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COLOMBIA

ADDRESSING MIGRATION AND VALUE CHAINS IN THE ARAUCA REGION

(CO-T1639)

DONORS MEMORANDUM

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PROJECT SUMMARY

COLOMBIA

ADDRESSING MIGRATION AND VALUE CHAINS IN THE ARAUCA REGION
(CO-T1639)

The project will help improve the quality of life of at least 1,300 beneficiaries (young people, adults, and women) in the Arauca area in eastern Colombia. At least 50% of them will be Venezuelan migrants, and the remaining 50% will be vulnerable local Colombians (campesino families, displaced persons, and people in the process of reintegration). The objective of the project is to create jobs and opportunities for socioeconomic inclusion, by fostering entrepreneurship through the production of crops known commercially as superfoods (such as cocoa, sachá inchi, and honey), implementing productive technologies proven in the region and traceability for the agriculture sector, and developing skills that improve employment in these chains.

The Arauca border area faces several economic, social, and migratory challenges. First, it is one of the areas in Colombia hardest hit by the armed conflict.¹⁻² Second, it has a high unemployment rate (which has worsened with the pandemic)³ because of informal work, a weak business environment, distance from the country's economic hubs, and a border with little economic activity. Third, Arauca is the area with the second-largest share of Venezuelan migrants as residents. This population faces structural barriers to employment inclusion, because of its lack of knowledge of labor processes and regulations and low educational levels.⁴ Lastly, the agriculture sector, where a significant number of Venezuelan migrants work, has weaknesses in alliance-building, inefficient administrative and financial models, and difficulty establishing sustainable and competitive production systems. These result in low participation in economic activity, low incomes, and a decline in the quality of life of agricultural producers and their families.

The project proposes an innovative approach to address migration and productive issues. Agricultural methodologies and technologies will be implemented to improve productivity and sustainability, strengthen the cocoa value chain by leveraging the area's favorable conditions for this crop, and promote the sachá inchi and honey production chains, considering the growing marketability of these products classified as superfoods. Moreover, successful experiences with training, skills development for employability, and job placement will be leveraged to strengthen the region's human capital and create jobs for Venezuelan migrants.

The most relevant elements of the project are: (i) improving medium-cycle agricultural production by strengthening plant nursery programs, renovating cocoa farms, and

¹ Fundación Ideas para la Paz, *Dinámicas del Conflicto Armado en Arauca y su Impacto Humanitario*, Área de Dinámicas del Conflicto y Negociaciones de Paz, Unidad de Análisis "Siguiendo el Conflicto", number 73, pp. 1-38, 2014, [online]. Available: <https://cdn.ideaspaz.org/media/website/document/53e2ac3725816.pdf>.

² Departmental Land Planning, Universidad de Los Llanos - Gobernación de Arauca, 2016.

³ National Administrative Statistics Department, *Mercado laboral de las ciudades capitales de los departamentos de la Amazonía y Orinoquía y ciudades intermedias*, pp. 1-20, 2019.

⁴ B. J. Sánchez Calderón and L. A. Munevar Avila, *Inclusión laboral para la población migrante proveniente de Venezuela en Colombia*, 2020, [online]. Available: <https://data2.unhcr.org/en/documents/details/82747>.

introducing new or emerging crops such as sachá inchi and honey (superfoods); (ii) strengthening producer groups and cooperatives; and (iii) strengthening the cocoa value chain by coordinating efforts with local and national initiatives to improve the quality and positioning of cocoa from this area, connecting producers with the national market, and establishing a traceability program that allows for better prices and an ongoing supply of products from the area.

The project will directly benefit 1,300 people (including young people, adults, and women), at least 50% of whom are Venezuelan migrants, with the remainder being vulnerable local Colombians (campesino families, displaced persons, and people in the process of reintegration). IDB Lab's contribution will take the form of nonreimbursable technical-cooperation funding.

ANNEXES

Annex I	Results Matrix
Annex II	Budget Summary
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APPENDICES

Proposed resolution

**INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB
PROJECT INFORMATION SYSTEM**

Document 1	Itemized budget
Document 2	Diagnostic Needs Assessment of the Executing Agency (including due diligence and integrity analysis)
Document 3	Project status reports, fulfillment of milestones, and fiduciary agreements
Document 4	Procurement plan
Document 5	Operating Regulations for Innovation

ABBREVIATIONS

CIAT	Centro Internacional de Agricultura Tropical [International Center for Tropical Agriculture]
PEP	Permiso Especial de Permanencia [Special Stay Permit]
PNIS	Programa Nacional Integral de Sustitución de Cultivos Ilícitos [Comprehensive National Program for the Replacement of Illicit Crops]
SENA	Servicio Nacional de Aprendizaje [National Vocational Training Service]

COLOMBIA
ADDRESSING MIGRATION AND VALUE CHAINS IN THE ARAUCA REGION

EXECUTIVE SUMMARY

Country and geographic location:	Colombia, department of Arauca, municipios of Saravena, Fortul, and Arauquita.		
Executing agency:	One Earth Future Foundation Inc., headquartered in the United States with legal representation in Colombia, will be the executing agency, acting through its PASO Colombia Program.		
Focus area:	Climate-smart agriculture		
Coordination with other donors/Bank operations:	The project is aligned with the Sustainable Colombia Fund . Moreover, it was designed in coordination with the Bank's Migration Unit (SCL/MIG) , to align it with its objective of implementing a comprehensive agenda to transform migration challenges into development opportunities for Latin American and Caribbean countries, by using financial and nonfinancial instruments, leveraging investment, and scaling innovative solutions that contribute to the successful integration of migrants into their host communities.		
Project beneficiaries:	The project will have 1,300 direct beneficiaries (young people, adults, and women), at least 50% of them Venezuelan migrants and the remainder vulnerable local Colombians (campesino families, displaced persons, and people in the process of reintegration).		
Financing:	Technical cooperation funding:	US\$930,000	55%
	Investment:	-	
	Loan:	-	
	Other (explain):	-	
	Total IDB Lab contribution:	US\$930,000	
	Counterpart:	US\$776,000	45%
	Cofinancing	-	
	Total project budget:	US\$1,706,000	100%
Execution and disbursement period:	36 months for execution and 42 months for the last disbursement.		
Special contractual conditions:	Conditions precedent to the first disbursement: (a) a signed agreement with at least one association participating in the project; and (b) the appointment of the project coordinator.		
Environmental and social impact review:	Pursuant to the IDB's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project was screened and classified on 19 August 2021. Given the limited impacts and risks, it is proposed that this be classified as a category "C" operation.		
Unit responsible for disbursement:	IDB Country Office in Colombia (CCO)		

I. THE PROBLEM

A. Context and description of the problem

- 1.1 The department of Arauca, which was declared free of coca crops in 2019,⁵ is one of the areas hardest hit by the political, social, migratory, and conflict problem that Colombia faces along its border with Venezuela.⁶ Various factors in the department limit job creation, such as a high unemployment rate of more than twice the national rate (27.2% compared to 10.5% for 2019),⁷ extensive labor informality, a weak business environment, few job vacancies, and a border with little economic activity that does not stimulate Arauca's productivity. In the Orinoquía-Amazonía region where Arauca is located, multidimensional poverty rates are 30.0% for the entire region, 20.2% for municipal seats, and 42.8% for population centers and dispersed rural areas.⁸
- 1.2 In addition, Arauca is one of Colombia's territories with a significant share of Venezuelan migrants who are seeking opportunities for jobs, housing, and economic and social development in the country. The various problems affecting this area hinder the sustainable development of productive and commercial activities. This department is very isolated from large urban centers that offer more opportunities to establish formal marketing channels, and its products are less competitive because of high transportation costs.
- 1.3 Arauca's rural population, identified as agricultural producers, struggles with alliance-building, lacks knowledge of efficient administrative and financial models, and faces difficulties in establishing productive and commercial systems. These are some of the barriers to increased participation in local, regional, national, and international commercial activities, which is reflected in the low income levels and, naturally, the quality of life of every producer and their family.
- 1.4 According to data from Migración Colombia, as of 31 January 2021, 44,851 Venezuelan citizens are in Arauca, making it the department with the second-largest resident population of Venezuelans compared to its total population, specifically for the municipios of Arauca (22,113) and Saravena (12,114), where 70% of these residents live. Almost 14,000 Venezuelans (31%) have a Special Stay Permit (PEP) (51% of them are women and 35% young people). This authorizes them to perform any legal activity or occupation in Colombia and access public services for health care, education, and childcare. However, a large majority of them are unable to find opportunities for economic inclusion in local and national markets, and end up begging or facing labor exploitation, abuse, and violations of their rights.

⁵ United Nations Office on Drugs and Crime, *Informe Simci de las Naciones Unidas contra la droga y el delito 2019*. 2020.

⁶ Pardo, Daniel, *Crisis en Apure y Arauca: 5 claves para entender la escalada de violencia en "la otra frontera" entre Colombia y Venezuela*, BBC News. <https://www.bbc.com/mundo/noticias-america-latina-56645187>.

⁷ Ibid.

⁸ National Administrative Statistics Department: Boletín Técnico Pobreza Multidimensional Departamental. December 2020.

- 1.5 Strengthening lawful economies with high capacity for job creation is crucial in Arauca to generate viable economic alternatives for local and migrant populations. The Comprehensive National Program for the Replacement of Illicit Crops (PNIS) has promoted the strengthening of the cocoa production chain in the region, based on growing global demand for cocoa,⁹ high consumption of cocoa in the domestic market, and favorable conditions for this crop in the area. Arauca is the third-leading cocoa producer nationwide,¹⁰ with 76,000 hectares cultivated. Along with livestock, agriculture is the top productive sector in the department. Arauca's cocoa has received international awards for its quality.¹¹ While Arauca is the department with the highest yield in cocoa production per hectare in Colombia,¹² the sector is performing below its production capacity: it produces 400 kilograms of cocoa per hectare, with a potential for 2,000 kilograms per hectare. The sector's regional and national productivity issues stem largely from technical problems involving the amount of cadmium in crops, and the focus of the government and other stakeholders on expanding the production volume and, to a lesser extent, on the introduction of new technologies, innovation, improved post-harvest handling, new product development, strengthening of producer organizations, and exploration of new market niches.
- 1.6 In addition to cocoa, other nontraditional products such as sachá inchi and honey also have high potential in Arauca and are still emerging in the region. As a result of the area's agroclimatic characteristics, growing domestic and international demand for both products—considered commercially as superfoods—and the wide variety of derivative products, sachá inchi and honey are viable economic alternatives.¹³ They also generate positive externalities in terms of job creation and environmental conservation because of beekeeping. In the past five years, sachá inchi cultivation and apiculture have expanded in the department of Arauca. Associations of sachá inchi producers have been established and infrastructure has been developed to produce derivative products, particularly oil, cakes, and sweets. A short-cycle crop, sachá inchi commands high international prices and offers significant capacity for job creation. Yet, despite its potential in the department, commercialization issues and reliance on a single purchaser have

⁹ In 2018/2019, 4.7 million tons of cocoa were produced globally. A 1.7% increase was projected for 2019/2020, which is below the projected growth in demand. [23]

¹⁰ FINAGRO, *Inteligencia de mercado: Cacao*, Finagro, vol. II, p. 16, 2018, [online]. Available: https://www.finagro.com.co/sites/default/files/node/basic-page/files/ficha_cacao_version_ii.pdf.

¹¹ In the past two decades, the country's cocoa production has grown significantly. From 2008 to 2018, it grew 62%. In 2020, it reached a record of 63,416 tons, of which Arauca produces 8%. Arauca's cocoa production has a yield of 0.66 tons per hectare, surpassing the national average of 0.45 tons per hectare and positioning it as the department with the highest yield per hectare. In addition, its cocoa received awards from the International Cocoa Organization (ICCO) in 2010 and 2011 for the best cup. [11]

¹² Ministry of Agriculture and Rural Development, *Cadena de Cacao*, Department of Agricultural and Forestry Chains, 2020, [online]. Available: https://sioc.minagricultura.gov.co/Cacao/Documentos/2020-03-31_Cifras_Sectoriales.pdf.

¹³ Ministry of Agriculture and Rural Development, *Análisis de la Cadena de Sachá Inchi*, 2019. doi: 10.17533/udea.le.n52a4904. Ministry of Agriculture and Rural Development, *Cadena Abejas y Apicultura. Tercer trimestre 2019*, p. 24, 2019, [online]. Available: https://sioc.minagricultura.gov.co/Apicola/Documentos/2019-03-30_Cifras_sectoriales.pdf.

resulted in reduced growth for this agricultural crop. Meanwhile, honey production is still in its early stages.

- 1.7 Therefore, innovation and strengthening of high-potential regional production chains offer an opportunity to revive farming economies in an area hard hit by the armed conflict, implement sustainable production systems, and ensure the socioeconomic inclusion of Venezuelan migrants.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 The objective of the project is to create opportunities for socioeconomic inclusion and employment for vulnerable local populations and Venezuelan migrants living in the Arauca area by strengthening the department's production chains. This includes showing real increases in the income levels of producers and their families through improvements in productivity, resilience, and market position for existing crops, mainly cocoa; introducing new crops with broad market potential, such as sachu inchi and honey (superfoods); strengthening producer associations and cooperatives; and helping Venezuelan migrants and women develop skills in order to improve their employability and connect them with employers. The project intends to impact 1,300 beneficiaries (young people, adults, and women), at least 50% of them Venezuelan migrants and the remaining 50% vulnerable local Colombians (campesino families, displaced persons, and people in the process of reintegration).
- 2.2 The project is based on the inclusion of Venezuelan migrants in the area's production chains, which is an **innovative social approach** to respond to the migration issues that the country faces. Moreover, the project will use methodologies and technologies proven in the area, such as traceability initiatives for the agriculture sector, which allow for better quality and prices and an ongoing supply of products from the area, as well as experiences from bootcamps on training issues for vulnerable populations. The project also features an important social innovation component based on the extensive experience of the executing agency in strengthening human and relational capital. This entity will leverage existing alliance-building processes, promote cross-sector partnerships, and connect producers with domestic and international market opportunities. It will also coordinate efforts with regional and national actors to improve the quality, sustainability, and market position of the area's production chains for products such as cocoa, sachu inchi, and honey.
- 2.3 The most relevant elements of the project are: (i) improving medium-cycle agricultural production by strengthening plant nursery programs, renovating cocoa farms, and introducing new or emerging crops such as sachu inchi and honey (superfoods); (ii) strengthening producer groups and cooperatives; and (iii) strengthening the cocoa value chain by coordinating efforts with local and national initiatives to improve the quality and positioning of cocoa from this area, connecting producers with national and international markets, and establishing a traceability program that allows for better quality and prices and an ongoing supply of products from the area.

- 2.4 **Target group:** The project will focus on the department of Arauca in Colombia, specifically the municipios of Saravena, Fortul, and Arauquita. It will benefit 1,300 people, among them local producers, workers, and their families, as well as vulnerable Colombian populations, and Venezuelan migrants, including established agricultural producers, nonproducers, and rural workers.
- 2.5 Many of the producers who will benefit from the project belong to cocoa, sachá inchi, or honey associations or cooperatives located in these municipios. These associations will be selected based on their production capacity, experience in management and administration of agricultural production, regional representativeness, clear commercial productive approach, and legal status. Some of the associations with which conversations have taken place for potential participation in the project include: for cocoa, the Association of Women Entrepreneurs and Cocoa Producers of Sarare (AMECSAR); for sachá inchi, the Association of Sachá Inchi Producers of the Arauca Foothills (AGROCOSECHAS) and the Agricultural Cooperative for Peace (AGROPAZ); and for honey, the Association of Beekeepers and Producers of Native Bees of Arauca (ASOAPIARAUCA), the Association of Beekeepers of the Foothills (APIMEL), the Beehive-Beekeeper Association of the Municipio of Fortul, Department of Arauca (ASOAPIFOR), and the Association for Life and Peace (ASOVIP).
- 2.6 The executing agency, along with the competent authorities, will determine the criteria for selecting beneficiaries from the Venezuelan migrant population, to offer them opportunities and ensure they meet legal and Colombian residency requirements. These are specified in the regularization process through the Special Stay Permit issued by Migración Colombia, which allows migrants to be legally employed and access the Colombian government's social security benefits. Likewise, current or future requirements established by the entity of competent jurisdiction in the region will be considered.

B. Components and activities

- 2.7 **Component 1: Mapping and introduction of new technologies into rural employment (IDB Lab: US\$0; counterpart US\$200,000).** Venezuelan migrants offer human capital that may be very valuable for the area's production chains, as stated in the [recent IDB publication](#) MIGnnovacion. However, they need special support in order to be employed and generate income. For their economic integration, these migrants need support accessing the education, training, and skills development to enable them to join the labor market, particularly for agriculture and commercial crop production. The project will implement good practices with bootcamp-style training or "ready to work" models, with a focus on: (i) intense and rapid skills training; (ii) an experiential learning approach and connections with employers; and (iii) curriculums based on and continuously adapted to the demand from employers in the region.
- 2.8 The project will place special emphasis on the inclusion of women and young people, who have higher unemployment rates regionally and nationwide. To achieve the objective of this component, the executing agency One Earth Future Foundation and its local partners will undertake the following activities: (i) **Identification and regularization.** The project's beneficiaries will be identified and invited to participate in a registration and selection process based on previously established criteria. Also, the Venezuelan migrant population will

receive support in the regularization process through the Special Stay Permit issued by Migración Colombia, which allows migrants to be legally employed and access the Colombian government's social security benefits.

- 2.9 (ii) **Training.** The project will identify the workforce needs of the priority productive sectors and develop training processes for local citizens and Venezuelan migrant beneficiaries. The project will also establish employment relationships for the trained population through new jobs created during the activities resulting from the strengthening of priority production chains. Other job-placement mechanisms will be used, such as direct networking with trade associations and farms for the people trained. One Earth Future Foundation will work closely with public sector initiatives, such as the National Vocational Training Service (SENA), the Public Employment Service, and local mayors' offices, as well as with the private sector and local organizations, in order to coordinate skill-building efforts, enable access to resources, and tailor methodologies to the profiles of migrants. The aim here is to demonstrate that contributions from cooperation institutions, international organizations, and public entities can incentivize entry into conflict areas at scale.
- 2.10 This component will be carried out in coordination and concurrently with Component 2, with a particular emphasis on implementing bootcamp-style training methodologies or "ready to work" models, which use curricula based on employer demand. These are intended to improve the employability and income-generation capacity of project beneficiaries, especially Venezuelan migrants, women, and young people, specifically within the priority production chains of cocoa, sachá inchi, and honey.
- 2.11 The outcomes of this component will be: (i) 850 people trained in cocoa production; (ii) 75 people trained in production and processing of sachá inchi; (iii) 75 people trained in honey production; and (iv) 30 people trained in sales.
- 2.12 **Component 2: Innovations in the priority value chains in the region (IDB Lab: US\$583,600; counterpart: US\$271,300).** The project will work with existing local producer groups and their families. The approach will be to strengthen medium-cycle agricultural production, which includes: (i) renovating cocoa farms and consolidating the sector's competitive advantages in the area; (ii) developing new mass-consumption food products made from sachá inchi and diversifying purchasers; and (iii) expanding and increasing the productivity of honey production.
- 2.13 **With respect to cocoa,** the project will work on strengthening the value chain, preparing a strategic diagnostic assessment of the sector to include strategic actions that consolidate the sector's competitive advantages and address the gaps or problems identified. For this, a consultant specialized in cocoa will be hired, who will also develop training processes with producers, associations, mayors' offices, and other key stakeholders at the regional level. The project will also coordinate with existing initiatives in the country aimed at the sustainable production of cocoa. The focus on cocoa comes not only from its strong impact on job creation and market opportunities, but also its importance in climate change adaptation processes for the area's producers. Cocoa has the following environmental advantages in the project area: (i) increasing ground coverage, shade, and forest diversity; (ii) increasing oxygen production in the area; (iii) increasing soil nutrients; (iv) conserving water resources and the area's native wildlife; (v) improving the

microclimate for the area's population; and (vi) decreasing soil erosion and preserving soil moisture. The project also includes close cooperation with research organizations such as the International Center for Tropical Agriculture (CIAT) and other cocoa development programs in Colombia aimed at finding solutions to the cadmium issue.¹⁴

- 2.14 In addition, the workdays to renovate crops will be based on the cycles of cocoa. This includes pruning, fertilization, and grafting activities, for which Venezuelan migrants trained through the project (Component 1) will be employed by the producers benefitting from this operation. The executing agency will hire experts to plan and support these workdays and will facilitate logistics and supply procurement processes. An innovative element of this process is the digitalization of activities under this component, to be able to lay the foundation for more dynamic management that can be used subsequently for predictive and supply models. This will take place at the association or cooperative level through the elements to be presented under Component 3.
- 2.15 In addition, the project will strengthen the marketing, alliance-building, and innovation capacities of local producer groups. The project will work closely with associations to identify national and international purchasers and obtain better sales prices for cocoa by developing and introducing into the market a “seal of inclusion” for the cocoa marketed by these associations, generating an economic stimulus for participating producers. A georeferenced traceability system will also be implemented. This system will record cocoa production in the area and identify the areas where cadmium is prevalent, which will help focus technical assistance, coordinate the chain, and facilitate the commercialization process. The project will support the positioning of cocoa from Arauca domestically and internationally, including strategies to increase the levels of private investment in the sector together with anchor companies that purchase cocoa from the area.¹⁵
- 2.16 With respect to the **sacha inchi production chain**, the project will focus on diversifying its derivative products and markets. Food engineers specialized in preparing foods made from sacha inchi will be hired. A market analysis will be conducted to identify opportunities for these to become mass-consumption products sold in larger regional and domestic markets, such as institutions and schools. The project will work with the associations to diversify the universe of purchasers in sectors such as health care, sweets, and domestic exporters of sacha inchi products. After market opportunities for these products are identified, the project will work with associations that have experience growing, processing, and commercializing sacha inchi. This work will include recovering and expanding the area's crops, adopting good agricultural practices, implementing strategies to increase production scale, manufacturing products, developing agricultural

¹⁴ The work proposed to address the cadmium issue includes standardizing the terminology and methodologies for cadmium detection; aligning the thresholds for measurement of cadmium concentration in soil and cocoa beans; collaborating with the territorial mapping of cadmium concentration in soil and beans; providing the region with laboratory-based results on soil dressing and macronutrients; and continuing to explore bio and phytoremediation. Moreover, there will be coordination for any existing progress in identifying genetic material that absorbs less cadmium.

¹⁵ Purdue University and CIAT, “Cacao for Peace,” 2020.

ventures, and increasing sales volume. Work with these associations will be done in advance to identify their capacity and commitment to hire Venezuelan workers.

- 2.17 In terms of the **honey production chain**, the project will provide training and technical assistance, establish a facility to build beehives, and promote the development of local species and related products and services. The project will offer training in beekeeping to local and Venezuelan migrant populations. A facility will also be established to build at least 500 beehives, in order to use practical methodologies in training processes, reduce the cost of establishing apiaries, and leave installed capacity to propagate honey production and the use of bees for pollination in the area. Individuals trained in beekeeping will use beehives to establish family businesses to produce honey and its derivatives and for pollination. Moreover, the project will strengthen local beekeeper cooperatives by increasing the number of trained members and by consolidating family beekeeping businesses and market development. The production of honey in the area will provide the following environmental and climate change adaptation benefits: (i) balancing the environment and promoting ecosystems and biodiversity; (ii) supporting the fertilization and reproduction of local trees and plants with fruits and flowers; and (iii) pollinating fruits and vegetables in the area that depend on this process for adequate yields.
- 2.18 This component will finance the following activities: hiring consultants for the strategic diagnostic assessment of the cocoa sector and market analysis to introduce products made from sachá inchi; providing practical training to producers and farm workers (locals and Venezuelan migrants trained under the project); providing technical assistance; strengthening alliance-building structures by expanding capacities to stock, digitalize, process, commercialize, and develop products made from sachá inchi; and establishing beehives.
- 2.19 The outcomes of this component include: (i) increasing by 27% the cocoa and sachá inchi farms that renovate their crops; (ii) taking action on 280 hectares to increase cocoa productivity; (iii) providing certification from One Earth Future Foundation to 59 farms for employment of Venezuelan women migrants; (iv) increasing by 50% the production volume of sachá inchi from the associations participating in the project; (v) improving 25 hectares of sachá inchi; (vi) planting 25 hectares of sachá inchi; and (vii) establishing 1,600 new beehives. The component will benefit approximately 300 producers of cocoa, sachá inchi, or honey.
- 2.20 **Component 3: Innovation and traceability of trade (IDB Lab: US\$318,400; counterpart US\$8,900).** The project will provide technical assistance for market development and work with producer associations and key local and regional stakeholders to define strategic axes for trade and identify and/or generate competitive advantages for the priority chains, aimed for example at brand development and differentiation of regional products.
- 2.21 The executing agency will contract a consultant specialized in market analysis for the cocoa and sachá inchi sectors (mentioned under Component 2), who will provide relevant information to connect supply and demand for these products and develop production systems that respond to demand needs. Moreover, the agency will establish a commercial agreement between at least one end purchaser and cocoa producer organizations participating in the project and committed to creating

- jobs for Venezuelan migrants under the “seal of inclusion.” This agreement will provide an incentive for producers through sale prices above the spot market price. Locals and Venezuelans will be trained in market development and sales processes. These market creators will be trained in planning supply conditions with producers; studying prices and trends; establishing databases for purchasers, particularly for *sacha inchi* and honey; identifying niche markets; participating in fairs, business roundtables, markets, events, etc.; working with financial institutions; building relationships with purchasers; ensuring quality conditions; working on procurement, stock, and logistics; and working on operational compliance, health records, etc.
- 2.22 The project will prepare communication strategies, using videos, social media, and the media to target the general population, small and large businesses, and investors, and to promote the employment inclusion of Venezuelan migrants as an opportunity to develop broad economic sectors in Colombia and foster investment in priority chains. The project will seek to involve the two most important cocoa companies in the region and the country, Nutresa and Casa Luker, to analyze the potential for them to play a significant role in the commercialization of cocoa from the region.
- 2.23 The following activities will be financed under this component: training local people in market development and sales; consulting with and training local cooperatives on market development, sales processes, and agricultural product intermediation; creating communication materials; and implementing communication strategies. In addition, the project will provide cooperatives with a cocoa innovation fund to expand the commercialization capacity for high-value cocoa and implement a digitalized logistics mechanism for stocking at local associations. This nonreimbursable innovation fund will also improve administration of the existing infrastructure of laboratories and stock warehouses for the associations and lay the foundation for a digital traceability mechanism for cocoa.
- 2.24 The project will also include two consulting assignments to build the management capacity of the cooperatives, using digital tools that are already available in Colombia provided by several developers. The first will involve traceability and data management throughout the cocoa chain, in order to: (i) capture farm-level data on current and estimated production; (ii) capture stock-level data to control and set quality standards and origin; and (iii) capture commercialization-level data, providing information on sales, volume, destination, and associated costs. The second under this component will develop one or two applications to generate and visualize data at a decision-making level for leaders of cooperatives. This visualization, or the dashboards, will be based on the information and data generated by the traceability process and field data capture. These two assignments will be conducted in parallel, to obtain results by the second year of the project.
- 2.25 Lastly, the project will finance a consultant specialized in agricultural business and commercialization, who will use the work carried out and the tools developed in order to implement a marketing strategy that may include: (i) the development of a second-tier cooperative; (ii) the improvement and professionalization of existing cooperatives with respect to their ability to manage exports and sales with higher value added; (iii) the development of a consolidated sales program with more

emphasis on the value of the origin of the cocoa; and/or (iv) the consolidation of a company to manage these elements and with broad participation from producer groups and cooperatives. This consulting assignment will leverage extensive experience in Colombia and the region with specialized cooperatives and IDB Lab projects, with respect to management and support of agricultural producer cooperatives.¹⁶ Part of the financing for this assignment includes expenditures associated with the transfer of knowledge generated to benefit producer groups in Arauca.

- 2.26 The outcomes of this component will be: (i) to increase by 70% the volume of cocoa sold at above-market prices by the cooperatives participating in the project; (ii) to increase by 50% the sales volume for the cooperatives participating in the project through the marketing cooperative; (iii) to increase by 10% the revenue from sales of cocoa products; (iv) to increase by 50% the sales of sachá inchi; (v) to increase by 10% the sales of sachá inchi derivative products; and (vi) to achieve a sales volume of 14,400 liters of honey in the three years of project implementation.

C. Measurement, monitoring, and evaluation

- 2.27 Project indicators are tailored to the Bank's Corporate Results Framework and climate-smart agriculture indicators. The project is expected to create 1,077 new jobs in the production chains for cocoa, sachá inchi, and honey (900 in production and 177 in processing), of which at least 48% (520) will be filled by Venezuelan migrants. The project will have an impact on educating human talent in the region, training 1,300 people (local and migrant populations) to carry out cocoa, sachá inchi, honey, and sales activities, and other tasks that emerge during implementation. It will improve the incomes of at least 860 families of producers in these sectors.
- 2.28 **Monitoring and evaluation system.** One Earth Future Foundation, which has its own methodology to receive and monitor the projects associated with its program, will be responsible for monitoring and supervision. The indicators to be monitored are in the logical framework matrix, as well as inclusion indicators to ensure the participation of migrants and women. The information will be collected through the cooperatives participating in the project. Various sources will be used for verification, such as training rosters, payroll payment slips prepared by beneficiary producers, and sales invoices from the associations and/or marketing cooperatives. A baseline will also be established at the start of the project to identify progress for the key indicators defined.
- 2.29 As part of IDB Lab's project supervision model, resources will be allocated for a project results evaluation, if IDB Lab determines that there are needs for lessons learned, sustainability, and scaling.
- 2.30 **Evaluations and knowledge agenda.** Project evaluations will be based on needs with respect to implementation, challenges, and outcomes achieved,

¹⁶ Including the projects Highly Diversified Agroforestry Model for Coffee in Nicaragua (NI-T1231 and NI-L1142) and Smart Cocoa Production (NI-T1274).

prioritizing the model's effectiveness and its replicability in terms of strengthening agricultural production models to ensure the socioeconomic inclusion of a migrant population.

- 2.31 The project could contribute to the key knowledge questions defined in the thematic paper Climate-Smart Agriculture through its aim to test innovations in business models and technologies with the greatest potential to benefit people and the environment. These questions include: (i) Was the project effective and to what extent were the outcomes achieved? (ii) How to scale innovation in an inclusive manner in the value chain? Data and information will continue to transform agricultural supply chains and will increasingly become part of the small producer's reality. (iii) What mechanisms can accelerate adoption of technology among excluded and vulnerable groups? One of the most useful developments in economics over the past two decades has been a better understanding of how humans integrate information in decision-making. These advances in behavioral economics hold specific significance in agriculture for the adoption of technologies that can improve the lives of people. (iv) What are the greatest limitations to addressing gender and diversity gaps? One of the most pervasive challenges in agriculture is the gender gap, where women are at a disadvantage in access to finance, land titles, productive inputs, and networks.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND RISKS

A. Alignment with the IDB Group

- 3.1 The project is aligned with the Bank's Vision 2025, by promoting *technology and innovation and resource mobilization aimed at small and medium-sized enterprises; targeting the region's vulnerable populations;* and addressing crosscutting issues such as *gender equality and diversity and inclusion* by empowering women and fostering economic growth, as well as *climate change and environmental sustainability*. Moreover, it is aligned with the "Agriculture Sector Framework Document" and the IDB Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy.
- 3.2 It is also aligned with the **IDB Group Country Strategy with Colombia (2019-2022)** (currently in effect), under the special focus and dialogue areas of *economic productivity and social mobility and consolidation of the middle class*, by considering the crosscutting themes of *gender, climate change, and immigration* as a new challenge. In the context of the country diagnostic assessment currently in execution, the project is aligned in the following areas: (i) promoting and developing innovation by fostering private investment in rural areas, incorporating climate-smart agricultural practices, and improving the access and participation of the productive sector in local markets and global value chains; (ii) developing human capital by prioritizing vulnerable populations; and (iii) strengthening local innovation and entrepreneurship ecosystems. With respect to the crosscutting theme of immigration, the project contributes to the design of strategies for integrating immigrants and sociocultural inclusion, particularly in schools in rural or border areas; formalization, employment, and entrepreneurship, through programs to train and certify human capital, integrating the immigrant population; and strengthening companies for international

expansion through business development, with a special emphasis on enterprises led by women and those integrating the immigrant population.

- 3.3 The project responds to the **IDB Lab priority area of climate-smart agriculture**, addressing two specific thematic challenges. The first is to increase the incomes, sustainability, and climate resilience of small agricultural producers, and the second to regenerate the environment and mitigate climate change.
- 3.4 The project will also coordinate with and use the lessons learned by participants in the Sustainable Agriculture, Food, and Environment (SAFE) Platform, a regional IDB Lab project (RG-M1269) in execution. This platform is intended to coordinate efforts in the coffee and cocoa sectors with leading global enterprises as partners and to exchange knowledge, experiences, and lessons learned with the most important projects and initiatives in the region.
- 3.5 For this project's design, comprehensive work was undertaken with the Bank's Migration Unit, linked to the portfolio and lessons learned from projects identified through the Better Together Challenge, driven by IDB Lab in partnership with the United States Agency for International Development. One example is Remittances and Savings for Financial Inclusion of Venezuelan Migrants (ATN/ME-18435-CO). IDB Lab will also leverage this proposal with its work with CIAT on a rice project (ATN/ME-17001-CO), to ensure collaboration in Arauca. Moreover, it will coordinate with the Sustainable Colombia Fund projects in the region. The Fund's specialist is part of the team for this project.

B. Scalability

- 3.6 The project will work with 1,300 beneficiaries (at least 50% of them Venezuelan migrants) in the municipios of Saravena, Arauquita, and Fortul. Project outcomes can be scaled by the producer associations strengthened with the project, within a strategy to replicate and obtain additional resources from government programs or international cooperation.
- 3.7 Given the extensive experience of One Earth Future Foundation with the development of a model for rural alternative schools¹⁷ and the presence of this program in 20 additional municipios in Colombia, including programs located along the border with Venezuela, the socioeconomic inclusion component for Venezuelan migrants can be replicated with other new or existing programs of One Earth Future Foundation. Otherwise, new programs focused on this population can be developed.
- 3.8 Increased financing for projects that strengthen the agriculture sector, and particularly the cocoa sector, is a clear opportunity for this operation's scalability. These are projects developed by national and regional governments

¹⁷ Rural alternative schools are educational and productive collaboration platforms in which public, private, and social capital converge to promote sustainable rural development. With support from its partner network, PASO Colombia has established 22 of these schools throughout the country in the past two years. In these schools, campesino communities, excombatants being reintegrated, victims of the armed conflict, Venezuelan migrants, families who have voluntarily replaced illicit crops, private companies, public entities, nongovernmental organizations, and international organizations cooperate.

(SGR Cacao Arauca),¹⁸ private companies (sustainable supply models from companies such as Luker Chocolate,¹⁹ Compañía Nacional de Chocolates–Nutresa,²⁰ and Cacao Hunters), and the international development sector (United States Agency for International Development and United States Department of Agriculture).²¹ Therefore, during the initial stage of execution, coordination will take place with sector development projects also in execution. The project will work directly with 300 agricultural producers, and through these coordination, replication, and dissemination efforts, it is expected to scale to at least 1,500 additional producers in the area.

C. External risks

- 3.9 The main project risks identified are: (i) a deterioration of the business climate because of the public health crisis caused by the pandemic and the sociopolitical crises that the country faces; (ii) climate variability and extreme natural events; and (iii) the public security situation and intensification of the armed conflict in the area.
- 3.10 Mitigating factors for these risks focus on the executing agency's relational capacity, in order to ensure commitments from local and national partner entities that facilitate the project's operation and business management, and the Foundation's extensive experience working in conflict and post-conflict areas.
- 3.11 In addition, the practices, technologies to be piloted, and methodologies to develop the capacities of individuals and associations participating in the project will enable access to information and management systems for risks regarding production (diseases, ripening process, harvest), climate, pricing, and market stability. Therefore, mitigation and action plans can be prepared.

IV. INSTRUMENT AND PROPOSED BUDGET

- 4.1 The project has a total cost of US\$1,706,000, of which US\$930,000 (55%) will be provided by IDB Lab as nonreimbursable technical-cooperation funding. Counterpart financing of US\$776,000 (45%) will be provided by One Earth Future Foundation, from its own resources and/or other project partners. For the counterpart contribution, 35% will be in cash and 65% in kind.
- 4.2 IDB Lab's resources will be leveraged with resources from PASO Colombia to benefit the project's 1,300 participants.

¹⁸ Agrosavia, *Con el cacao, AGROSAVIA vuelve al departamento de Arauca*. <https://www.agrosavia.co/noticias/con-el-cacao-agrosavia-vuelve-al-departamento-de-arauca>.

¹⁹ Luker Chocolate, *El sueño de chocolate - Informe de sostenibilidad*, 2019. <https://www.thechocolatedream.com/>.

²⁰ Compañía Nacional de Chocolates, *Fomento Cacaotero*, 2021, [online]. Available: <https://chocolates.com.co/compromiso-con-el-sector-cacaotero/>.

²¹ Purdue University and CIAT, *Cacao for Peace*, 2020.

Item	IDB Lab	Counterpart	Total	%
Component 1: Mapping and introduction of new technologies into rural employment	-	200,000	200,000	12%
Component 2: Innovations in the priority value chains in the area	583,600	271,300	854,900	50%
2.1 Cocoa	342,000	263,300	605,300	
2.2 Sacha inchi	110,600	7,000	117,600	
2.3 Beekeeping	131,000	1,000	132,000	
Component 3: Innovation and traceability of trade	318,400	8,900	327,300	19%
Project administration	28,000	295,800	323,800	19%
Total	930,000	776,000	1,706,000	100%
Percentage of total	55%	45%	100%	

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 The executing agency will be One Earth Future Foundation Inc.,²² which established its PASO Colombia Program in the country in 2015. This Foundation leverages local intelligence and resources from remote rural communities, connecting them domestically and internationally with institutional knowledge, capital, and markets. It seeks to transform the traditional rationale for assistance, turning rural communities affected by conflict into engines of sustainable development in their territories.
- 5.2 PASO Colombia undertakes various programs to support the strengthening of communities impacted by conflict. Its noteworthy programs include: training in social and productive skills and providing temporary economic assistance to families who voluntarily replaced illicit crops; developing productive alliances to strengthen the productive projects of communities of excombatants in the process of reintegration; and the rural alternative schools program. These schools are platforms for productive and educational transformation and multisector collaboration, serving vulnerable rural populations, victims of the armed conflict, the demobilized, families who voluntarily replaced illicit crops, and Venezuelan migrants.
- 5.3 Subsequent to the signing of the peace agreement in 2016, 22 alternative rural schools have been operating in Colombia, in locations hard hit by the armed conflict. These schools have created 2,370 jobs through a direct program and

²² One Earth Future Foundation is an incubator of innovative peacebuilding programs founded in the United States in 2010. It designs, tests, and partners to scale programs that work hand-in-hand with those most affected by conflict to eliminate the root causes of war.

partner producer associations, and generated US\$11.5 million from trade agreements.²³

- 5.4 One Earth Future Foundation has had a presence in the department of Arauca since 2018 with its PASO Colombia program. In the municipios of Saravena and Arauquita, it has established rural alternative schools, in which excombatants in the process of reintegration, local vulnerable populations, and Venezuelan migrants are part of a collaborative platform to foster productive projects in areas such as renovation of cocoa plants and fruit trees, development of organic fertilizers, planting of sacha inchi and production of derivative products like oil and flour, and farming of subsistence crops. The objective of these schools is to improve the quality of life and income-generation capacity of these communities and revitalize the area's economy. The Foundation has solid local partnerships. Its programs in Arauca connect producer cooperatives, rural schools, and mayors' offices. It has also developed important partnerships with national programs with a local presence, such as the UN Verification Mission, Fedecacao, Aid Live Foundation, Harvest Plus, and Universidad de los Llanos.

B. Structure and implementation mechanism

- 5.5 For project execution, the Foundation, which is legally established in Colombia as a nonprofit civil organization, will form partnerships with local mayors' offices, producer cooperatives, private companies, and the education sector.
- 5.6 The One Earth Future Foundation, through its team in Colombia, and in particular the Arauca territorial team of the PASO Colombia Program, will lead the project. There will be a technical coordinator, who will report operationally to the PASO Colombia coordination group and specifically to the program directors. The project coordination team will also include an administrative technical assistant, an accountant, and the administrative director of the One Earth Future Foundation's PASO Colombia program.
- 5.7 A project coordination team will be established by the organizations and other agencies associated with the project. A common work plan will be prepared with this team, involving stakeholders in production and marketing activities. In addition, common metrics (some included in this document) will be defined to evaluate the project's progress.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the standard IDB Lab arrangements on results-based disbursements and the procurement and financial management policies applicable to the private sector pursuant to the Financial Management Guidelines for IDB-financed Projects (document OP-273-12)²⁴ and the Guidelines for

²³ PASO Colombia, Rural Alternative Schools (ERAs), 2021, [online]. Available: <https://www.pasocolombia.org/rural-alternative-schools>.

²⁴ Link to the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). http://sec.iadb.org/Site/Documents/DOC_Detail.aspx?pSecRegN=GN-2811-1.

Management by Milestones and Financial Supervision for IDB Lab and Social Entrepreneurship Program Technical Cooperation Operations. This is consistent with the results of the Diagnostic Needs Assessment of the Executing Agency, which shows that One Earth Future Foundation has a financial management system that is acceptable to IDB Lab as well as a monitoring and accountability structure for submitting its institutional financial statements to the Bank.

- 6.2 **Project management based on risk and performance.** Under this modality, disbursement amounts for the project will be determined according to the project's liquidity requirements, estimated for a maximum period of six months. IDB Lab and the executing agency will agree on these requirements, which will reflect activities and costs scheduled in the annual planning exercise.
- 6.3 **Disbursements.** The first disbursement will be subject to fulfillment of the conditions precedent, and subsequent disbursements will take place provided that the following two conditions are met: (i) verification from IDB Lab that the milestones have been fulfilled, as agreed upon in the annual plan; and (ii) justification from the executing agency for at least 80% of the advances of funds accrued. If disbursement milestones are not met, the executing agency will present, for the Bank's no objection, an action plan to achieve the milestones. If the action plan is unsuccessful, the Bank may cancel the project's undisbursed balance.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** The information contained in this document will be classified as public upon approval, pursuant to the Bank's Access to Information Policy.²⁵
- 7.2 **Intellectual property.** The project will be conducted using the know-how and methodologies previously developed by the executing agency, which will remain under its ownership. The intellectual property of all the work and results obtained under the project will be the property of the Bank. The Bank will grant the executing agency an irrevocable, global, perpetual, free, and nonexclusive license to use, copy, distribute, reproduce, display, and publicly perform any proprietary product resulting from the project's execution, as well as to develop derivative works.

²⁵ <https://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35167427>.