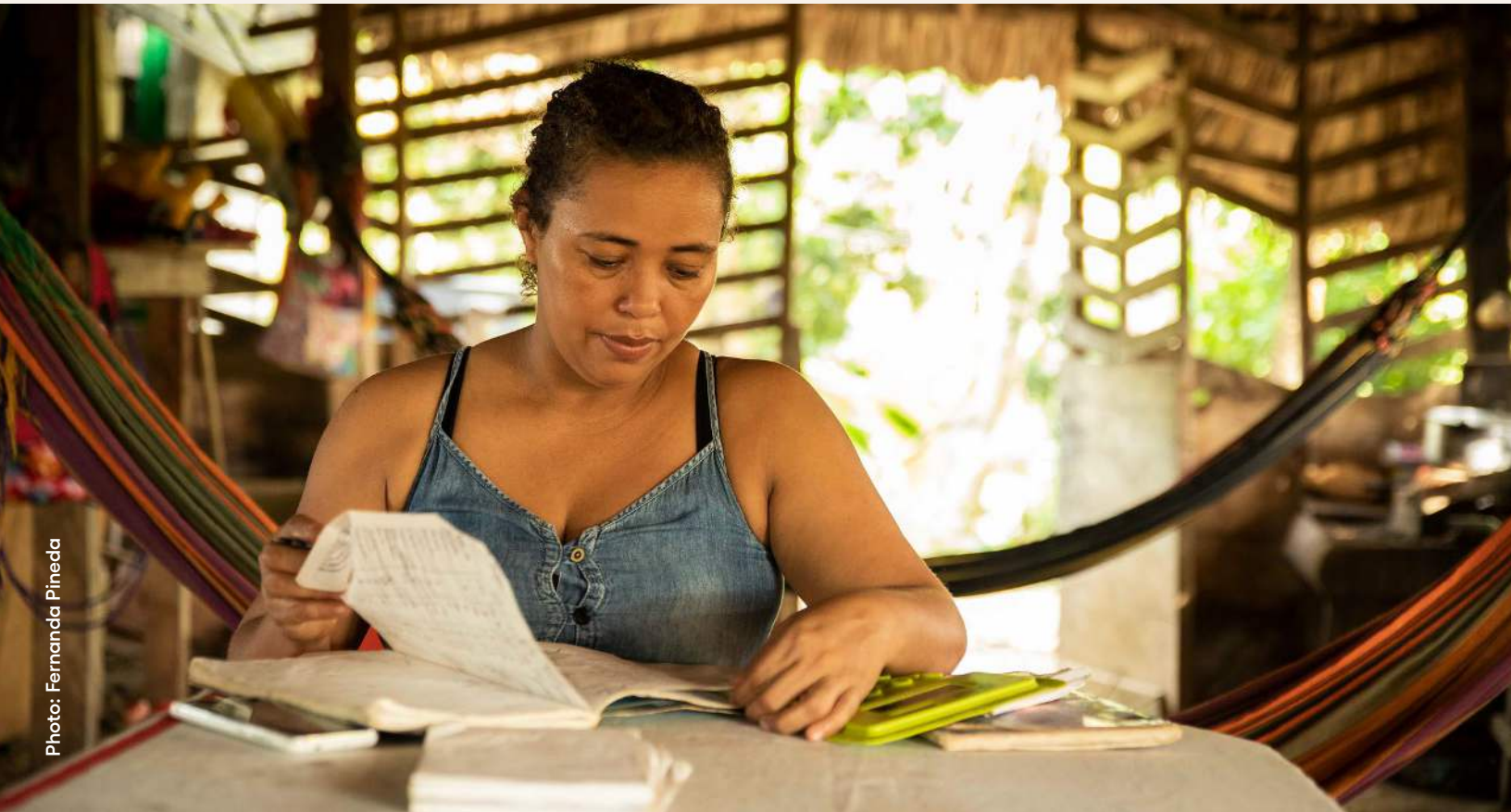




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Learnings from Community Based Businesses in Colombia



Introduction

Over the past few years, Colombia has seen a growth in community-based businesses (CBB). These are for profit businesses owned and managed by local communities that provide sustainable livelihood solutions for small holder farmers (SHFs), often by generating value-added connections to markets. These models are a departure from the traditional time-bound “project” model implemented by many aid and government agencies. Key characteristics include:

- Responsiveness to a community-identified need.
- Creation of for-profit businesses that are financially sustainable.
- Professional, remunerated management teams.
- Possibility of access to external investment and loans.

This document analyzes seven CBBs established in Colombia between 2013 and 2022 to generate learnings that might be useful for funders and other practitioners interested in rural development. To gather information and insights, a third party consultant – AMPLO – conducted structured interviews with CBB management, as well as sponsors and funders. Furthermore, the analysis drew extensively from insights gathered by Acumen, IC Fundación, and Chemonics, three organizations with significant experience supporting, investing and lending to CBBs. This write up was prepared by Acumen.

Annex 1 provides a summary of the seven CBBs analyzed, with key data.

The following are the main learnings generated by the research.



Photo: Fernanda Pineda

01

**The key differentiator:
business structure and
operations offer CBBs
long-term sustainability**

The key advantage of CBBs vis-à-vis traditional aid or government funded projects is that, by design, they provide long-term, financially sustainable solutions to challenges faced by rural producers.

Most traditional rural government and aid funded projects provide time-bound grants for the planting of crops, provision of machinery, construction of infrastructure and delivery of training. But once these projects end, they often fail because there is not a team to continue the work, nor working capital to buy the crops. CBBs, on the other hand, by fundamentally operating as a business with revenues other than grants, provide financially sustainable, long-term solutions to the challenges faced by SHFs. Local business management teams, as opposed to project managers, enhance longer term commitment, agency and accountability. The following examples illustrate how the CBBs surveyed address the producers' challenges by creating financially sustainable businesses:

Comcacaot

A cacao trading company located in Tumaco, Nariño: provides farmers with a fair alternative to the predatory practices of intermediaries who have traditionally dominated the local cacao market. The company has secured offtake from a major buyer, Casa Luker, which provides it with working capital to buy the crop from the farmers. The company acts as price-setter that helps regulate local market conditions. The company sustains itself via a modest intermediation margin.

Bioguaviare

An açai processing and sales company in San José del Guaviare: provided indigenous communities and SHFs with a new source of income and created incentives for the preservation of açai palm groves in a heavily deforested region. By selling to industrial customers, the company was able to pay stable prices to farmers.

Central de Beneficio de Gigante

A coffee wet mill located in Gigante, Huila: provides an alternative to exploitative intermediaries by offering access to premium coffee prices while reducing farm-level costs, processing times and environmental impact. The company sustains itself by charging a fee for processing the coffee.

Campo Dulce

A honey processing and commercialization company in El Bagre, Antioquia: provides market access to small scale honey producers in the Bajo Cauca Antioqueño region while providing access

to working capital and technical assistance for farmers to improve productivity and quality. It has a diversified client base and is able to provide stable demand for honey producers.

Rubbercorp

A latex processing and commercialization company located in Caucasia, Antioquia: does the same as Campo Dulce for rubber producers in that region.

Achiote y Agros del Chocó

A natural dye producer located in Managrú, Chocó: provides SHFs with access to a new market for anatto, thus increasing and diversifying their income. The company sells a value added product to industrial buyers and aims to ensure demand and pay competitive prices to farmers.

Espiga del Atrato

A rice mill located in Quibdó, Chocó: provides small scale rice farmers in the Atrato region with an assured offtake and access to the attractive urban market of Quibdó. As the head of the company points out: before [establishing the company] we only had the infrastructure, but we did not have working capital to operate it or buy the harvest.” The business sustains itself via a modest intermediation margin.

As will be discussed, this long-term, business orientation appears to generate superior outcomes for rural producers and their surrounding communities. Most importantly, these companies are self-sustaining and not dependant on ongoing grant funding, increasing the likelihood of permanence.

02

Shareholders: the Strong Backing of Leading Grassroot Organizations is Essential

CBBs with the backing of recognized community organizations that are heavily invested in the business are more likely to succeed. Material upfront contributions to the businesses on the part of the communities appears to be a key element to ensure long-term buy-in.

All the CBBs analyzed had the support of recognized community organizations, including producer associations, Afrocolombian Community Councils and other leading civil society organizations. The recognized legitimacy of these organizations allowed them to attract support of funders, such as **Chemonics**, a global development organization that operates USAID programs, **IC Fundación**, a leading Colombian foundation that supports community based businesses, and **Acumen**, a global impact investment fund.

The backing of these recognized civil society organizations has been key to the success of these businesses, particularly when they faced adversity. **Espiga del Atrato** has been able to tackle a complex security situation thanks to the intervention of its main backers, Cocomacia, a Afrocolombian Community Council, and Asprodema, a producer association. The **Central de Beneficio de Gigante** has been able to overcome periods of commercial adversity thanks to the unwavering financial support of its main shareholder, Asodesarrollo, a coffee producer association located in Gigante, Huila. **Campo Dulce** has been able to sustain its operations during difficult periods, particularly the COVID pandemic, thanks to the continued support of its grassroots shareholders, particularly Fibrarte. **Rubbercorp** has been able to rely on its main shareholder,

Heveancor, to supply raw material when it faced working capital shortfalls. When the backing is not strong, or fails, CBBs suffer. This was the case of **Bioguaviare**: the loss of support by Asoprocegua, a leading producer organization which was a founding shareholder, led to disruption in its supply of raw material and ultimate failure of the company.

A key factor that ensures long-term support of the community appears to be the extent to which the grassroots organizations involved provide significant monetary or in-kind contributions to the CBB, as this creates a long term incentive to support the business. This was the case of almost all the companies in the sample. The founding members of **Comcacaot** contributed cash to the venture. The founding members of **Campo Dulce** and of **Rubbercorp** provided cash, land, equipment and/or raw materials. Asodesarrollo, the backer of **Central de Beneficio de Gigante**, contributed cash, land and equipment. Asprodema, the backer of **Espiga del Atrato** contributed significant fixed assets and land.

In the case of **Achiotes y Agros del Chocó** the monetary contributions of the community to the company relative to other stakeholders were not significant, perhaps resulting in reduced buy-in. The same may be true in the case of **Bioguaviare**.



03

**Blended Structures:
Equity Investment
or Loans Alone Are
Insufficient; Targeted
Grants and Capacity
Building Significantly
Increase the Likelihood
of Success**

CBBs which received thoughtfully targeted initial grants and technical support appear to be more robust and better placed to succeed. This points to a key role for grant providers such as foundations and aid organizations in enabling CBBs.

Of the seven CBBs analyzed, **Comcacaot** and **Campo Dulce** were those that received the greatest amount of initial grant support. This was provided by Chemonics as part of the USAID financed CELI Norte-Sur Program and included: financial backing until reaching breakeven, support in the hiring of key personnel, advice on setting up financial and administrative functions, training, fixed assets and accompaniment. After the Chemonics program ended, IC Fundación continued to provide support, including capacity building, as well as lending working capital¹. This initial backing was key to these businesses' long term success.

Central de Beneficio de Gigante received initial support funded by Nespresso and provided by consulting firm Technoserve, including plant design, development of internal processes and hiring of key personnel. As investor, Acumen provided funds for the construction of the plant and for initial working capital. **Espiga del Atrato** received pre-operational support from Acumen, particularly in upgrading infrastructure. However, unlike Comcacaot or Campo Dulce, these two organizations did not receive sustained financial support until achieving breakeven, a fact that may explain weaker performance.

Rubbercorp and **Achiotes y Agros del Chocó** received significant support initially — from Chemonic's CELI Norte-Sur program in the case of the first and of the Chemonics Oro Legal program in the case of the second. However, in both cases, this support was interrupted when these programs ended before the businesses were fully operational, impacting their continuity. IC Fundación stepped in to support **Rubbercorp**, providing technical support, in addition to lending working capital. However, **Achiotes y Agros del Chocó**, whose processing plant was not fully operational when support was cut off, faced significant challenges.

It is worth noting that setting up CBBs pose one significant challenge, namely that they require extensive time to set up. In the case of **Central de Beneficio de Gigante** and **Espiga del Atrato**, Acumen's preoperational support required almost 24 months. In the case of **Comcacaot** and **Campo Dulce**, pre-operational support required 8-12 months. The need for extended pre-operation support further points to the need for initial grant funding.

¹ IC Fundación, an organization which provides working capital to CBBs and other community based productive initiatives, only does so after providing extensive capacity building in areas such as strategy, cost accounting, governance and internal administrative processes.

04

Ownership, Hiring and Governance: Getting It Right Pays Off

As in all businesses, ownership structure, hiring and governance are critical for success. However, there is not one formula- each case may have a different solution.

Ownership

For **Comcacaot**, **Campo Dulce** and **Rubbercorp**, CBBs that were founded by several grassroots organizations, initial sponsor Chemonics supported the organizations' decision to have 100% ownership of the businesses, with each having a share equivalent to their contributions in money and in kind. As described above, having each organization contribute money increased the sense of belonging, but an unequal distribution of shares occasionally led to tensions among partners.

Acumen took a different approach in **Central de Beneficio de Gigante** and **Espiga del Atrato**, deciding to become a shareholder alongside the grassroots organizations to support the company as a long-term partner. Despite providing the bulk of the funding, as a matter of principle Acumen ensured that the grassroots organizations held a majority ownership positions, while Acumen took a significant minority position (30%+), with certain protections. This structure resulted in a subsidy to community partners which may have created a free-rider effect and reduced community buy-in.

The founders of **Bioguaviare** — a group of investors from Bogota, a group of agricultural and environmental experts from San Jose del Guaviare, and Asoprocegua, a leading producer association — decided to split ownership 1/3 each, irrespective of actual contributions. This resulted in a minority share for Asoprocegua and perhaps less buy-in on the part of the association: as a result, when there was a change in leadership at the association and disagreement on the purchase price of açai, the association cut ties, leading to a dissolution of the company.

Hiring

As sponsors, lenders and investors, Chemonics, IC Fundación and Acumen agreed on one point: the need for stable, remunerated teams, hired based on merit, not connections. This has been adopted by all CBBs and has been a key to success. Exceptions have been **Comcacaot**, which initially appointed a manager that did not have the required capabilities, leading to poor results, and **Achiote y Agros del Chocó**, which had to rely on part-time, non-remunerated management after the initial grant funding ended.

Ideally, CBB management should be hired from the local community, providing accompaniment if certain managerial skills are lacking. In any case, it is important for managers to have a strong business and customer service orientation, as this, more than anything else, is critical for CBB performance. **Comcacaot** (after replacing its initial manager) and **Campo Dulce** both had commercially pro-active managers that were able to grow sales in a sustained fashion allowing them to reach breakeven rapidly. This is in contrast with **Bioguariare**, whose management had limited commercial expertise, affecting the growth and sustainability of the business. The leadership of **Achiotos y Agros del Chocó** also lacked the capacities to perform the complex sales required of the company, hindering its ability to open markets for its novel product.

Governance

Boards play a key role in accompanying the development of the CBBs, particularly during initial stages. In the seven CBBs surveyed, board composition varied. As a significant minority shareholder, Acumen has a seat on the board of the company's, allowing it to promote good governance practices, such as timely reporting and the inclusion of independent experts on the board. For CBBs with 100% association ownership, good governance has been achieved via capacity building on the part of external funders such as Chemonics and IC Fundación.

05

Impact: CBBs Go Far Beyond Improving Livelihoods

Interviews with the seven CBBs reveal multifold impact, pointing to key advantages of this model over traditional non-profit projects.

Interviews with the seven CBBs reveal multifold impact. The interviews conducted as part of this study confirmed that these companies, as intended, improve the livelihoods of SHFs. Part of this improvement comes from providing market access, which is a key challenge for many rural communities. As the head of **Espiga del Atrato** points out:

“Today the producer knows that there is a company that buys the product. That is key.”

Likewise, as the head of **Rubbercorp** states:

“If [the producers] have a reliable commercialization channel [...], that will allow for the improvement of their quality of life.”

As observed across Acumen’s agricultural portfolio, stable demand, allows SHFs to plan and make better decisions:

“Having stable offtake allows farmers to plan for the future, making better decisions for their farms and family” said Elvia Gomez, Associate Director at Acumen.

Beyond offtake, the companies are improving the livelihood and quality of life of the SHFs in various ways. The **Central de Beneficio de Gigante** reports higher income, shorter cash cycles and increased leisure time of suppliers. **Espiga del Atrato** reports that farmers are now able to expand the area of their crops

and generate more income. **Bioguaviare** provided one of the sole sources of monetary income for the Nukak indigenous community, settled in San Jose del Guaviare.

These companies also generate quality formal employment in regions of Colombia where this is generally not available: in the words of an employee of **Campo Dulce**:

“My life changed because this project comes along, I am trained and currently I work as a technician at the Campodulce company [...] it has changed my life.”

Beyond livelihoods, the CBBs have a wider impact on the grassroots organizations and surrounding communities. The manager of Espiga del Atrato speaks of community revitalization:

“It is a positive impact, it is a social satisfaction, one feels that the rice and the company with its product in the communities is transforming realities and is generating economic and social revitalization”.

These projects are also source of deep pride for the organizations and increase their influence. In the words of the head of **Comcacaot**:

“Many producers see Comcacaot as that institution that watches over their well-being [...] reaching them with services, helping them with their basic needs”.

Finally, there is a sense of dignity that emanates from not being the recipient of aid but of building a business. In the words of the head of **Espiga del Atrato**:

“We don’t talk about beneficiaries, we talk about clients. We see [the farmers] as a client, a supplier, and microentrepreneur.”

Jose Felix Montoya, former Colombia Chief of Party of Chemonics, highlights several other impacts. On the one hand, these businesses become important local economic actors, that can attract support from various stakeholders, and which contribute to the formalization of the economy. They are also much better positioned to attract financing for themselves, their partners, and their suppliers. Furthermore, these companies become institutions that are able to promote public-private partnerships in the areas where they operate. José Andrés Díaz, Director of IC Fundación highlights a more intangible benefit:

“These models involve a change in the way of thinking about a business (“un cambio de chip”) – while not neglecting social impact, these for profit businesses lead the associations to focus more on efficiency and financial sustainability, which is highly positive.”

Virgilio Barco of Acumen Latin America highlights the powerful demonstration effect of having business that are “owned and managed” by communities that have historically faced enormous exclusion and exploitation. Acumen’s expectation is that as these models grow and success, other grant makers and funders will support this innovative approach to rural development.



Summary

CBBs appear to be effective entities to generate long term impact in rural areas. Unlike traditional time-bound government and aid funded development projects, these businesses can potentially provide economically sustainable, long-term solutions to some of the most intractable challenges faced by SHFs and producer organizations. In addition to supporting livelihoods, CBBs potentially have other positive impacts, such as generating employment, strengthening local grassroots organizations and spurring local economic development.

This survey of seven CBBs established in Colombia between 2013 and 2022 sheds light on some key long-term success factors, such as the importance of having the high committed community backers, ensuring well-targeted initial grants, and well-designed ownership, management and governance structures. It also points to the potentially catalytic role of actors such as government, aid organizations, foundations, lenders and impact investors in providing targeted support to CBBs.

Although these are still early days for the CBB model, this model appears to be a promising way forward for more sustainable and inclusive economic development.

CBBs Analyzed

Name	Location	Activity	Year Est.	2022 Sales (COP MM)	Community Promoter	Community Ownership	Initial Community Contributions (COP MM)	Initial External Sponsor	External Sponsor Contributions	External Lenders/ Shareholders	Instrument
Comcacaot SAS	Tumaco, Nariño	Cacao bean trading	2013	5.949	16 grassroots organizations ²	100%	146	Chemonics	<ul style="list-style-type: none"> Infrastructure Equipment Technical assistance Grants 	IC Fundación	Debt
Bioguaviare SAS	San José del Guaviare, Guaviare	Açaí processing and sale	2014	N/A	Asoprocegua	Minority	Raw Materials	Private individuals	Knowhow	Acumen	Debt
Central de Beneficio de Gigante SAS	Gigante, Huila	Coffee wet milling and sale of green beans	2015	3.066	Asodesarrollo	Majority	<ul style="list-style-type: none"> Land Machinery Cash 	Nespresso	<ul style="list-style-type: none"> Deisgns Support in setting up internal processes Support in hiring 	Acumen	<ul style="list-style-type: none"> Equity Debt
Campo Dulce SAS	El Bagre, Antioquia	Honey processing and sales	2016	2.019	5 grassroot organizations ³	100%	20	Chemonics	<ul style="list-style-type: none"> Infrastructure Equipment Technical assistance Grants 	IC Fundación	Debt
Rubbercorp SAS	Caucasia, Antioquia	Natural rubber processing and sale	2016	2.582	Heveancorp	100%	1.122	Chemonics	<ul style="list-style-type: none"> Infrastructure Equipment Technical assistance Grants 	IC Fundación	Debt
Achiote & Agros del Chocó SAS	Managrú, Chocó	Annatto paste for natural food dye producers	2019	N/A	5 Afro-Colombian Community Councils ⁴	100%	Raw Materials	<ul style="list-style-type: none"> Chemonics Naranja Madura 	<ul style="list-style-type: none"> Infrastructure Equipment Technical assistance Grants 	None	N/A
Espiga del Atrato SAS	Quibdó, Chocó	Rice milling and sale to local market	2022	67	Asprodema	Majority		Various aid agencies		Acumen	Equity

² AGROFORTALEZA, AGROFRONTERA, AGROJUNTOS, AGROSAN, ASOAGRODEC, ASOCAMER, ASOCHAR, AGROFUTURO, ASOFUTURO, ASOPALMIRA, ASOPORCA, ASUPRO, ASOCIACIÓN DE CACAOTEROS DEL FUTURO RÍO CHAGUÍ, ASOARENB, AGRONUEVA ESPERANA and ASOCIACIÓN DE AGRICULTORES LO NUESTRO.

³ Fibrarte, Red Nudo del Paramillo, Ascabia, Asopisnar and Ascocuturu.


⁴ Santo Domingo Boca de Tanando, San Isidro, Villa Conto, COCOMOPOCA and Corporación Cantón del San Pablo.

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