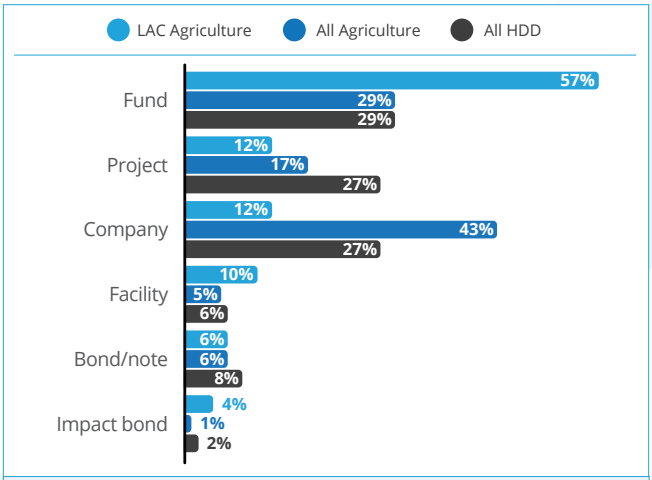

Figure 6: LAC agriculture transactions by type

CONCESSIONAL DEBT/EQUITY AND TA MOST FREQUENTLY USED IN LAC AGRICULTURE

Archetype usage in LAC agriculture mostly follows the trends for all agriculture and HDD transactions. One exception is that TA is used almost twice as much in LAC agriculture (49%) than in all transactions in the HDD (26%). Cecilia Arandia, Sustainability and Impact Officer at Capital +SAFI, explains the benefits of implementing TA downstream at the investee level:

> *"We need some technical assistance. It would be very helpful to make a program, for example, to help small farmers increase their productivity or to implement good agricultural practices."*

Her colleague, Juan Carlos Navarro Rossetti, CFA, Vice President of Alternative Investments, continues:

> *"So far, we have just been lending money to companies. But what we want now is to have an impact on these small farmers, although we don't operate directly with them. For this, we need some partnerships. We need some technical assistance, for example, and we need to partner also with the companies that receive these funds. It would be very helpful to create a program to help small farmers increase their productivity, and to implement good agricultural practices. I think we can implement blended finance both for our investors, and also for the portfolio companies."*

Some organizations, such as the European Union Latin America and Caribbean Investment Facility (EU LACIF), have already begun strategically incorporating TA to increase the productivity of farmers in their portfolio and improve the quality of projects. While the primary focus of the EU LACIF TA lies in facilitating project implementation, it frequently encompasses capacity-building activities for local stakeholders. These activities cover training initiatives tailored to diverse objectives, such as enhancing the operational proficiency of the public sector, refining agricultural practices, fostering environmentally sustainable production methodologies, furnishing procurement acumen to project implementors, and delivering financial literacy to farmers or financial institutions alike.

The need for different blending archetypes can depend on where along the capital chain the blending is occurring, along with the size of the investment. Navarro Rossetti suggests that guarantees would be especially useful for agriculture investors:

> *"It would be very helpful to have guarantees, because this would reduce a lot of the credit risk, and this would help us to attract other kind of investors, especially more commercial investors. I think this is one of the biggest barriers to attracting commercial investors—they see the region as very risky, although we are trying to mitigate that risk by operating in different countries. But they see Latin America as a single risk sometimes, so it would be very helpful to have some kind of guarantee."*

This need to de-risk investments in regions and sectors seen as risky through guarantees has been recognized by organizations such as the Green Guarantee Fund, a new company that uses guarantees to deliver climate mitigation projects that help achieve a net zero carbon economy, and climate adaptation projects that deliver environmental and social sustainability. By providing investment grade guarantees to improve the credit rating of borrowers in emerging markets, the Green Guarantee Company aims to unlock larger pools of capital to finance climate adaptation and mitigation projects.

Sequencing levels of concessionality within a transaction is another effective means of crowding in private capital to agricultural transactions. As businesses grow from nascent startups to more mature companies, they may begin to rely less on concessionality. Though they may initially require highly or fully concessional financing, such as design funding grants, they may later rely more on concessional loans that are closer to commercial rates.

The Amazon Bioeconomy Fund is a $600 million facility that uses different levels of grant funding for business incubation acceleration, along with financial instruments along the concessionality-maturity gradient. The fund, financed in part by the Green Climate Fund (GCF), provides different levels of support to its investees as required. TA and design-stage funding is provided to small and Indigenous businesses, early-stage equity is available for small-scale companies, and bond issuances are supported through a guarantee credit enhancement.

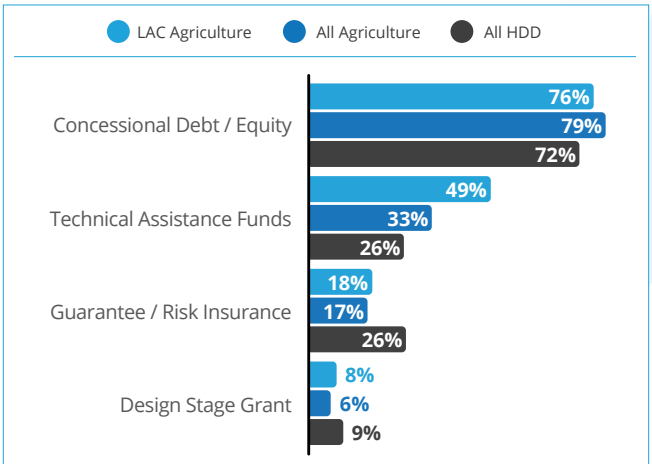

Figure 7: LAC agriculture transactions by blended vehicle type

AGRO-FORESTRY DEALS ARE MOSTLY STRUCTURED AS FUNDS, AND HAVE MOST OFTEN DEPLOYED CONCESSIONAL DEBT/EQUITY

The HDD has captured 17 agriculture deals that focus on agro-forestry in LAC. Of those deals, 11 are funds (65%), 14 use concessional debt/equity (82%), and 10 use TA (59%). 10 of these agro-forestry transactions (59%) also aim for climate resiliency and sustainable agriculture.

A typical agro-forestry transaction in the HDD is the Agri3 Fund, which was jointly created by the United Nations Environment Program (UNEP), Rabobank and the IDH Sustainable Trade Initiative. The fund aims to influence sustainable land use practices at scale in middle- and low-income countries, with an initial focus on South America and Asia. It has three goals:

1. forest protection;
2. sustainable agriculture production; and
3. improving rural livelihoods.

Agri3 received a $35 million concessional anchor investment from the Netherlands Development Finance Company (FMO), which was matched by the commercial investor Rabobank.

The Fund consists of a three-tiered structure:

1. a junior/first-loss equity tranche;
2. a mezzanine equity tranche; and
3. a senior debt tranche.

The junior tranche is capitalized by donor and impact-oriented investors to catalyze commercial participation in the more senior layers. There is also a TA component, funded by a $15 million grant managed by IDH. The TA will help build the investment pipeline and improve environmental, social, and governance standards in downstream projects.

Investor Analysis

COMMERCIAL INVESTORS ARE LESS ACTIVE AS DEAL SPONSORS IN LAC AGRICULTURE; FOUNDATIONS/NGOS ARE MORE ACTIVE

In line with the overall market, commercial investors are the top deal sponsors for blended agriculture transactions in LAC (38%), followed by foundations / non-governmental organizations (20%) and impact investors (18%). The most active deal sponsor is The Nature Conservancy (TNC), a charitable organization that has sponsored 5 agriculture transactions in LAC, including the EcoEnterprises Fund, which it sponsored through three rounds of fundraising. This venture fund provides debt and equity financing to Latin American small- and medium-sized enterprises (SMEs) and local NGOs involved in biodiversity-related activities. Alongside capital contributions, the fund also offers post-investment TA to investees. The TA is provided through a $3.5M technical assistance facility (TAF) financed by the Multilateral Investment Fund and GEF.

Most deal sponsors (14) are domiciled in the US, with 67% of all deal sponsors for LAC agriculture being domiciled in developed countries. Nearly 90% of deal sponsors have sponsored only one transaction.

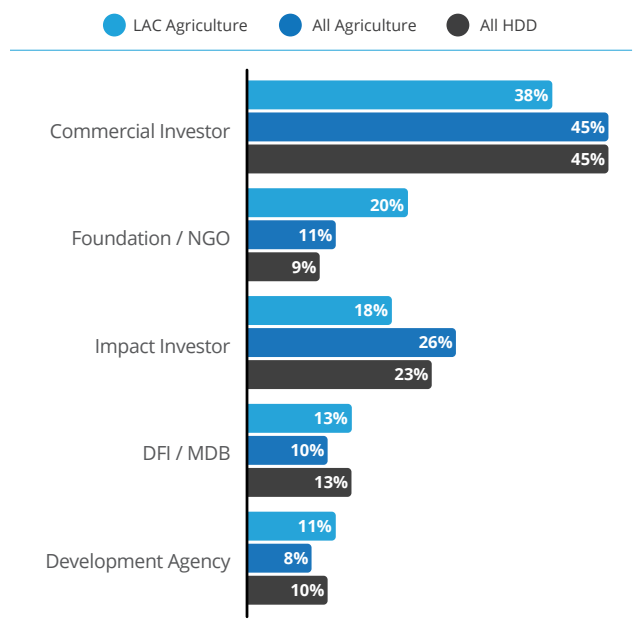

Figure 8: LAC agriculture transactions by type of deal sponsor

TOP COMMERCIAL INVESTORS IN LAC AGRICULTURE: IDB GROUP, FMO, DFC

While every blended transaction mobilizes capital from at least one private sector investor, 39% of commercial commitments to LAC agriculture transactions have come from development finance institutions (DFIs) and multilateral development banks (MDBs), with 38% coming from commercial investors. IDB Group, including IDB Invest and IDB Lab, has the most commercial commitments to LAC agriculture transactions (16 commitments), followed by FMO (12), and the United States International Development Finance Corporation (DFC) (8).

In 2022, IDB Invest began mapping out "IDB Invest 2.0", a roadmap to enable the scale-up of work with investors and companies throughout the region. The approach focuses on using new financial and technical tools to help crowd-in investment. The model will further make funding available for countries across LAC to more effectively address challenges that impact the agricultural sector, such as poverty and climate change.

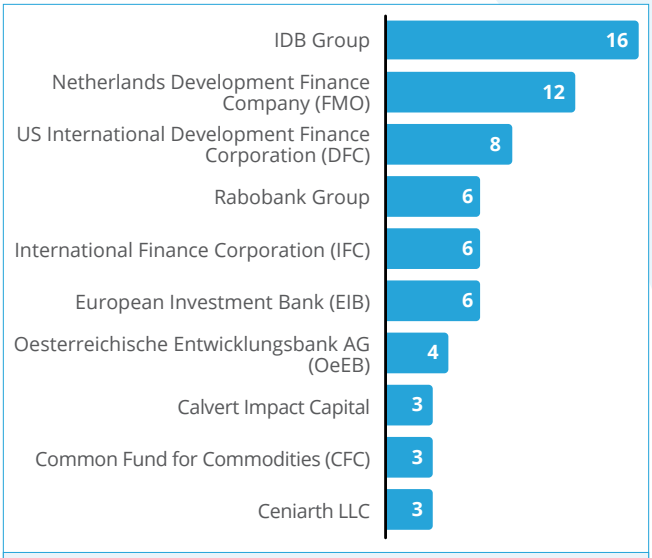

Figure 9: Top providers of commercial finance to LAC agriculture transactions

TOP CONCESSIONAL INVESTORS IN LAC AGRICULTURE: USAID, IDB GROUP, FMO

The United States Agency for International Development (USAID) has the highest number of concessional commitments to blended finance transactions in LAC agriculture (15 commitments), followed by IDB Group (14), and FMO (10).

Half the concessional commitments came from development agencies, while 27% came from DFIs/MDBs. An enquiry by the Shamba Centre for Food & Climate suggests that donors and DFIs can increase finance flows to agri-food SMEs by encouraging the participation of domestic lenders. They provide several ways to do this, including building their agri-food expertise and risk appetite, scaling up results-based incentives, and supporting the development of an agri-food credit risk assessment scorecard for their use.

Other initiatives have encouraged the flow of concessional financing into LAC agriculture transactions. For example, in the past decade, IDB has coordinated a multi-donor platform called AgroLAC 2025, with contributions from Global Affairs Canada and Dow. The purpose of the platform is to bring together a broad range of public and private sector donors from around the world to identify and support sustainable agricultural practices and market systems in the region. The platform provides concessional funding to support projects related to food and value-added commodity crops, livestock ranching, fisheries, agro-forestry, and related institutional capacity and governance. It aims to do this by financing technical cooperation projects including pilot demonstrations and TA, as well as studies and dialogue.

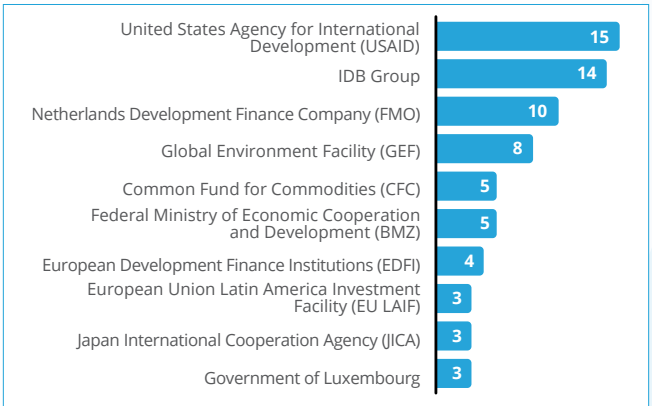

Figure 10: Top providers of concessional finance to LAC agriculture transactions

Impact Analysis

SMALLHOLDER FARMERS AND THE RURAL POPULATION ARE THE LARGEST END BENEFICIARIES IN LAC AGRICULTURE

Smallholder farmers are the largest end beneficiaries of blended agriculture transactions in LAC (84%), followed by the rural population (67%) and low-income consumers (57%). Smallholder farmers tend to have more difficulties accessing working capital and medium-term capex loans than larger-scale commercial farmers. For smallholder farmers, a lack of access to bank accounts, credit (particularly in local currency), and insurance products may result from a lack of collateral, financial track records, or distribution channels. Corporate actors, such as traders and processors, may try to fill this financial access gap by acting as aggregators and distributing loans to smallholder farmers. However corporate actors may not be a reliable long-term solution, given that these activities are not part of their core business and investments are often short-term.

Blended finance can help encourage investors to finance investees such as smallholder farmers in many ways. For example, at the fund level, concessional capital can reduce the risk to private investors seeking to finance smallholder farmers, while TA can build the investability of projects looking to support smallholder farmers.

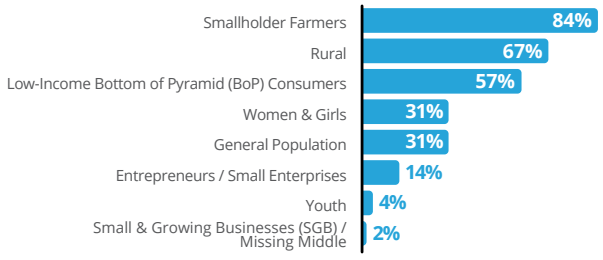

Figure 11: LAC agriculture transactions by end beneficiary

SDGS 2 (ZERO HUNGER) AND 8 (DECENT WORK & ECONOMIC GROWTH) ARE HIGHLY TARGETED BY LAC AGRICULTURE

SDG 2 (Zero Hunger) is the most targeted SDG for agriculture transactions in LAC (92%). United Nations (UN) indicators note that within LAC, South America has made the greatest strides in reducing the prevalence of undernourishment, with a 45% reduction from 2000 to 2022. Central America has seen a 37% reduction, while the Caribbean has seen only a 7.9% reduction.

The 2030 Agenda on LAC recommends that to achieve SDG 2, attention should be given to increasing the agricultural productivity and incomes of small-scale food producers and implementing sustainable agricultural practices. They note that small-scale food producers are an integral part of the solution to hunger and require training to manage natural resources sustainably. Blended finance can help increase smallholder farmer productivity, not only through directly de-risking transactions and thereby mobilizing financing for projects that focus on agricultural productivity, but also through TA that provides training to food producers.

71% of LAC agriculture transactions target SDG 8 (Decent Work & Economic Growth). As of 2021, around 30% of the LAC population live in poverty. Indicators related to financial inclusion are another method used to measure the progress of SDG 8. The CAF Development Bank of LAC observes that while there has been an Increase in account holding in financial institutions by adults in the region, largely explained by greater access to mobile money accounts because of the COVID-19 pandemic, account use still lags far behind that of developed countries.

Victus Chile is an example of a blended fund in LAC that targets SDG 8 by increasing financial access for farmers. The fund seeks to foster economic development and create jobs by providing financing to businesses in agriculture that lack credit history and proven business models, and hence cannot access traditional financing sources.

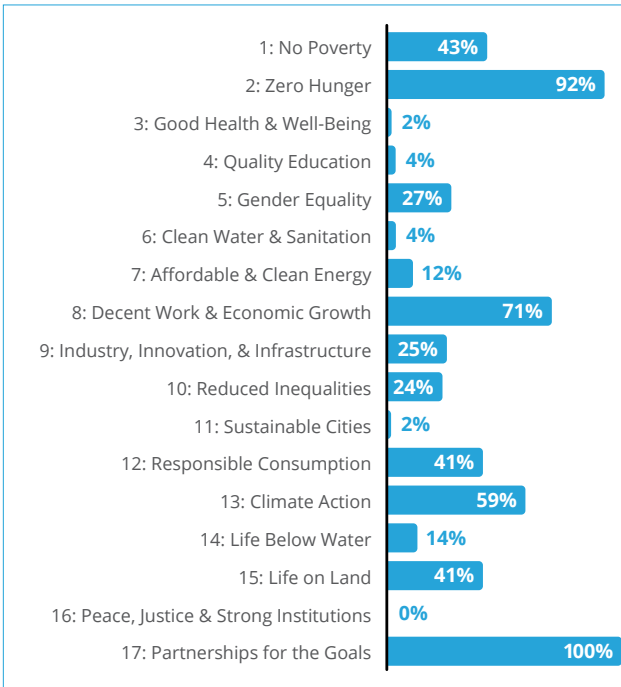

Figure 12: LAC agriculture transactions by SDG focus

MAJORITY OF LAC AGRICULTURE TRANSACTIONS HAVE NO FOCUS ON GENDER

Worldwide, most small-scale farmers are women, who make up 60% to 80% of farmers in non-industrialized countries. Moreover, women are becoming more prominent players in agricultural production. In LAC, Chile has the largest participation of women in agricultural production at 30%, following by Panama (29%), Ecuador (25%), Haiti (25%), and Nicaragua (23%). Meanwhile, women face more systemic challenges accessing finance, which can hinder their ability to purchase land, upgrade farming equipment, or hire labour.

There are opportunities within the agriculture sector in LAC for investors to take a more gender-focused approach, especially as participants in blended finance transactions. Currently, 61% of LAC agriculture transactions have no gender focus within their impact strategies, while only 6% have gender as a key component. Blended finance can play a key role in addressing financing gaps and increasing access to financial products and services for women, and addressing behavioural constraints that perpetuate the gaps.

There are also opportunities for women to participate in delivering agriculture TA in LAC. The International Food Policy Research Institute found that the overall share of female agricultural researchers is higher in LAC than in other developing countries. The participation of trained women in agricultural research can help address the unique and pressing challenges of female farmers in the region.

Some blended finance practitioners, such as EU LACIF, are already committed to fostering gender equality as a cornerstone of its TA efforts. Through their TA programs, deliberate measures are undertaken to equip more women with the requisite capacities to participate meaningfully in agricultural activities.

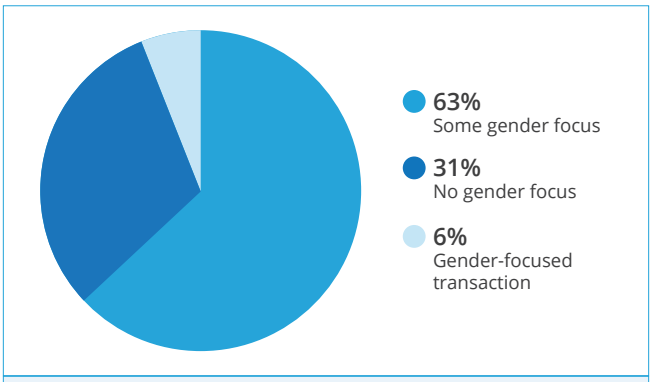

Figure 13: LAC agriculture transactions by gender focus

Spotlight on Nature-based Solutions

Nature-based solutions (NbS) consist of the effort to protect, manage and/or rehabilitate ecosystems that can assist in addressing societal challenges, such as food insecurity, climate change vulnerability, and human health. NbS are rooted in the concept that healthy natural capital assets are both critical to functioning natural ecosystems and sustainable economic development by yielding shared benefits to modified or human-built systems. Lizzie Marsters, Environmental Finance Manager at the World Resources Institute (WRI) suggests that a main feature of NbS is the focus on climate resiliency:

> *"With nature-based solutions, it is important that projects are designed and monitored to deliver on climate and water resilience objectives. The term NbS should be distinguishable from restoration or conservation practices in that the outcomes result in greater disaster risk reduction and improved societal co-benefits, such as more jobs and improved public health. To maintain momentum, additional research and site-specific data collection is needed to confirm assumptions and inform better design and species selection."*

NbS in LAC target a variety of sectors and use a diversity of strategies to address key challenges in both rural and urban areas. For example, IDB and WRI analyzed 156 NbS projects in LAC and found that more than half of all projects focus on the water sector, particularly on improving water quantity and quality. They found that the top strategy used by investors for implementing NbS projects was the conservation and/or restoration of forests. Focusing on reforestation can help stabilize water supplies in urban areas; research shows that deforestation in the Amazon has a direct impact on hydrological patterns, which threatens water supply for urban areas in Brazil.

Commercial Agriculture for Smallholders and Agribusiness (CASA) also found that most of the NbS cases surveyed were related to better managed afforestation and reforestation, with limited evidence of NbS being implemented in smallholder agriculture settings.

Karam provides one example of how sustainable agriculture can be categorized as NbS. According to Karam, sustainable agricultural practices can not only increase biodiversity and the population of native species, but also stabilize soil levels. For example, when a particular region experiences high levels of rainfall, areas that practice good agriculture upstream see less sediment swept into downstream watersheds. This protects water

treatment facilities from being overrun with high sediment levels, leading to increased efficiency, and ensuring more consistent access to water in surrounding areas. Climate change is anticipated to bring higher levels of rainfall in some areas, so reducing the level of sediment in water treatment facilities through sustainable agriculture can be an effective form of adaptation.

While blended finance has yet to make serious inroads in NbS solutions in LAC, some transactions have successfully incorporated the structure. For example, the Moringa Agro-Forestry Fund offers equity and quasi-equity instruments to large-scale agro-forestry projects in Latin America and sub-Saharan Africa. The fund targets operations with a proven potential for high environmental and social impact, while generating predictable returns for investors. Eligible investees combine several revenue generation sources, including agriculture, sustainable forestry, and the sale of carbon credits.

The fund was initially seeded with equity from Edmond de Rothschild Private Equity and ONF International. Over two fundraising rounds, Moringa secured concessional funding from GEF, the Waterloo Foundation and Fonds D'Investissement et de Soutien aux Enterprises en Afrique (FISEA), which helped mobilize scaled financing from DFIs such as FMO and Common Fund for Commodities (CFC).

There are some major challenges associated with attracting financing to NbS. For example, GCF found that the conceptual framework for measuring and understanding biodiversity-related financial risks is even less advanced than the overall climate finance space. UNEP also notes that NbS are often implemented in combination with other interventions, leading to further complications in distinguishing their impacts. Other challenges include the limited awareness and understanding of NbS and time lags and spatial variability in outcomes that can mean the success of any given transaction is difficult to agree upon.

There is room for blended finance to address these challenges. For example, TA can help to build an understanding of NbS and the operational capacity required to implement projects, while concessional capital can de-risk transactions that may deal with time lags and spatial variability.

Scale is another challenge for investors seeking to finance NbS. While there are many local opportunities to invest in NbS, it can be difficult for institutional investors to identify these projects. Karam notes:

> *"When we discuss environment-related investments, I believe they are smaller than average because normally entrepreneurs involved with businesses that impact biodiversity positively are living in rural areas and most of the time they don't have access to specific programs or training. They have less access to tools or to institutions that can help them to grow and become a good investment."*

Marsters suggests that one way these solutions can be made more attractive to institutional investors is through vehicles that can be more easily scaled. Green, blue, or sustainability bonds and/or environmental climate funds are examples of vehicles that can signal climate benefits to interested investors and disseminate capital to on-the-ground projects. She explains that the intersection between green bonds and gray infrastructure can be a powerful opportunity for investors seeking to finance NbS. For example, a hydropower plant or water treatment facility may require upgrading to align with new environmental regulations. Part of the focus of the bond may include an element of reforestation to stabilize water levels. This can qualify as a green bond for gray infrastructure with NbS components.

Marsters further explains that investors can also choose to finance funds that require certain NbS resilience outcomes, including social or climate components, that are measured as part of the delivery or management of these projects.

Reflections

In our conversations with various blended finance practitioners, several themes became apparent regarding challenges and opportunities for blended finance in LAC agriculture.

CHALLENGE

Climate change impacts will be largely negative for the agriculture sector in LAC.

The impacts of climate change will be far-reaching and severe in the LAC region. IDB found that climate change impacts on agricultural labour and economy-wide labour productivity would be negative across all LAC countries, with some countries faring worse than others, namely Belize, Nicaragua, Paraguay, and Panama. Climate change will also likely lead to reduced yields for food crops, such as wheat, maize, and soybeans. While the level of impact will vary by sub-region, overall rising temperatures are predicted to have negative impacts on yield throughout LAC.

These impacts could lead to even higher hesitancy for investors in a region of elevated perceived risk. Uncertainty around agricultural productivity could lead to falling levels of private investment. Cecilia Ampuero, CFA, Portfolio Manager at Capital +SAFI discusses the risks in Bolivia:

"As with many countries in the region, we are very vulnerable to climate change. And right now, there are a lot of sectors in Bolivia that are not in a very good position with climate change, even in forestry. We have some Brazilian nut companies that are having a very difficult time exporting their products. Sometimes there's no production. Climate change hit very hard last year and there are some companies that stopped the processing cycle for one year because it was better for them to not process or not work for one year. I think the risk every year is getting bigger. That's the one problem for investors. That's why we need to help them be more resilient and keen."

OPPORTUNITY

Blended finance can help de-risk agriculture transactions impacted by climate change.

There are opportunities for concessional finance providers to focus more of their efforts on strategically crowding in private finance to climate related initiatives, such as agriculture. BlackRock found that public funding has been ineffective in mobilizing private capital at scale for the climate transition. Funding was found to be too targeted on individual projects rather than being used to mitigate risks more broadly. MDBs and DFIs have allocated minimally to private investment mobilization for agriculture, with only approximately 15% of MDB and DFI own-financing and 5% of "direct private mobilization" earmarked annually for agriculture.

Blended finance can address some of the risks associated with the impact of climate change on LAC's agricultural sector. While adaptive practices and resilient technologies can aid in reducing risks, agronomic risks remain a key feature of the sector, making uncertainty around returns an expected outcome. A joint report by SAFIN and Convergence discusses how blended finance can address these risks. One example is the use of integrated, multi-instrument finance schemes that strengthen local financial institutions, mobilize funding and risk-sharing resources, and incentivize them to grow their agriculture portfolios, which not only addresses risk, but also reduces cost and aids in pipeline development.

CHALLENGE

Traditional financing can be difficult to obtain for the transition to sustainable agriculture and forestry.

As noted earlier, there are inherent risks and costs associated with the transition to sustainable agriculture and forestry, which may deter private investors from providing financing. According to Arandia:

"To become more sustainable in the agri-business sector, you need to spend more money. The trade-offs for becoming more sustainable are affecting the smallholder farmers, or the first stage of the value chain, because they must change their practices. So for example, in quinoa, they have to use practices of regenerative agriculture, but it costs more for the farmers."

Transitioning to sustainable agriculture practices also takes time, and smallholder farmers may have a significant drop in productivity throughout this transition period. These challenges add to the existing difficulties of smallholder farmers' ability to access traditional means of financing.

Traditional financing can also be difficult to access for reforestation companies. Thiago Picolo, CEO of re.Green, noted the following:

"Generally bank loans can be 5 to 10 years, but restoration is a long-term thing, and it takes us a while to get the payback. Often the banks are not willing to wait. We could do shorter loans and assume we're going to be able to raise capital down the road and then refinance it. But that adds an element of risk, which is hard for the bank to take on and hard for us to take on too. Our investors also don't want to run that much risk."

One of re.Green's revenue sources is the sale of carbon credits. While carbon credits are a growing source of innovative financing for the climate transition, especially in forestry, investors remain hesitant to invest. On this, Picolo continues:

"Often the companies that front the money want to have more control of the project, and sometimes ask for very severe consequences if we're not able to deliver the credits. But obviously, with nature-based solutions—they're nature! Sometimes it goes a little faster, sometimes it goes a little slower. There are things that can happen in the middle. So, often there is a little bit of a disconnect between that uncertainty and the definite mindset from the investor. They have very definite clauses and definite delivery dates, but the reality on the field is more fluid."

Traditionally, banks may also offset riskier investments by requiring collateral in the event of a loan default. Picolo explains that in reforestation projects, providing land as collateral can be antithetical to the purpose of a company that focuses on forest restoration for two reasons. First, banks see reforested land as less valuable than pastureland, so it may not be perceived as an acceptable form of collateral. Second, if the reforested land is seized as collateral and the land use is then changed to cattle ranching or unsustainable agriculture practices, the entire purpose of the project is diminished.

OPPORTUNITY

Blended finance can be used strategically to support the transition to sustainable agriculture and forestry.

Blended finance can help de-risk the transition to sustainable agriculture and forestry through various methods. For example, longer tenor structures and concessional funding can help make sustainable transition loans viable for both farmers and banks. These loans can be provided to smallholder farmers to help cover costs associated with the transition, while accounting for the increased risks associated with a temporary drop in productivity. Arandia states:

"I think the idea of blended finance, and especially technical assistance, could help smallholder farmers reduce the costs that are related to becoming more sustainable. So, I think that's an important characteristic of blended finance."

In forestry, certain funds have demonstrated the usefulness of blended finance in creating sustainable projects. For example, the Forestry and Climate Change Fund (FCCF) was specifically launched to address the financing challenges facing business models focused on natural capital restoration in secondary and degraded forests (SDFs) in Central America and the Caribbean. The FCCF aims to create a viable and sustainable business model for production within these SDFs. The private equity fund also seeks to enhance forest growth and protect biodiversity and carbon stocks, while improving the value chains for SDF wood development.

FCCF is a $20 million multi-tiered fund, which includes concessional shares that provide first-loss coverage to senior shareholders and are entirely held by the Government of Luxembourg. These shares seek capital preservation and have essentially 0% yield. FCCF also hosts a TA program that provides pipeline support for the fund.

Lastly, blended finance can help structure other innovative financing tools such as carbon credits. Carbon credits can act as upfront investment to provide farmers and foresters the financing required to transition to sustainable practices. Peter Nielsen, Impact Investment Manager from CFC has seen projects that use carbon credits in this way:

"I'm looking at a case in Peru where a company is integrating rural communities into formal value chains by implementing a carbon credit project as an alternative means of livelihood for smallholder agro-forestry owners to chopping down the trees. For these smallholders that they're engaging with, they don't have coffee revenue right now. This is a future thing and likely, they will not be able to generate enough profits to be able to repay any loans for the setup of these agro-forestry systems from the sale of coffee alone. But by having this be part of a carbon project, there is an alternative source of revenue also from the sale of carbon credits, which we can then use as security towards covering our loan or reducing our risks."

Blended finance can be used to support the issuance and transparency of carbon credits; for example, through a design funding grant that helps structure the credits, or through a concessional guarantee program that can help insure the value of the credits.

CHALLENGE

Changing regulations can be expensive to implement.

As the movement towards implementing sustainable agriculture and forestry grows, governments and regulating bodies are adopting laws and regulations that dictate sustainability targets. For example, in 2020, the EU updated its regulations for the importation and trade of products derived from commodities including cattle, soy, coffee, cocoa, oil palm, wood and rubbers. The new regulation ensures these products must be "deforestation-free", meaning they cannot come from areas that have been deforested or degraded after December 31, 2024.

Nielsen provides an example of how this regulatory change has impacted one of their investees:

"When it comes to the regulatory changes, we have one particularly interesting investee that is a cocoa company

with an impact profile. What they see from the change in EU forestation regulation is that it will call for new technology to be employed in the region. And in that technology, while it may be a bit cumbersome and a bit costly to implement, which in and of itself might require some degree of concessionality from investors, there is also an impact opportunity that the technology installed increases visibility and transparency in the value chains. This may attract additional possibilities for utilizing the technology to also monetize some of those beneficial environmental claims."

Regulatory changes in Brazil are also causing risks in financing structures, such as for the carbon credit market, Picolo notes:

"There is a regulation now for carbon credits in Brazil. There is a big discourse about whether Brazil will or will not allow the export of these credits for use by other countries. The government wants to retain the right to control these exports. And obviously, this is very bad for [re.Green] because if some of the people that I'm selling these credits to think 'maybe in the future, if I'm mandated to reduce my carbon footprint and I've bought these really great high-quality credits, I'd love to use them'. But if there's uncertainty regarding their useability [due to export restrictions], then that decreases the value."

OPPORTUNITY

Blended finance can help crowd in private investment as farmers adjust to new regulations.

Blended finance can help fill the financing gap to help farmers align with new regulatory requirements. Karam provides some additional context for sustainable agriculture:

"The production that comes from sustainable agriculture benefits the communities involved, follows different legislation, has no/less pesticides or chemicals, preserves the environment, promotes biodiversity, and respects labour rights. Doing that, producers will have access to new markets and their products will have a higher market value. However, most of the time, small agriculture farmers will need help to follow legal requirements and to invest in this transition process."

This help can come in the form of concessional financing that supports banks in financing smallholder farmers as they transition to new laws and regulations.

These new regulations may also usher in the need for updated technologies to monitor and evaluate impacts and provide transparency to transactions. According to Nielsen, these technologies may also serve the dual purpose of proving additional benefits, such as being nature-positive. He notes that blended finance may be useful in aiding with the initial uptake of the technology:

"Not only will companies in the EU be asking for deforestation-free products, they might actually ask for nature positive products, especially where companies have negative impacts elsewhere along their value chain. And with the technology that's already in place because of regulatory requirements, it's possible to show that there are actually nature-positive effects that can be measured using that same technology. That creates an opportunity and in it, there will need for finance to fill that gap. Probably in the short-term there is a need for blended finance until either the big value chain actors start investing in it themselves or the local financial systems become comfortable enough."

CHALLENGE

Measuring the impact of climate-related transactions, especially adaptation initiatives, can be difficult.

Blended finance transactions are intended to support the achievement of the SDGs and to therefore have positive social and environmental consequences. For transactions in mitigation, it is easier for investors to understand the impacts of their funding. Technology for measuring the amount of carbon dioxide (CO_2) either removed or prevented from entering the atmosphere is widely established and available. Measuring the environmental impacts of agriculture and forestry transactions, especially those that are NbS, is more difficult since the technology to do so may be more niche and standardization does not exist.

According to Nielsen:

"Everyone wants to be able to claim that their projects are biodiversity positive, or at least not negative, but we don't know how to justify that claim. I think just a few years back we would have had doubts that we could ever, within this short time span, say something about the carbon effect of individual smallholders. But now we have remote sensing technologies that allow for it. We need similar developments for biodiversity and we need to agree on some way of measuring. I think we will not be able to arrive at standardized measures for biodiversity because it is a wildly more diverse issue than carbon."

Marsters from WRI notes that with the lack of standardization and the inability to properly quantify environmental impacts comes the risk of companies green washing their outputs, especially when it comes to NbS:

"We are really concerned about the green washing component. What we're trying to push is better monitoring and evaluation practices. If you're using the term nature-based solutions and are really trying to aim for resilience, let's hold ourselves accountable to that."

OPPORTUNITY

Blended finance can encourage measurements that account for externalities and standardization.

Blended finance is, at its core, a tool that solves for market failures. One of these failures, especially in adaptation initiatives, is the generation of both positive and negative externalities in investment activities. If the broader finance community can effectively outline a taxonomy for adaptation, concessional players could pay for adaptation benefits that are otherwise not monetizable, such as biodiversity and climate resilience. MDBs could also disclose and generate more data to support measuring benefits, which will help scale blended finance.

Sometimes, when standardization of taxonomy is not possible, measuring impact requires more concrete evidence. For example, re.Green sees the benefits of focusing on tangible outcomes when approaching investors. Picolo believes that a proven track record allows potential investors to see clear value and understand the purpose behind their investments:

"When I sit with an investor today, rather than only talking about plans and vision and mission and so on, I show them pictures. I say 'this area we bought a year ago, we've planted this many trees. We have this many MOUs signed with property owners. We have these commercial negotiations.' I think the strategy is to build something tangible and differentiate ourselves by not only the promise of the company but the reality of what is being built."

Other times, impacts may extend beyond the limitations of the project. Karam suggests that investors need to look at the overall changing landscape to understand the scope of impact:

"When we talk about adaptation, it's hard to demonstrate impact and we need to think of the landscape, not about a specific property or related to a specific piece of land. When you refer to mitigation, it's easier. We have metrics to calculate what I am mitigating in terms of CO2 emissions reductions, for example. In the light of adaptation, we need to think about the watershed. We need to think about the landscape, so the scale must be bigger than the scale related to a specific project."

There are also remaining challenges associated with measuring carbon emissions, especially concerning additional information on the overall carbon footprint of a transaction. To address this challenge, Professors Robert S. Kaplan and Karthik Ramanna have developed a new methodology of carbon accounting that focuses on Scope 3. Scope 3 refers to the indirect emissions resulting from activities outside of an organization's direct control, such as those from the supply chain.

Pinto Mollinedo from Capital +SAFI sees potential in this methodology:

"This methodology is a breakthrough because it tackles two of the principal problems that right now we have with the current methodologies that every financial institution or company is using. One is the double counting of the carbon footprint and the other one is that you need to use the averages, you need to use proxies for measuring your own carbon footprint. You only use your own information. [With Scope 3] you can use more technological tools like blockchain for making it a more accurate outcome of your carbon footprint and you can audit it. So it is a very interesting and a very accurate methodology that we are pretty sure that is going to be a gold standard."

Lastly, TA can also help to improve measurement techniques, as Ampuero notes:

"It would be interesting to also have this type of technical assistant for the fund to create, for example, a taxonomy for specific funds focused on forestry. We don't have all the capacity or technical people to create these kind of measurements and also to follow up on if the company is actually creating the impact that they wanted to create."

Clarity on measurements can help not only by allowing concessional finance providers to pay for externalities, but also improve transparency on the riskiness of a project, which can in turn provide information on the minimum level of concessionality needed to incentivize private investment.

CONCLUSIONS

Agriculture and forestry in LAC play a crucial role in the economic development of the region and its ability to respond to climate change impacts. The consequences of climate change will be severe and negative across LAC. Meanwhile, smallholder farmers and foresters face challenges accessing traditional sources of finance that will allow them to transition to more sustainable practices. The additional costs of new regulations and the technologies required to prove alignment can also be prohibitive. Finally, difficulties associated with measuring the impacts of sustainable practices, especially NbS, can mean externalities are not being priced into investor considerations, while a lack of transparency can cause investor hesitancy.

This brief has shown how blended finance has been used and how it can be used within the LAC region to help address these challenges. By de-risking transactions and building operational capacity, blended finance can help catalyze private investors into projects supporting smallholder farmers and foresters in LAC.

Methodology & Notes

1. **Convergence's database:** Convergence maintains the largest and most detailed database of blended finance transactions that have reached financial close. Given the current state of information sharing, it is not possible for this database to be fully comprehensive. We have made efforts to capture all relevant blended finance transactions; however, there are likely more transactions that have not been captured.
2. **Scope of available data:** This brief analyzes 51 blended finance transactions targeting LAC countries in the agriculture sector. This brief also draws upon stakeholder interviews conducted with Juan Carlos Navarro Rossetti, Vice President of Alternative Investments, Jorge Bismarck Pinto Mollinedo, Stock Investment Manager, Cecilia Ampuero, CFA, Portfolio Manager, and Cecilia Arandia, Sustainability and Impact Officer at Capital +SAFI; Thiago Picolo, CEO at re.Green; Peter Nielsen, Impact Investment Manager at Common Fund for Commodities; Lizzie Marsters, Environmental Finance Manager, Natural Infrastructure at World Resources Institute and Laura Bulbena Janer, Manager, Cities4Forests at World Resources Institute Colombia; Guilherme Zaniolo Karam, Manager, Biodiversity Economy at Fundação Grupo Boticário de Proteção à Natureza; and the European Union Latin America and the Caribbean Investment Facility.
3. **Target regions and countries:** Convergence tracks region and country data by stated region(s) and countries of focus at the time of financial close, not actual investment flows. Often, regions and countries of eligibility are broader than those explicitly stated.

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BLENDING GLOBAL FINANCE

CONVERGENCE is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.

BLENDED FINANCE uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.

Our **GLOBAL MEMBERSHIP** includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to original market intelligence and knowledge products such as case studies, reports, trainings, and webinars. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale.