

Interview with Alexandra Restrepo, president of Fondo para el Financiamiento del Sector Agropecuario (Finagro), Colombia

Finagro reinforces its institutional mission by promoting development credit as a tool to improve the productivity and modernization of territorial production systems, integrating environmental sustainability criteria and contributing to the decarbonization of agriculture.

F1. WHAT DO YOU CONSIDER TO BE THE BANK'S MAIN CURRENT STRENGTHS, AND WHAT OPPORTUNITIES DO YOU SEE FOR STRENGTHENING ITS IMPACT ON THE COUNTRY'S RURAL AND AGRICULTURAL-LIVESTOCK DEVELOPMENT?

Finagro is a key player in the National Agricultural-Livestock Credit System (SNCA). As a development bank, we have driven agricultural-livestock and rural growth in Colombia for more than 35 years. Our ample background and solid experience have allowed us to develop an agricultural-livestock financing model that facilitates access to development credit throughout the country, through financial intermediaries, both public and private.

Our main strengths include a diversified portfolio of development credit lines, with preferential interest rates, designed to meet the needs of the country's different producers, such as small, medium and large producers, territorial entities and agribusiness, among others. These

lines are adapted to the production cycles of the agricultural-livestock systems of the various regions of Colombia.

Moreover, within our range of financial products, Finagro offers access to credit guarantees through the Agricultural-Livestock Guarantee Fund (FAG). This service acts as a backing for those producers who, on occasion, do not have sufficient suitable guarantees to back their credits, thus facilitating their inclusion into the financial system. In particular, this backing especially benefits small producers and the first link in the agricultural chain, where most of the agricultural-livestock risk is concentrated.

Additionally, among our strengths there is an efficient capacity to mobilize resources and a close coordination with the national Government. Especially, we work hand in hand with the National Agricultural-Livestock Credit Commission and the Ministry of Agriculture to support the design and implementation of financing

policies, the administration of subsidy and incentive resources, such as: the Special Line of Credit with a subsidized rate, the Rural Capitalization Incentive and the Agricultural-Livestock Insurance Incentive, aimed at strengthening financial inclusion, investment and agricultural-livestock risk management among agricultural-livestock producers.

As we all know and it is well known, Colombia has a national agricultural frontier of 40 million hectares; however, only approximately 30% of the soils within the agricultural frontier produce. Therefore, there is still a vital space for sustainable rural development, for food production and the strengthening of the country's economy. To take advantage of this opportunity, it is fundamental to continue promoting bank financing in the sector, and to address challenges such as: promoting the digitalization of financial services in the rural sector, strengthening guarantee mechanisms to expand financial inclusion, promoting agricultural-livestock risk management by promoting the use





of agricultural-livestock insurance, promoting associativity and the expansion of sustainable financing lines aimed at climate variability and change, while promoting the productive transformation of the country.

2. COULD YOU SHARE WITH US THE RESULTS OF YOUR ACTIVITIES DURING THAT YEAR, ESPECIALLY IN TERMS OF DISBURSEMENT OF CREDITS AND THE IMPACT GENERATED ON LOCAL ECONOMIES?

In 2024, we consolidated a solid operation that boosted the growth of agricultural and rural credit, strengthening Finagro's role as a key player in the country's productive transformation. Through the different financial intermediaries of the National Agricultural-Livestock Credit System (SNCA), \$39 billion pesos were placed, which represented a real growth of approximately 50% compared to 2023. Fulfilling and exceeding the goal of the Credit

Indicative Plan defined by the National Agricultural-Livestock Credit Commission (CNCA), we reached 155% compliance.

These resources benefited more than 302,000 agricultural-livestock producers, between individuals and entities, including 76,000 beneficiaries who accessed a loan under development conditions for the first time. This financing has promoted the development of key production chains, improving productivity, financial inclusion and generating employment in the rural sector.

As proof of the above, and despite the climate challenges associated with the El Niño phenomenon at the beginning of the year and La Niña in its final phase, the financing of the agricultural-livestock sector stands out as one of the important factors that allowed an outstanding growth of the sector of around 8.9% (DANE data), which was mainly driven by a coffee bonanza with an increase of 17.9%. This performance was due to

a 23% increase in production and an 88% increase in coffee prices.

Other key subsectors, such as agriculture and livestock, also showed significant economic growth, favored by increased exports of beef, Tahiti lime, avocado, cacao and flowers. In the agri-food and agro-industrial sectors, growth was 4.9% and 3.5%, respectively, reflecting the resilience and dynamism of the sector.

The participation of agriculture in the national GDP reached 9.9%, and when including the transformation of food and other industrial subsectors, the agro-industrial GDP represented 14.6%, with a value of \$166.2 billion in current values.

For its part, the sector's foreign trade closed with a positive trade balance, boasting a growth of 20.6% in exports and a reduction of 10.4% in imports. Coffee, flowers, bananas, palm oil and Hass avocado were the main exported products, consolidating their relevance in international markets.

We also continued to drive food production, with disbursements that amounted to \$10 billion in 2024. This allows us to continue betting on a country with Zero Hunger and on the goal of turning Colombia into an agri-food power.

3. IN THE CONTEXT OF THE CHANGING NEEDS OF THE AGRICULTURAL-LIVESTOCK SECTOR, DOES FINAGRO CONTEMPLATE UPDATING ITS MISSION, VISION OR STRATEGIC PLAN? WHAT KIND OF INSTITUTION DO YOU ASPIRE TO BE IN THE COMING YEARS?

Finagro has an Institutional Strategic Plan for this four-year period, which ends in 2026, and includes the guidelines of the presidential Government and the current National Development Plan. Therefore, for this four-year period, our current Institutional Plan is structured in such a way that Finagro has assumed a more strategic role as a Development Bank for the financing of the agricultural-livestock sector, with the purpose of promoting a positive dynamic in the distribution of development credit.

Its focus has not been limited to guaranteeing the availability of resources for the financial institutions that make up the SNCA, but also seeks to participate more effectively in directing credit towards the major objectives of the sectoral policy and the objectives of the national plan for this four-year period, aligning with the development goals established by the current Government.

The National Development Plan 2022-2026 establishes three key elements to transform the relationship of society with the environment and to promote a productive model aligned with nature. These transformations have the territory as their starting

point, with a focus on management around water that promotes a decarbonized, biodiversity-based and inclusive economy.

In this framework, the three fundamental elements that guide the Government's plan are, first, the Management of the Territory Around Water; second, the transformation of productive structures, substituting carbon-intensive models with clean and biodiverse economies, and third, sustainability, which must be accompanied by equity and inclusion as a principle.

In line with these objectives, during 2024 Finagro has been reinforcing its institutional mission, promoting development credit as a tool to improve productivity and modernize territorial production systems, integrating environmental sustainability criteria and contributing to the decarbonization of agriculture.

This is how the instruments and products that Finagro has implemented during 2024 have been aligned with the aforementioned government strategies, in factors such as: a) financing to ensure food sovereignty and zero hunger; b) the democratization of credit for agricultural-livestock development; c)

the establishment of instruments for the inclusion of the Popular Economy; (d) the establishment of instruments for agrarian reform; e) the promotion of financial schemes for knowledge- and innovation-intensive agricultural-livestock and agro-industrial chains; f) promotion of financing schemes for Colombia, an agri-food power based on new territorial opportunities; g) financing for adaptation to climate change and decarbonization of agriculture, and h) green financing for agroecology, bioinputs and bioproducts, among other factors.

We want to continue laying the foundations to consolidate Finagro as a more agile, sustainable entity aligned with the needs of the sector, which continues to innovate and strengthen access to sustainable financing, promoting rural development, equity and productive transformation in Colombia.

4. WHAT IMPACT HAVE THESE INITIATIVES HAD IN 2024, AND WHAT PLANS DO YOU HAVE TO EXPAND THEIR REACH AND GUARANTEE THAT RURAL PRODUCERS ADOPT MORE SUSTAINABLE PRACTICES?

Sustainability has been a cross-cutting axis in our management. In



this regard, Finagro reaffirmed its commitment as a strategic actor in the decarbonization of agriculture. As a reflection of this, at the end of 2024, we attained a real growth of 14% in the financing for investments with an environmental sustainability approach, going from \$1.837 billion in 2023 to \$2.097 billion in 2024, thus achieving a classification of Finagro's credit destinations with respect to their alignment with sustainable practices, practices of mitigation, adaptation and the criteria defined in the Green Taxonomy of Colombia.

Additionally, through the Productive and Sustainable Transformation Line, which began operations in the second half of 2024, we attained a placement of \$31 billion pesos. By comparison to the financing of these same destinations in 2023, we achieved an increase of 80%, demonstrating the effectiveness of this type of credit lines in promoting sustainable investments.

One of Finagro's main current commitments is to demonstrate that sustainable practices are not only environmentally responsible, but also financially viable. During 2024, we advanced in the development of financial models with an ecosystem approach for the production chains of cacao, coffee, rice, non-timber products, cassava and livestock. These models will provide key information to incentivize the financing of projects with a positive impact on sustainability.

These financial models are an effort that will allow the implementation of a «greening» route in Finagro's credit destinations, promoting actions that minimize impacts on biodiversity and ecosystems. In this context, and in compliance with the commitment to include environmental criteria in

100% of financing instruments by 2026, in 2024 we advanced in the design of the Alert and Monitoring System (SAM). This system, developed on the GeoAgro platform, will allow the management of environmental and social risks in productive projects financed with Finagro resources.

The SAM will allow the actors involved to register the location of their properties through georeferenced coordinates and delimit areas with satellite images. For projects that require further technical support, detailed geographic files will be incorporated. With this information, the platform will carry out an automated analysis and generate reports with the evaluation of environmental and legal risks, as well as recommendations for their mitigation. The design phase of the system was completed in 2024, and its pilot implementation will be accomplished in 2025.

5. WHAT MEASURES HAS FINAGRO IMPLEMENTED TO MAKE CREDIT MORE INCLUSIVE, AND WHAT RESULTS HAVE YOU OBTAINED SO FAR IN THIS REGARD?

In terms of financial inclusion, Finagro is banking on the democratization of agricultural-livestock credit, focusing especially on small producers, both individually and through the different associativity and collective credit schemes. These groups, which have traditionally been excluded from the formal financial system, are our priority. This approach not only seeks to broaden the base of beneficiaries, but also to increase the amounts of financing available, with the objective of strengthening their productive initiatives and reducing dependency on informal credit.

This is how we achieved 106% compliance with the indicative credit

target for small producers set by the CNCA, which was \$5.45 billion of the \$5.15 billion pesos estimated in the Indicative Credit Plan currently in force, represented by 271,782 producers, of which 71,412 producers entered an agricultural-livestock development credit for the first time.

In the same way, Finagro has actively promoted associative schemes and integration initiatives as key strategies to improve access to, and use of, financing for small producers. Through associative and integrative credits, in 2024, in coordination with the CNCA and the Ministry of Agriculture and Rural Development (MADR), we optimized the financing conditions for this type of actors, creating the conditions for simplified associative credit, thus promoting economies of scale and strengthening the competitiveness of the agricultural-livestock sector.

As a result, during 2024, SNCA financial institutions placed \$2.92 billion in 752 credit operations, a real growth of 60% vis-à-vis 2023 and a 234% increase in the number of operations, benefiting more than 27,000 producers. This type of mechanism has expanded the coverage of development credit, improving the allocation of resources and boosting productivity, consolidating the sustainability of the countryside, the development of value chains and their capacity for growth in national and international markets.

6. IN WHAT WAY IS FINAGRO CONTRIBUTING TO STRENGTHENING AGRI-FOOD VALUE CHAINS AND GUARANTEEING THE SUSTAINABILITY OF AGRICULTURAL PRODUCTION?

Agricultural-livestock credit, to a certain extent, has contributed to

increasing the productivity and efficiency of some agricultural-livestock chains in the country, which generate positive increases in agricultural-livestock GDP, boosting, in turn, investment in the sector, the generation of employment and the generation of value for agricultural-livestock products.

As we have already underscored, it is important to mention that of the \$39.4 billion pesos placed between January and December 2024, 81% of this value (\$31.6 billion) was directed to financing the production and transformation link (\$20 and \$11 billion, respectively).

That is to say, we seek to promote agro-industrial projects and models that seek to integrate small and medium-sized producers into value chains. This means that, in addition to financing for productive activities in the field, we offer resources that support the infrastructure and the processing, storage and distribution stages, allowing producers to add value to their production before reaching the market.

In the same way, Finagro has actively promoted associative schemes and integration initiatives as key strategies to improve access to, and the use of, financing for agricultural-livestock production. Through associative and integrative credits, in 2024, in coordination with the CNCA and the MADR, we optimized the financing conditions for this type of actors, creating the conditions for simplified associative credit, promoting economies of scale and strengthening the competitiveness of the agricultural sector.

7. WITH THE INCREASE OF GLOBAL ECONOMIC VULNERABILITIES AND FISCAL CHALLENGES, HOW IS FINAGRO FINANCING ITS



PROGRAMS AND THE GROWING DEMAND FOR CREDIT? WHAT RESOURCE SOURCES HAVE BEEN KEY TO ENSURING THE SUSTAINABILITY OF YOUR OPERATIONS?

It is important to remember that Colombia has the SNCA, created by Law 16 of 1990 and that it also created Finagro, which has allowed the country and public policy in the field of agricultural-livestock financing to have an institutional mechanism or model that has succeeded over time – an intangible that we must preserve – in irrigating credit under conditions of promotion, in soft conditions and constantly every year.

Through the administration of the Agricultural-Livestock Development Titles (TDA), we have succeeded in irrigating year after year very important resources to promote the growth of all agri-food chains, especially those made up of small producers.

Though the needs of Colombian agriculture are very broad, Finagro's resources have been sufficient and adequate to meet the demand in accordance with the requests of financial intermediaries. We believe that as our intermediaries apply for and extend more credit to the agricultural-livestock sector, they can be confident that the financial

structure of the national credit system will always guarantee the necessary resources.

However, we have been working with international cooperation organizations to structure alternative funding sources, aimed at promoting long-term financing and with sustainability criteria, that promote the productive and energy transition in Colombian agriculture, which is how we have been working with entities such as the World Bank, IDB, among other organizations, in pre-feasibility and feasibility analyses to promote and structure funding sources alternatives to those that we currently obtain through TDAs, which allow us, for example, to issue green bonds, or other types of credit lines with deadlines of more than 10 years for strategic investments in the sector.

8. HOW HAS FINAGRO ADAPTED ITS CREDIT LINES AND DEVELOPMENT PROGRAMS TO HELP PRODUCERS MITIGATE RISKS AND ADOPT RESILIENT PRACTICES?

In coordination with the CNCA, the financial conditions of credit lines have been adjusted to promote adaptation to climate change in the agricultural-livestock sector. Currently, the line with the best conditions of Finagro in development credit is the Sustainable



Productive Transformation Line. With this line, as we mentioned previously, we seek to provide resources to materialize the country's potential around sustainable production, financing issues such as adequate water management, practices resilient to climate change, promotion of the forest economy, technical support, among others. At Finagro we are committed to an agriculture that is resilient to climate change, low in emissions production and in harmony with the environment.

For its part, with the support of the MADR, we have been promoting access to, and the use of, agricultural-livestock insurance, as an important tool for risk management for producers. We administer the incentive to the premium of these insurances, where the national Government provides support with up to 95% of the cost of the premium. In 2024, we granted \$120 billion pesos in premium subsidies, thus benefiting more than 88,000 producers in 999 municipalities, ensuring approximately 121,000 hectares, 192,000 poultry, 906 animals and 38,000 productive units through multiactivity.

9. HOW IS FINAGRO WORKING WITH LOCAL GOVERNMENTS AND OTHER INSTITUTIONS TO PROMOTE RURAL DEVELOPMENT IN MORE REMOTE AREAS OF THE COUNTRY?

Territorial entities or local governments have become a strategic ally to promote investment in agriculture, especially to be able to focus strategic investments that correct structural failures in production and marketing, through rural public goods and services. Finagro has designed and structured a line of credit called «Agroterritorial» with which it seeks to grant at the fore of the departments, districts and municipalities, the financing of



projects that contemplate: equipment, machinery and infrastructure for production, transformation or marketing, as well as investment in land adaptation and irrigation, investment in tertiary roads, electrification, among others.

Finagro has defined an agenda with different territorial entities, which it also advises in order to identify the best financing options according to their needs and capacities, and it also provides advice on projects so that they meet credit requirements, in such a way that we facilitate access to this type of credit and encourage investment in this type of goods and services.

10. FINAGRO HAS STRATEGIC RELATIONSHIPS WITH VARIOUS INTERNATIONAL ORGANIZATIONS SUCH AS THE IDB AND CAF. HOW ARE YOU STRENGTHENING THESE PARTNERSHIPS TO MAXIMIZE THE IMPACT OF YOUR PROGRAMS, AND WHAT NEW JOINT PROJECTS MIGHT WE EXPECT IN THE FUTURE?

We are actively working with these and other entities with which we have established strategic alliances

within the framework of technical cooperation, with the objective of promoting projects aimed at modernizing and strengthening our institution. This effort includes the technological and digital transformation of Finagro, as well as the technical strengthening to integrate environmental criteria into our credit lines. Moreover, we are designing and implementing the Environmental and Social Risk Management System (SARAS) and other due diligence processes, promoting the strengthening of financial education, and advancing in the design of our Monitoring and Evaluation System, among other projects. We have also carried out feasibility analyses to structure funding alternatives.

Looking ahead, we can expect Finagro to continue consolidating these alliances, leveraging expertise and specialized technical assistance in order to strengthen our capabilities. In this way, we will seek to consolidate ourselves as an entity that meets the highest corporate standards and become a benchmark for other development entities, multilateral banks and international organizations.