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## Latin American Climate Resilient Coffee Facility (LATTE)



October 2026

## About the Lab

The Global Innovation Lab for Climate Finance, hosted by the Climate Policy Initiative, identifies, develops, and launches sustainable finance vehicles that can drive billions of dollars into a low-carbon economy. The Lab is an independent, neutral third-party which stress-tests vehicles (design & capital structure, impact framework, implementation plans) to support their development into market-ready solutions.

This Blueprint document is a summary of the analytical results from the rigorous incubation program. The Lab aims to inform the market on the structures and concepts that have been designed to enable innovation to cross-pollinate, implementation to scale, and partnerships to form.

The authors of this blueprint are Benjamin Thomas, Gerardo Ampudia and Maria Ruiz Sierra. Publication date October 2026.

The concept has been proposed and is currently under development by Roel Messie, Barbara Visser, Evgenia Sokolova, Liesbeth Kamphuis, Eva Pedersen, Margaux Duchatel, Pilar Jimenez, and Ashish Sharma (proponents). The authors would like to acknowledge Felipe Romero (IDB Invest), Carlos Martinez (IFAD), Carlos Betancur (FINAGRO), Cristian Soto Zapata (Finance in Motion), Vidya Iyer (SAIL Investments), Christian Bunn (CGIAR), Elizabeth Teague (Root Capital), Andrea Rodriguez Osuna (Earth Pulse Advisory), Daniel Ortega Pacheco (Partnership Ag Carbon), Liliana Arango (Cotierra), Claudia Cordero (GIZ), Felipe Garcia Cardona (Humboldt Institute), and Ken Chomitz (Independent Advisor) for their cooperation and engagement with the Lab program.

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More information at [www.climatefinancelab.org](http://www.climatefinancelab.org).

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SECRETARIAT

 CLIMATE  
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# Institutional experts providing strategic guidance

| Organization          | Name                   | Job Title                                  |
|-----------------------|------------------------|--------------------------------------------|
| CGIAR                 | Christian Bunn         | Associate Scientist                        |
| Cotierra              | Liliana Arango         | Director of Operations                     |
| Earth Pulse Advisory  | Andrea Rodriguez Osuna | Founder                                    |
| FINAGRO               | Carlos Betancur        | Director of Sustainability                 |
| GIZ                   | Claudia Cordero        | Regional Advisor EUROCLIMA                 |
| Finance in Motion     | Cristian Soto Zapata   | Senior Officer                             |
| Humboldt Institute    | Felipe García Cardona  | Manager, Center for Biodiversity & Finance |
| IDB Invest            | Felipe Romero          | Investment Officer – Blended Finance       |
| IFAD                  | Carlos Martinez        | Senior Investment Officer                  |
| Independent           | Ken Chomitz            | Independent Advisor                        |
| Partnership Ag Carbon | Daniel Ortega Pacheco  | Executive Director                         |
| Root Capital          | Elizabeth Teague       | Senior Director, Climate Resilience        |
| Sail Investments      | Vidya Iyer             | Associate Director, Investments            |



# Glossary

| Term                                        | Definition                                                                                                                                           |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Amplo Kaya</b>                           | Impact investment and advisory firm; conducted farmer segmentation and market-demand studies supporting LATTE's design.                              |
| <b>EUDR</b>                                 | EU Deforestation Regulation; requires proof that traded commodities aren't linked to deforestation.                                                  |
| <b>FAG guarantees</b>                       | FINAGRO's credit guarantee fund (Fondo Agropecuario de Garantías), backing loans to Colombian agricultural borrowers.                                |
| <b>FINAGRO</b>                              | Colombia's agricultural development bank; provides subsidized funding lines and guarantees for rural lenders.                                        |
| <b>First-loss / junior / senior tranche</b> | Capital layers ranked by risk: first-loss/junior absorbs losses first (protecting senior investors), senior is repaid first and carries lowest risk. |
| <b>FNC segmentation</b>                     | Farmer classification data from the Federación Nacional de Cafeteros (Colombia's national coffee growers' federation).                               |
| <b>MFIs</b>                                 | Microfinance Institutions; regulated lenders serving smallholder and low-income borrowers.                                                           |
| <b>MRV</b>                                  | Monitoring, Reporting & Verification; the process of tracking and confirming climate/impact outcomes.                                                |
| <b>NDC</b>                                  | Nationally Determined Contribution; a country's official climate targets under the Paris Agreement.                                                  |
| <b>PES</b>                                  | Payments for Ecosystem Services; outcome-based payments rewarding verified environmental practices.                                                  |
| <b>PNACC</b>                                | Plan Nacional de Adaptación al Cambio Climático; Colombia's national climate adaptation plan.                                                        |
| <b>Rediscount lines</b>                     | FINAGRO facility letting lenders refinance agricultural loans at subsidized rates, lowering their cost of funds.                                     |
| <b>SBTi</b>                                 | Science Based Targets initiative; certifies corporate emissions-reduction targets align with climate science.                                        |
| <b>TA</b>                                   | Technical Assistance; non-financial support (advisory, training) provided alongside capital.                                                         |
| <b>tCO2e</b>                                | Tonnes of CO2-equivalent; standard unit for measuring greenhouse gas impact across gas types.                                                        |

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# What is the Latin American Climate-Resilient Coffee Facility?

Enabling the provisioning and uptake of adaptation finance for smallholder coffee farmers in Latin America

LATTE is an investment facility deploying de-risking capital to local financial intermediaries, and connecting corporate incentives to farmers to expand climate-resilient practices

## Target Fund Size

**USD 30M**

~70% senior debt with a ~30% junior first loss layer.

## Geography

**Latin America**

Starting in Colombia, a validated market, with an initial pipeline identified and pilots underway

## tCO<sub>2</sub> Sequestered or Avoided

**~190K**

Estimated tCO<sub>2</sub> avoided or sequestered over a 5-year deployment

## Total Farmers Impacted

**135K**

Smallholders receiving financing, both through LATTE financing and catalyzed capital

## Estimated Capital Deployed for Coffee Resiliency

**USD 182M**

Potential direct investment and catalyzed capital via de-risking approaches

## What is the Latin American Climate Resilient Coffee Facility ?

Climate change poses a serious threat to the Latin American coffee sector, and the smallholders that play a critical role in production lack the finance needed to adapt. Meanwhile, brands that depend on coffee supply have a commercial interest in resilience but have no shared structure to facilitate required action.

The **Latin American Climate-Resilient Coffee Facility (LATTE)** is a vehicle that brings together coffee brands, traders, and local financial intermediaries to scale dedicated financing to strengthen resilience across the value chain.

To do so, LATTE provides **de-risking capital** to local MFIs and agri-fintechs, that will enable the mobilization of additional commercial capital to deploy to smallholder producers. This is supported by incentive payments from coffee buyers and technical assistance.

Developed by IDH Investment Management, LATTE builds on existing MFI partnerships and close relationships with corporate coffee brands enabled through IDH's core business.

- **Innovative:** Applies a systems lens to sector-wide adaptation, connecting local financial institutions and coffee buyers, with a standardized model designed to scale across borders.
- **Actionable:** Intermediary pipeline is under active development in Colombia, while engagement with corporates is ongoing. Initial pilots under design.
- **Financially Sustainable:** The facility's de-risking capital unlocks private investment for loans at commercial terms. Capital is recycled upon repayment. Incentives from buyers ensure affordability for farmers.
- **Catalytic:** De-risking capital mobilizes ~ 4x in commercial capital raised and committed by partner financial intermediaries.

The Lab Secretariat recommends endorsement, given strong fit and a credible pilot-to-scale pathway.

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# LATTE is led by experts from IDH Invest, combining relevant sectoral and financial expertise



**IDH** convenes brands, traders, financiers, as well as local partners to transform agricultural markets – bringing deep sectoral expertise, convening power, and on-the-ground pipeline capacities through its country offices and related investment hubs.

**IDH Invest** works to support agricultural investments through pipeline development and capacity building delivered through country hubs, as well as through the work of its fund management arm – IDH Investment Management – that structures and manages blended vehicles, such as the €100M IDH Farmfit Fund to de-risk agricultural lending.

**IDH Colombia Hub** is a dedicated local team that provides specialized technical assistance to organizations, farmers and financial intermediaries to mobilize capital for sustainable agriculture and better conditions for smallholder farmers.



**Roel Messie,**  
Chief Executive  
Officer



**Barbara Visser,**  
Chief Operating  
Officer



**Evgenia Sokolova,**  
Program Director



**Liesbeth Kamphuis,**  
Senior Project  
Manager

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## Climate threatens Latin American coffee, but smallholders lack finance to adapt

**Up to 88% of coffee-growing areas in Latin America could become unsuitable by 2050.**<sup>1</sup> Rising temperatures, erratic rainfall, and soil degradation are reducing yields and pushing cultivation to higher altitudes – increasing deforestation pressure and threatening millions of smallholder families.

**Adapting requires meaningful, multi-year investment** in agroforestry, soil health restoration, and farm renovation, but climate finance flows to smallholder agrifood systems remain far below what is needed – making up less than 1% of all global climate finance.<sup>2</sup>

In Colombia alone, ~560K Arabica smallholders require this support - but high upfront costs, multi-year payback periods, and the absence of land titles or credit histories make adaptation finance a particular challenge for conventional lenders.<sup>3</sup> Meanwhile, the brands and traders with a clear commercial interest in climate-proofing their supply chains have no shared structure to coordinate the action that is needed.

**The result is a classic collective action problem** where investing in farm-level resilience simultaneously strengthens the supply security of competing brands, therefore making inaction the rational default even when the long-term business case is clear.

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<sup>1</sup> Imbach et al. 2017.

<sup>2</sup> The Climate Finance Gap for Small-Scale Agrifood Systems. CPI. 2023

<sup>3</sup> Building the Case for Regenerative Coffee Production: Colombia Arabica. TechnoServe. 2024



# Leveraging IDH Positioning to Scale Adaptation Finance

- There is a **~\$2.5B opportunity** to finance resilience practices across coffee farms in Colombia<sup>4</sup>.
- Within this, **~\$900M**<sup>4</sup> is connected to three high-impact climate-smart practices: plantation renovation with climate-resilient varieties, agroforestry, and integrated nutrient management. **This is the core segment that LATTE aims to target.**
- **LATTE aims to launch a \$30M facility**, supported by initial pilots to assess interventions, partner dynamics, and payback metrics.



<sup>4</sup> Building the Case for Regenerative Coffee Production: Colombia Arabica. TechnoServe. 2024

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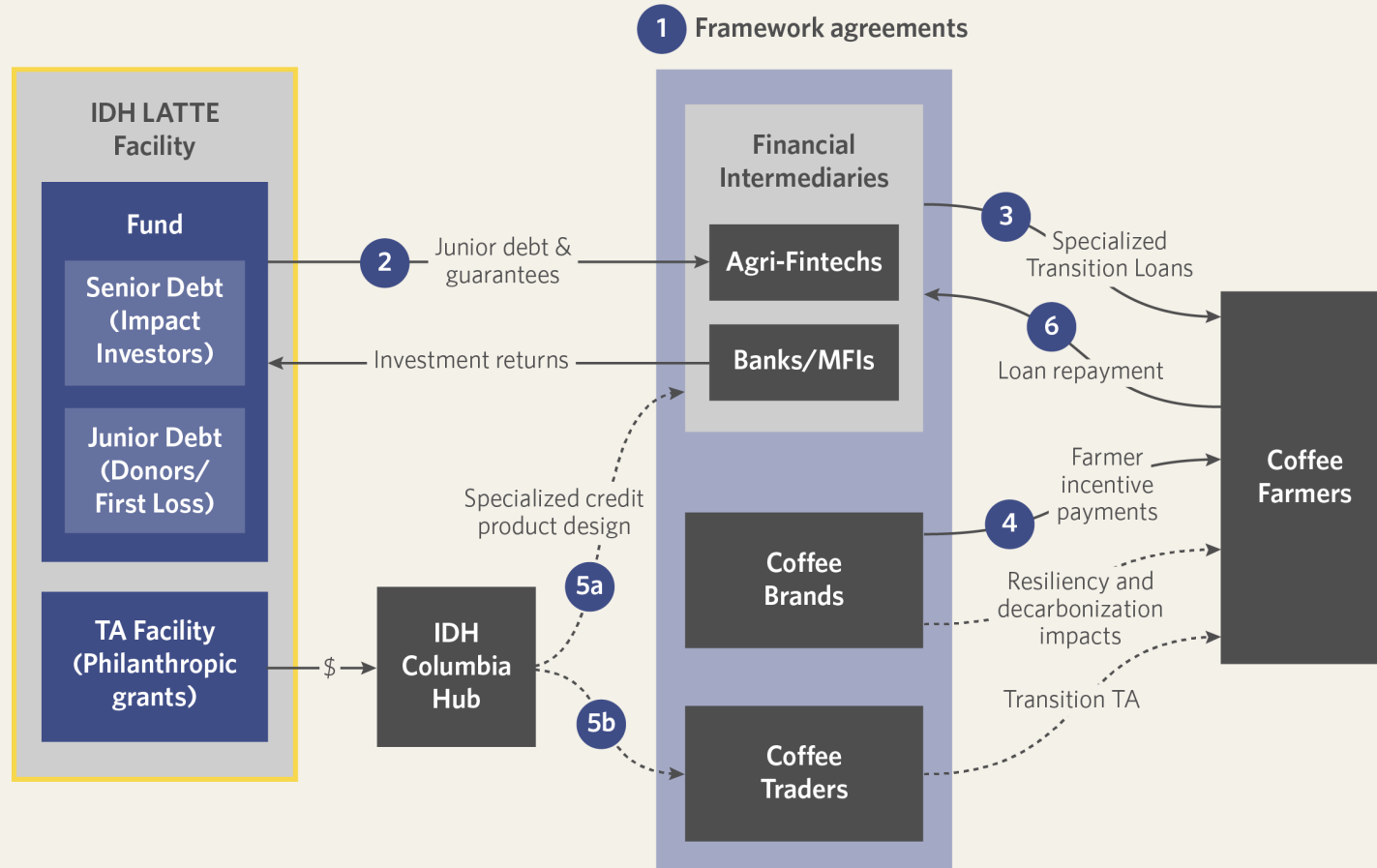
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# Coordinating and de-risking key value chain actors

LATTE leverages IDH’s unique positioning in the coffee sector to **bring together financial intermediaries, coffee traders and brands through a shared structure**. It combines farmer incentives from corporates with the local reach and lending capacity of MFIs and agri-fintechs to scale climate adaptation finance for smallholder farmers.



# A facility designed for systemic coffee adaptation



- 1 Framework agreements:** LATTE establishes agreements linking financial intermediaries (MFIs and fintechs) with traders and brands sourcing the coffee.
- 2 De-risking capital:** junior debt or guarantees de-risk intermediary lending and helps them mobilize additional lending capital.
- 3 Farmers receive financing:** Intermediaries on-lend to smallholders, with terms mandating the implementation of resilience-building practices.
- 4 Brand incentives:** partnered brands fund payments to help sustain farmer cashflows across loan term.
- 5 IDH Colombia delivers technical assistance to:**
  - a** Financial intermediaries, to co-design loan product tailored to smallholders and brand-funded incentives.
  - b** Traders, to build their own capacity for delivering required on-farm technical assistance to smallholders.
- 6 Farmers transform and repay:** resilient farmers repay intermediaries, who repay LATTE, while resilience benefits flow back to traders and brands.

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# Comparable vehicles overlap, but LATTE's innovation stands out

LATTE's core differentiator is its **brand-funded farmer incentive layer**. Coffee brands provide incentive payments directly to farmers, strengthening cash flows and derisking repayment in a way comparable vehicles don't replicate at scale. This is **paired with specialized transition loans** that local intermediaries can deploy directly, **embedding climate-smart criteria into mainstream lending** rather than relying on a bespoke, project-based structure.

| Instrument                                                                                                                                      | Region                                                        | Similarity                                                                                                           | LATTE Differentiation                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <b>NKG BLOOM – Smallholder Livelihoods Financing Facility</b> | Africa; Latin America & Caribbean                             | Both channel de-risking mechanisms (guarantee) to coffee smallholders alongside TA.                                  | LATTE’s thesis centers on adaptation outcomes and ties farmer incentive payments to verified resilience metrics, while NKG BLOOM is primarily a livelihoods facility. LATTE targets local FIs, rather than standalone SPVs.                                          |
|  <b>IDH Farmfit Fund (IFF)</b>                                 | Sub-Saharan Africa, Southeast Asia, Latin America & Caribbean | Both provide de-risking capital to mobilize additional capital for agricultural lending.                             | LATTE has a specific focus on coffee in Latin America and is designed to reach smallholder producers. It includes specialized transition loans with resilience-building requirements. It has a value-chain approach and includes incentive payments from corporates. |
|  <b>ADAPTA Climate Finance Facility (ACF)</b>                 | Sub-Saharan Africa                                            | Debt facility providing first-loss capital to local financial institutions. Includes TA for climate-smart practices. | LATTE follows a value-chain approach, connecting coffee buyers who provide farmer incentive payments. Transition loan designs mandate the implementation of specific resilience-building interventions.                                                              |

**Note:** Detailed comparative analysis in the [annex](#).

# A coordinated solution for climate-resilient coffee in Latin America

Coffee farmers face high adaptation costs and elevated credit risk, while the lenders and SMEs serving them lack the capacity and stable cash flows to scale financing for climate resilient practices.

| BARRIERS                                                                                                                                                                   | SOLUTIONS                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Farmers, lenders, traders, and brands act in isolation, leaving no single actor able to finance and de-risk adaptation at scale                                            | LATTE's systemic approach coordinates capital, farmer incentives, and technical assistance across the value chain, aligning actors around a shared, replicable model.                                                                                            |
| Lack of collateral and credit history limits farmers' access to finance, while uncertain yields and prices against repayment obligations limit their willingness to borrow | LATTE de-risking expands financing access; incentive payments and purpose-built repayment schedule protect against uncertain yields and prices, increasing willingness to borrow.                                                                                |
| High upfront and multi-year adaptation costs exceed farmers' cash capacity                                                                                                 | Loan terms defer repayment until productivity recovers, while farmer incentives reward practice adoption.                                                                                                                                                        |
| Financial intermediaries have limited capacity and focus to effectively serve coffee smallholders as target borrowers                                                      | Grant-funded IDH Colombia Hub co-designs specialized transition loan products with financial intermediaries, reducing the cost and complexity of participation; while framework agreements coordinate incentive payments that make this market segment feasible. |

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# A validated initial target market

Colombia is the right initial market for LATTE's coffee adaptation-finance vehicle, validated by field assessments spanning farmer needs, demand, delivery capacity, and financial intermediaries.

## Why is Colombia a good fit?

### Minimum economic conditions for investment

- Established multi-tier lending channels, including assessed MFIs and agri-fintechs, with fintechs offering strong scalability potential
- FINAGRO<sup>5</sup> public infrastructure to lower cost of funds (rediscount lines) and de-risk collateral-poor farmers (FAG<sup>6</sup> guarantees)

### Strength of policies & regulatory frameworks

- NDC targets a 51% GHG cut by 2030, prioritizing climate-resilient agriculture, while PNACC<sup>7</sup> reinforces farm-level adaptation as national policy<sup>8</sup>
- Recognized PES legal framework allows LATTE to operate under existing law, without new legislation required

### Strategic sourcing market for target brands

- Colombia is a major coffee origin for LATTE's target brands and traders, including companies with Net-Zero and SBTi-aligned targets already sourcing from the region (e.g., Nespresso, Starbucks, NKG)

<sup>5</sup> FINAGRO: Colombia's agricultural development bank.

<sup>6</sup> FAG: Agricultural Guarantee Fund, managed by FINAGRO.

<sup>7</sup> PNACC: Colombia's National Climate Adaptation Plan.

<sup>8</sup> Colombia's Long-Term National Climate Action Strategy.

# LATTE has validated key building blocks for implementation in Colombia

## What has been done in Colombia?

### Farmer segmentation study

Amplo Kaya trader and FNC<sup>9</sup> segmentation validated the small-to-medium (<5ha) farmer as LATTE's target client

### Farmer needs assessment

IDH mapped economic, social, and environmental dimensions into farm-level financing needs

### Feasibility studies

Two studies (Amplo Kaya, Alejandro Gil) tested financing solutions and assessed four Colombian fintechs for delivery

### Market demand soundings

IDH confirmed interest from nine traders to provide technical assistance and five SBTi-aligned coffee brands to participate with incentive payments

### Financial intermediaries engagement

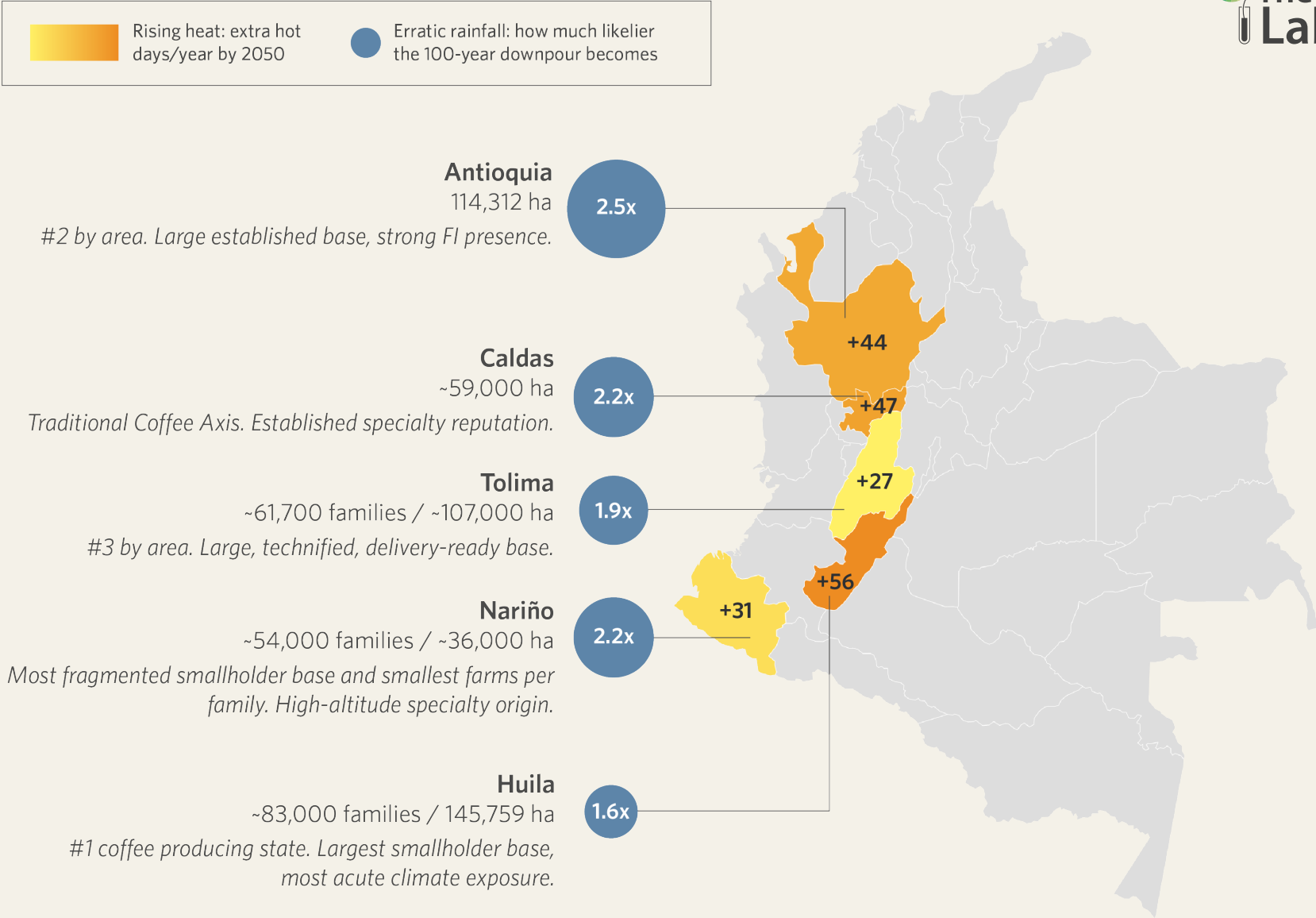
IDH and CPI interviewed MFIs and fintechs on product gaps and appetite as potential intermediaries



<sup>9</sup> FNC segmentation: Farmer classification data from the *Federación Nacional de Cafeteros* (Colombia's national coffee growers' federation).

# A leading coffee origin, grown by smallholders

In a sector where ~90% of producers are smallholders, LATTE prioritizes Colombia's coffee axis, which is the region facing sharp climate pressure threatening yield stability.



\*World Bank projections, SSP3-7.0, mid-century vs. 1995–2014.

Sources: Federación Nacional de Cafeteros (FNC), area & grower data 2024; FNC departmental committees (Huila, Tolima); Climate Risk Profile: Colombia (2023): The World Bank Group.

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# Partnership Development Leveraging the full IDH Network

## Source

**Corporate partners (brands and traders):** prioritized farmer segments are identified through the existing supply chains of participating coffee brands and traders, with whom IDH already has strong relationships.

**Financial Intermediaries:** IDH's Colombia Hub curates an initial portfolio of potential financial intermediary partners in prioritized regions.

Ultimately, the combined reach and capacity of both partner groups help define the final pipeline of targeted smallholder farmers in need of support.

## Match

Financial intermediaries are screened against 6 criteria, helping to assess the FI's capacities and needs against the requirements and instrument offerings of the LATTE facility:

1. Resilience-lending readiness
2. Distribution-channel fit
3. Funding need
4. De-risking need
5. Operational sophistication & compliance capacity
6. MRV capabilities

Framework agreements then formalize the intended collaboration between brands providing incentive payments, traders aggregating and supporting in TA delivery, and supporting financial intermediaries.

## Deliver

Financial intermediaries work in partnership with IDH Colombia Hub and corporate partners to define the terms and structures of the final smallholder transition loan products.

Finally, LATTE extends the financing – in the form of either junior debt or guarantees – to partnered financial intermediaries, mobilizing additional lending from external investors and from the FI's own balance sheet, rather than subsidizing lending that may already happen.

# LATTE’s flexible derisking to unlock and scale resilience financing

Fintechs and MFIs in Colombia are keen to expand resiliency financing but face different constraints to do so. LATTE **provides derisking capital** in the form of either junior debt or guarantees to **address these unique constraints**, helping best-placed local intermediaries extend support to smallholder farmers that need it.

|                                                                                               | JUNIOR DEBT                                                                                                                                                                                                                                                                                          | GUARANTEES                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agri-Fintechs</b><br>Digital reach & MRV capacities;<br>Scaling fast & capital hungry      | <b>Concessional junior debt from LATTE can anchor off-balance sheet vehicles to enable an increase in fintechs’ leverage and crowd in senior lenders</b> , essential when capital to grow the loan book is a key constraint, but covenants limit further balance sheet borrowing.                    | <b>Fintechs are left largely uncovered</b> , as government-backed guarantees prioritize supervised lenders.<br><br><b>LATTE’s ringfenced portfolio guarantee coverage helps mobilize local currency capital</b> , reducing capital costs and widening farmer approvals.                                                              |
| <b>Microfinance Institutions (MFIs)</b><br>Closest to smallholders<br>Strong thesis alignment | Where FINAGRO rediscount is out of reach because some MFIs are not eligible, LATTE’s <b>junior debt helps supply affordable capital</b> , and MFIs can hold it directly on their balance sheet.<br><br>Meanwhile, <b>longer tenors help support capex interventions</b> that MFIs do not fund today. | <b>State guarantee allocations (FAG) are capped</b> , meaning an MFI can qualify yet still have no guarantee capacity left to support new lending.<br><br>Subsidized funding from Colombia's FINAGRO keeps capital cheap, but <b>appetite for resiliency lending is missing</b> – the LATTE guarantee absorbs the losses MFIs won’t. |

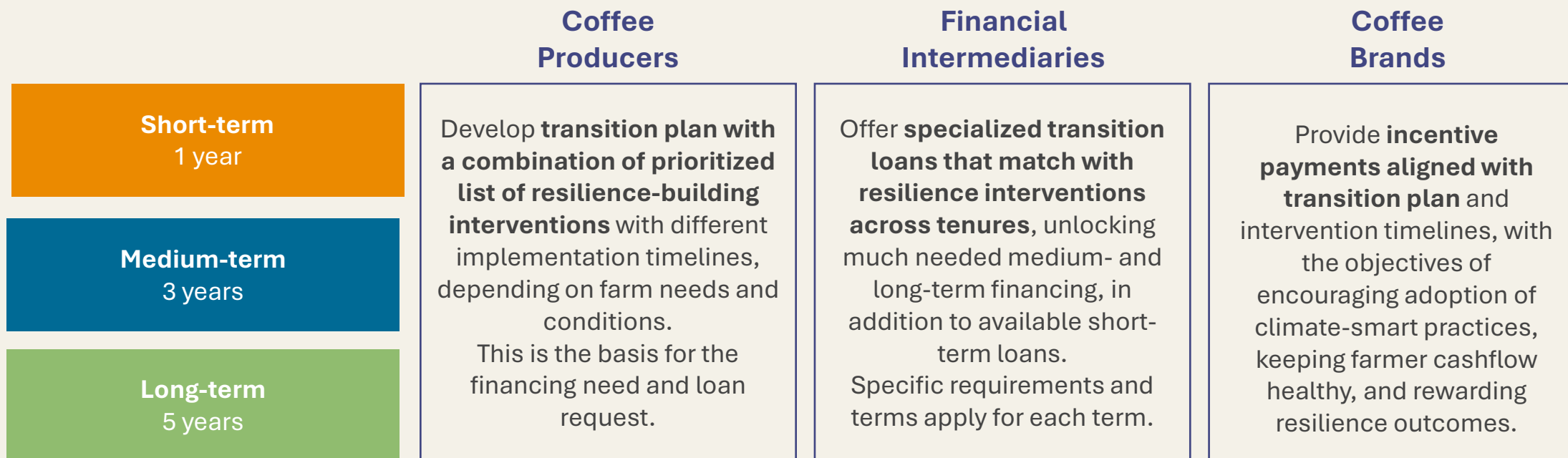
## Resiliency financing is structured as three loan tenors, each tied to a different farm-level intervention

The loan product defines the terms and conditions for specific farm-level transformations and aligns financing tenors accordingly. The table below provides an overview of key climate-smart agriculture interventions that LATTE aims to support:

| Intervention                                      | Description                                                                                                                                                                                            | Financing Tenor    |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Low-carbon fertilizer                             | Lower-GHG synthetic fertilizers made with greener energy; use of organic fertilizers like compost; use of nitrogen stabilizers and controlled release helping to improve nitrogen use efficiency.      | Short-term (1 yr)  |
| Shade crop integration                            | Establishes fast-growing shade crops (such as plantain) to reduce canopy temperatures and shield coffee from heat stress within one season, while providing potential secondary income streams.        | Short-term (1 yr)  |
| Nitrogen-fixing cover crops                       | Protects soil from erosion and holds moisture between rows, while fixing nitrogen biologically to displace synthetic fertilizer.                                                                       | Short-term (1 yr)  |
| Water-efficient washing equipment                 | Cuts freshwater use in wet on-farm processing as rainfall turns erratic, while reducing methane from untreated coffee wastewater.                                                                      | Medium-term (3 yr) |
| Biochar from coffee waste applied to coffee farms | Improves water-holding capacity and nutrient retention in tired soils, while locking carbon in a stable form that resists breakdown for decades.                                                       | Medium-term (3 yr) |
| Agroforestry systems                              | Integrates mixed permanent trees (timber, fruit, and/or nitrogen-fixing species) to diversify income, build carbon stocks and enhance biodiversity, while durably stabilizing the farm's microclimate. | Long-term (5 yr)   |
| Farm renovation with resistant varieties          | Replaces ageing, susceptible trees with rust- and drought-tolerant varieties, restoring yields and reducing exposure to pest, disease, and climate shocks.                                             | Long-term (5 yr)   |

## Financing and incentives are deployed in coordination, and in line with farmers' transition priorities

Building crop resilience takes time. LATTE's model is designed to support farmers in this journey by enabling access to capital in longer tenors, and affordable terms made possible by the de-risking mechanisms and incentive payments. Farmer incentive payments increase as loan size and tenor increase.



# LATTE is grounded on strengthened technical capabilities on resilience interventions, at the financing and farm levels

Technical assistance is a critical component of the strategy to promote meaningful systems-level transformations.



## Colombia Hub

Deploys Technical Assistance to:

### Financial Intermediaries

- Focused on the **design, deployment and monitoring of specialized transition loans**.
- It aims to enhance the financial institutions' understanding of **resilience-building interventions**, and how to adjust underwriting and portfolio management processes to fit the purpose.

### Coffee Traders

- Focused on **technical agronomic knowledge to implement resilience-building interventions** on the farm.
- Coffee traders are the last mile to reach farmers, and will provide technical assistance to them, on the ground, to **ensure the adequate use of capital** and reach the expected productivity and resilience gains.

## A screened pipeline of intermediaries ready to deploy climate finance

**More than 10 financial intermediaries have been identified and screened, drawn from Colombia's deep base of rural lenders and sourced through IDH's Colombia Hub.** The Lab interviewed six of these in depth. One is already in an active pilot, with others in active conversation. Three illustrative examples are shown below.

Together the interviewed intermediaries manage on the order of USD 40M+ in agricultural lending today. **These intermediaries could deploy an illustrative USD 12M to 20M** in climate-resilient coffee lending through structures already in active conversation or in pilot phase, reaching roughly 5,000 to 9,000 coffee farmers.

| Financial intermediary | Type    | Location                       | Status                    | Instrument              | Total lending potential* | Key impact targets ** |
|------------------------|---------|--------------------------------|---------------------------|-------------------------|--------------------------|-----------------------|
| <b>Confiamos</b>       | MFI     | Nariño                         | Active non-LATTE pilot^   | Junior-debt + guarantee | USD 3–5M                 | Farmers: ~1.5 – 2.5k  |
| <b>Agricapital</b>     | Fintech | National (~300 municipalities) | Advanced conversations    | Junior Debt             | USD 3–6M                 | Farmers: ~1.5 – 3k    |
| <b>Crezcamos</b>       | MFI     | Multi-region (HQ in Santander) | Preliminary conversations | Junior-debt + guarantee | USD 5–8M                 | Farmers: ~2.5 – 4k    |

**Notes:** \* Indicative total lending potential each intermediary could deploy in climate-resilient loans, not LATTE's capital contribution. Based on stated intermediary needs; \*\* Farmer numbers assume an average resilience loan of ~USD 2,000 per farmer, counting farmers served at any one time, not the total reached over the life of the facility; ^ This is a prior IDH-supported non-LATTE proof of concept being considered for expansion under LATTE.

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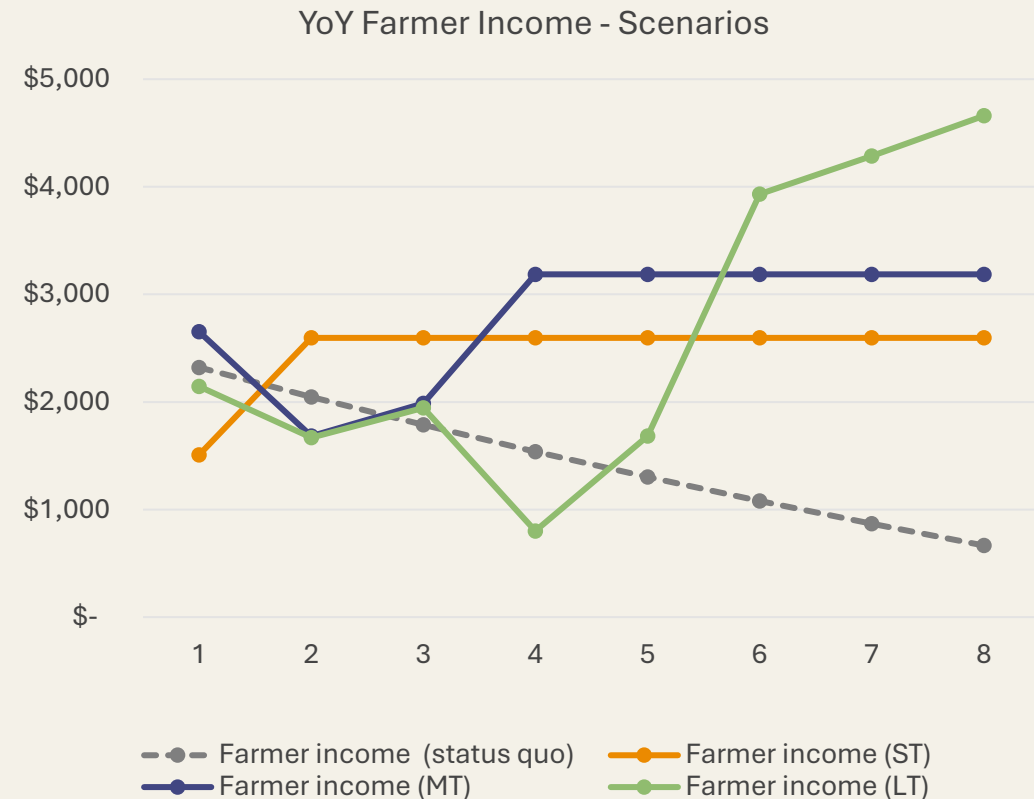
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# Climate-resilience interventions drive farmer income above status quo

Climate-resilient practices drive farmer income gains, while incentive payments make their adoption and the resulting loans more affordable. All three loan structures outperform the status quo, with the long-term loans delivering the biggest gains.

- **Farmers can choose from three financing tenors matched to the agricultural intervention:** short-term (ST) for low-carbon fertilizer and cover crops, medium-term (MT) for biochar and eco-mills, and long-term (LT) for agroforestry and farm renovation, which also deliver the strongest climate resilience benefits.
- **ST and MT interventions deliver steady annual productivity gains as new practices and infrastructure take hold,** keeping farmers above the status quo after Year 2. Doing nothing, meanwhile, leaves farms exposed to climate shocks that cut production and diminish farmer income.
- **Long-term interventions trade a slower start for the largest payoff,** with gains emerging in Year 5 as rust-resistant varieties reach full bearing, ultimately delivering a 50–65% net productivity boost at maturity<sup>10</sup>.



<sup>10</sup> Building the Case for Regenerative Coffee Production: Colombia Arabica. TechnoServe. 2024

# Across scenarios, incentive payments save brands more than they cost

Farm-level modeling weighs what brands lose when climate shocks push farmers out of production against what it costs to keep them producing. **In every scenario, the incentive payment is a fraction of the loss it prevents.**

|                                          | Status quo | ST      | MT      | LT      |
|------------------------------------------|------------|---------|---------|---------|
| Loan size                                | -          | \$1,000 | \$2,000 | \$3,000 |
| Brands' Incentive payment / farmer       | -          | (\$63)  | (\$182) | (\$759) |
| Brands' Incentive payment % of loan size | -          | 6%      | 9%      | 25%     |
| Brands' Loss prevented / farmer          | \$2,067    | \$2,067 | \$2,067 | \$2,067 |
| Brands' Net amount saved / farmer        | \$ -       | \$2,009 | \$1,885 | \$1,307 |

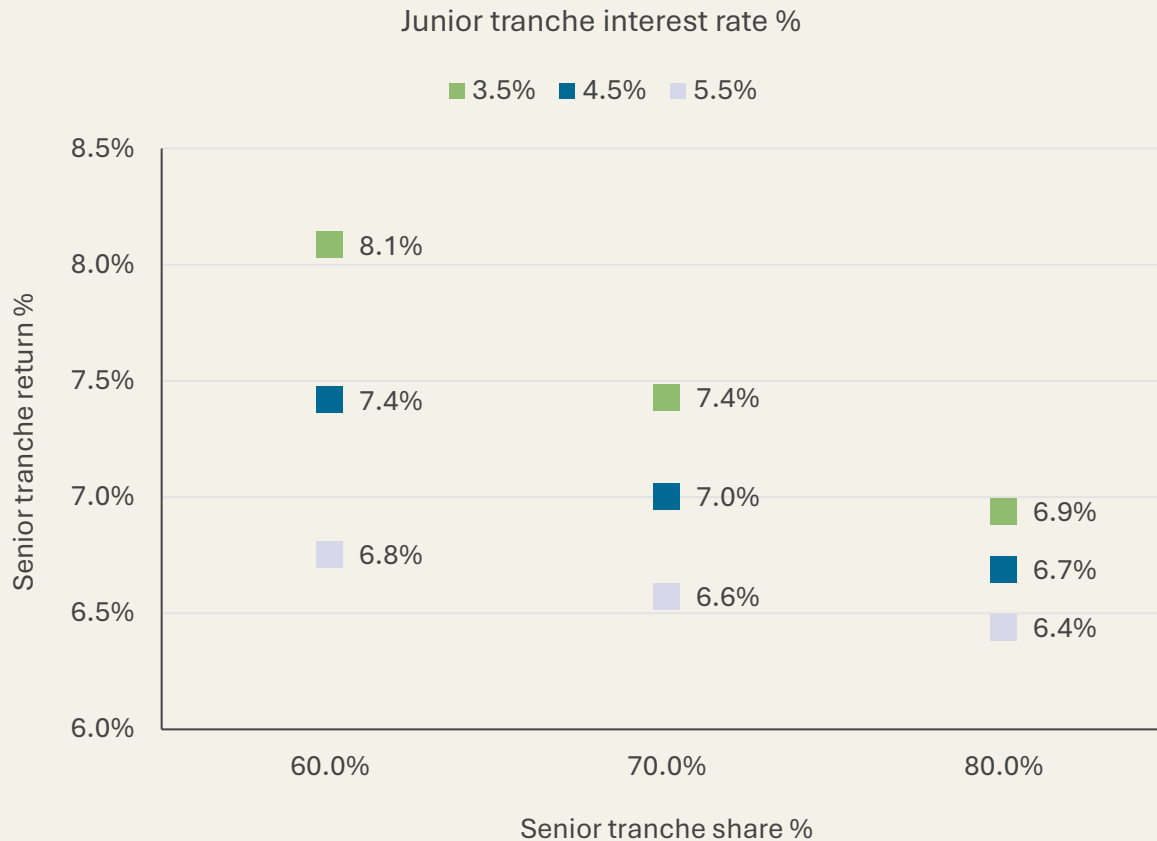
- Under status quo, every farmer pushed out of production by climate shocks costs brands an estimated \$2,067<sup>11</sup> in lost sourcing volume\*. **No incentive is paid, so the full loss lands on the brand.**
- Keeping that farmer producing costs \$63 to \$759 depending on the intervention. **Even at the high end, the payment is roughly a third of the \$2,067 at stake.**
- Netting payment against revenue protected, **brands come out ahead in every scenario**, saving \$2,009 under ST, \$1,885 under MT, and \$1,307 under LT.
- ST, MT, and LT loans finance different practices, **not competing options for the same farm**. Whichever intervention a farmer needs, funding it beats losing them, so **there's no trade-off between what's good for farmers and what's good for brands.**

<sup>11</sup> Solidaridad, IDH, Conservation International, & Treevaluation. 2026

\* Brand loss per farmer = the brand/roaster share of retail coffee value multiplied by the annual production lost when a farm exits. One farmer = one 1.4 ha farm.

# How much can LATTE pay its senior tranche?

The Lab stress-tested nine capital stack scenarios, varying the senior tranche share and the junior tranche pricing. With 60% senior share and the junior tranche priced at 3.5%, LATTE can support up to 8.1% return for senior investors.



**6.4% – 8.1%**

is the range of senior tranche returns supported across the scenarios.

## Senior allocation has the bigger impact

- Increasing senior share from 60% to 80% reduces the senior tranche return by 40–120 bps.
- Increasing junior pricing from 3.5% to 5.5% reduces the senior tranche return by 50–130 bps.

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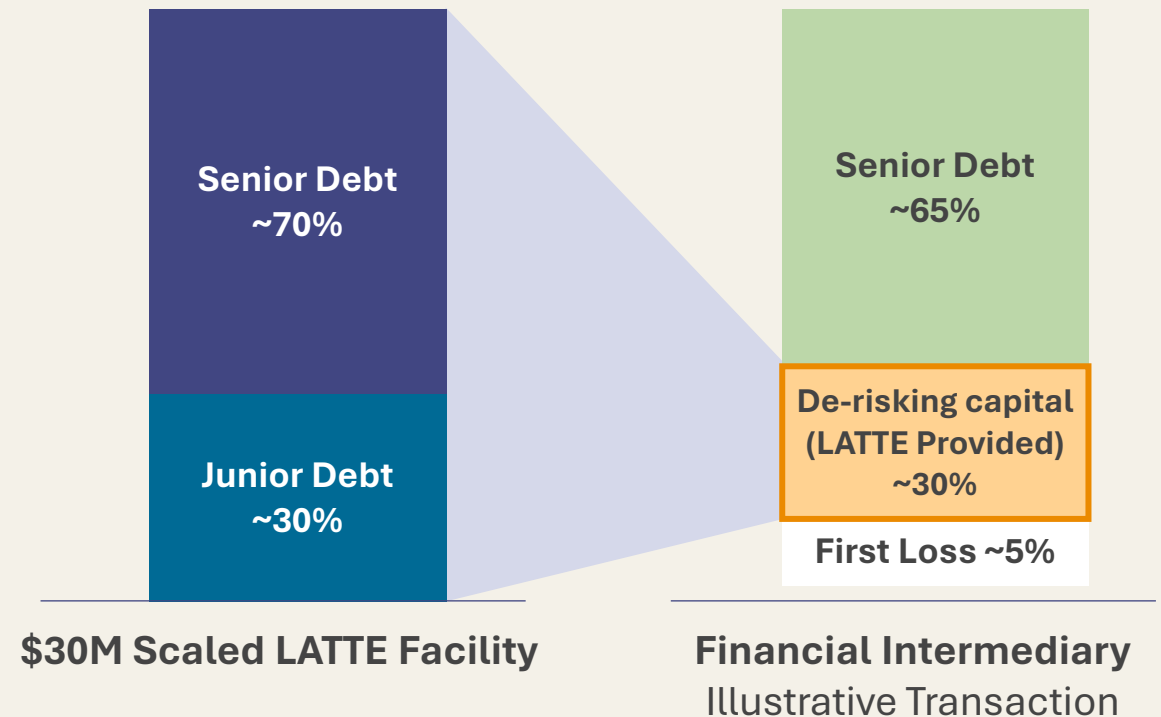
# Sharing risk to unlock smallholder lending - and prove the approach

LATTE envisions initial scaling to a ~\$30M facility, composed of ~70% senior debt above a ~30% junior, first-loss layer.

Financial intermediaries provide a 5% first-loss to demonstrate commitment to the transaction.

The de-risking capital provided by LATTE backs both of its instruments: the junior-debt lent to intermediaries, as well as the reserve behind its intermediary guarantees. Legal ringfencing – common in other IDH vehicles – lets a single capital stack stand behind both, setting who takes losses, in what order, for each instrument type.

Importantly, LATTE is a de-risking mechanism, not a permanent source of concessional lending. By temporarily absorbing risk, it unlocks new lending for an underserved segment and crowds in commercial capital outside the structure, bridging the gap only until corporates and lenders sustain the model on their own.



# Structuring to absorb what design and operations can't

LATTE's de-risking thesis by design addresses key capital and farm-level risks, while remaining risks are absorbed through first-loss structuring.

## KEY CAPITAL RISKS

### Portfolio credit / default

Farmers may not repay, especially when a price slump or a climate shock hits a whole region. Losses land on the intermediary's book first, and flow up to LATTE.

### Currency / FX

LATTE invests in USD but farmers borrow in pesos, so a weaker peso eats into the USD return.

### Intermediary Failure

LATTE lends to (or guarantees) the MFI or fintech, not the farmer, meaning a weak intermediary is a direct exposure.

### Liquidity / Tenor

Few investment ready FIs can cause capital to sit undeployed dragging-returns.

## SOLUTIONS

### First-loss protection, incentive payments + diversification

- Brand-funded incentive payments strengthen farmer repayment capacity, thereby reducing potential losses that may land on intermediary loan books.
- At the facility level, lending is spread across intermediaries and regions so one event doesn't stress any one portfolio, with a first-loss junior layer to shield senior returns and mitigate region-wide shocks.

### LATTE carries risk so farmers don't have to

- Farmers and intermediaries transact in pesos; no hedging cost reaches their rates.
- LATTE holds FX risk in USD with generous coverage; mechanisms under review include first-loss absorption (simplest), or hedging via swaps or back-to-back loans.
- Each USD of LATTE's junior capital unlocks ~3–4x more in local peso debt, so only that small junior slice carries FX risk.

### Upfront screening, spread and cap exposure

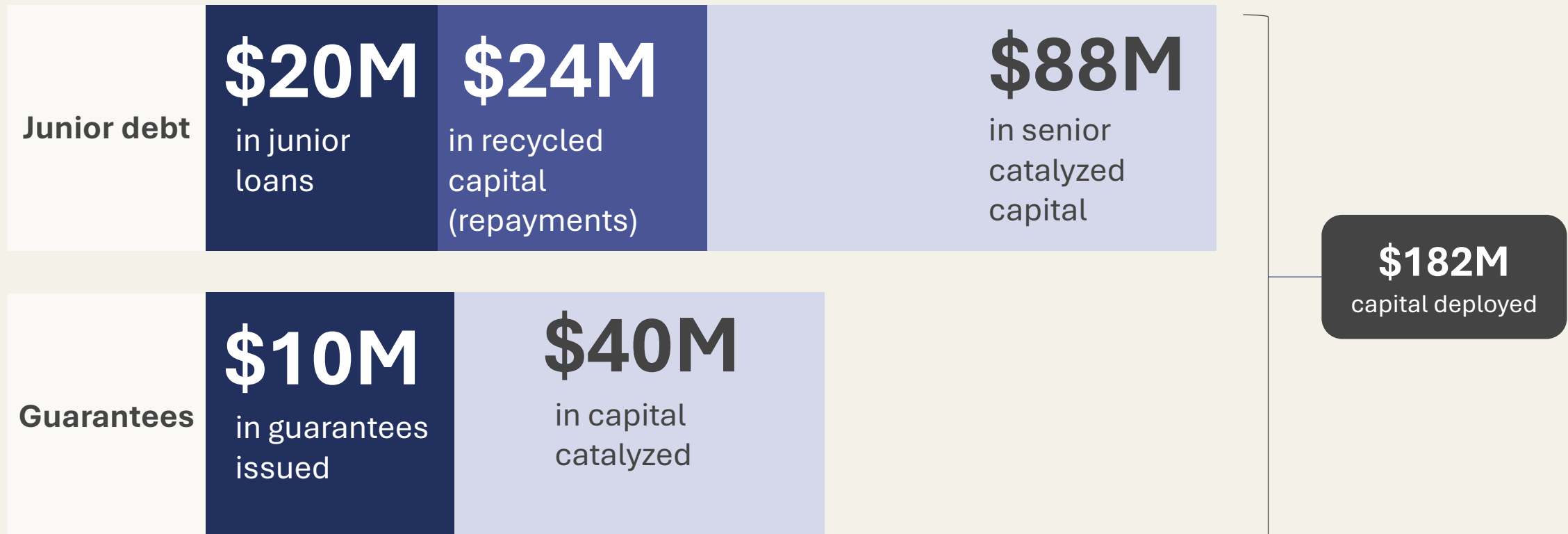
- IDH Colombia Hub screens intermediaries before LATTE partners.
- Capital spread across a screened FI portfolio and capped per intermediary to ensure no single failure is too large.
- Ongoing covenant monitoring flags trouble early, so LATTE can step in before a weak intermediary fails.

### TA Facility + Phased Raising

- Grant-funded TA helps intermediaries prepare for lending.
- Capital raised in step with real demand, reducing idle capital.

## LATTE's first-loss debt and guarantees mobilize capital ~4x over

LATTE mobilizes capital through two de-risking mechanisms: junior first-loss debt and guarantees. Each dollar of LATTE capital crowds in several more, turning \$30M of direct capital into \$128M in additional capital mobilized\*, for a total of \$182M deployed.



\* Mobilized refers to capital attracted by third-party investors.

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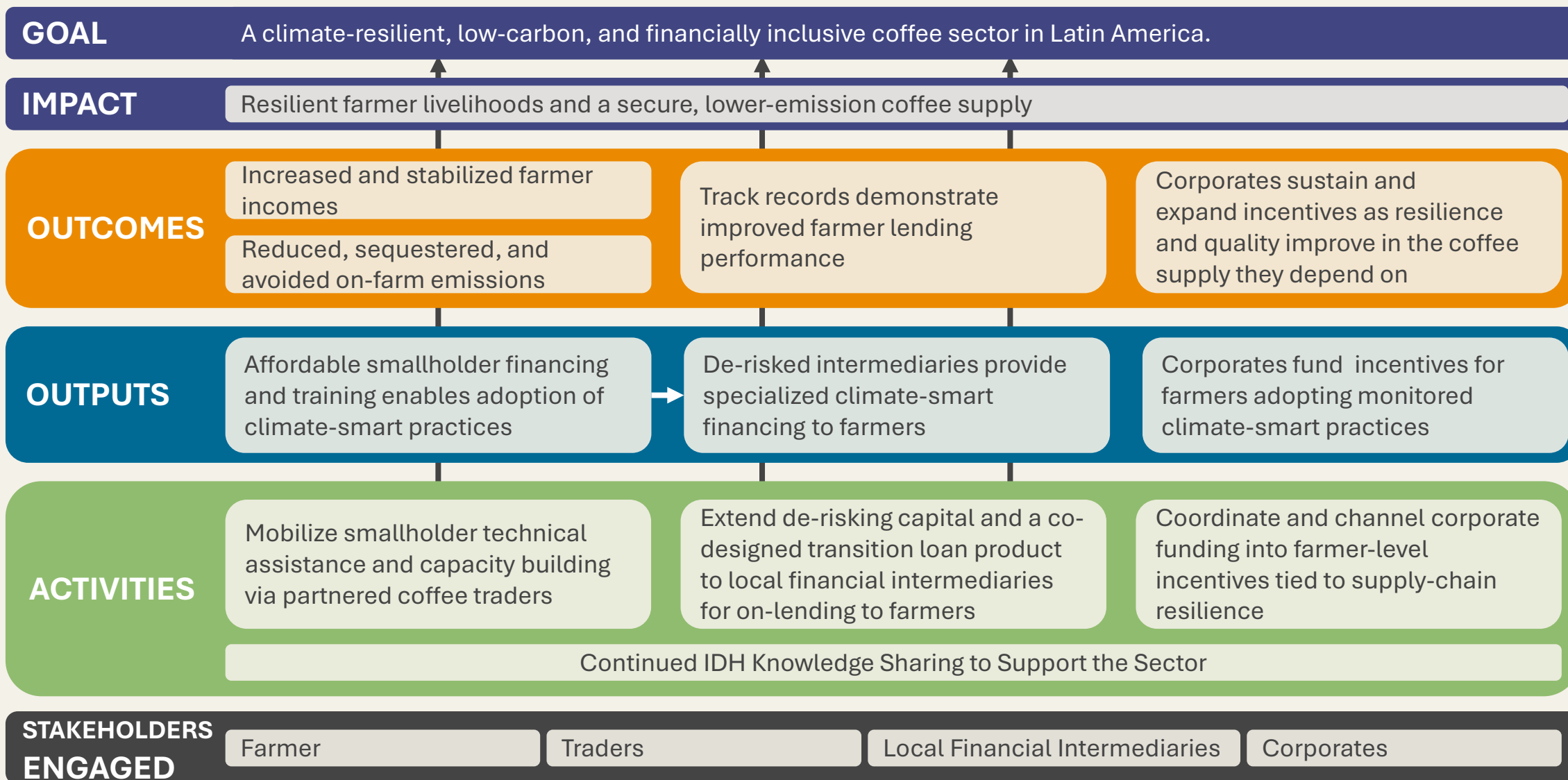
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# Affordable finance and incentives build a resilient coffee sector



# Value chain alignment enabling sector-wide climate resilience

LATTE aligns coffee value-chain stakeholders to deliver adaptation at scale, and its Theory of Change maps how that alignment – and the resilience it enables – benefits each stakeholder’s operations. As initial results are demonstrated and learnings compound, sustainable coffee lending can expand well beyond the original program.

## Smallholder Farmers

Access affordable finance and incentives to adopt climate resilient practices – stabilizing incomes and cutting on-farm emissions.

## Financial Intermediaries

Reach anew, de-risked customer segment, and begin building lending track records – extending their farmer portfolios while lowering defaults

## Coffee Brands

Receive a viable pathway for investing into and securing more resilient, lower-emissions supply of the coffee their business depends on

## Projected five-year impacts

16,000 farmers financed\*

22,400 ha under climate-smart practices

187k tCO2e avoided or sequestered

USD 18M total amount of farmer incentives

\* Farmers reached directly and not inclusive of the additional catalyzed capital.

## Resilience at scale: LATTE's projected five-year impact

**16,000**

Farmers receiving financing and TA\*

**187k tCO<sub>2</sub>e**

Avoided or sequestered

**22,400 ha**

Coffee farmland under climate-smart agriculture practices

**2.2M kg  
GBE/yr**

Incremental coffee production compared to baseline yield (980 kg GBE/ha/yr)<sup>12 13</sup>

**USD 18M**

Total amount of farmer incentives

**17%**

Avg. yield improvement vs. baseline<sup>12 13</sup>

<sup>12</sup> Solidaridad, IDH, Conservation International, & Treevaluation. 2026;

<sup>13</sup> Building the Case for Regenerative Coffee Production: Colombia Arabica. TechnoServe. 2024

\* Figures are cumulative outputs of a five-year deployment projection and impact is not inclusive of the additional catalyzed capital.

# LATTE manages climate, deforestation, and indebtedness risks through its design

The key challenges that LATTE aims to help address – climate exposure, forest conversion, and farmer debt – are the same issues LATTE could exacerbate if implemented poorly. Approaches to mitigating such risks are therefore built into how the vehicle operates: who gets a loan, how it is structured, and what support comes with it.

| Top Environmental Risks                                                                                                                                                                                                             | Mitigation Strategies                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Physical Climate Hazards</b><br>Key risks in Colombia’s coffee belt include heat, erratic rainfall, and resulting landslides in mountainous areas.                                                                               | Farmer exposure is the reason to operate, so the response is management, not avoidance: shade systems, water harvesting and resistant crop varieties matched to local hazards will be eligible for loans and brand incentives; hardship provisions for shock-hit borrowers. |
| <b>Maladaptation</b><br>Adaptation finance and measures that unintentionally leave farmers more exposed, via either practices poorly matched to local conditions, or interventions that shift climate risk rather than reduce it.   | Interventions are grounded in locally-validated agronomy and TA via the IDH Colombia Hub and traders, matched to conditions on the ground. Income diversification through agroforestry systems reduces over-reliance on coffee alone.                                       |
| <b>Land Use Change &amp; Deforestation</b><br>Coffee farm expansion leading to deforestation at the Andean forest and Paramo frontier.                                                                                              | Better farm economics can relieve - or invite - expansion pressure.<br>Mitigation: eligibility screening to exclude recently converted parcels, geo-referenced parcel histories at onboarding, and EUDR-aligned deforestation-free criteria in intermediary agreements.     |
| <b>Over-Indebtedness &amp; risk of bankruptcy</b><br>Farmers taking on debt they cannot service – a heightened risk where lending funds multi-year renovation or transition, with a 2–4-year income gap before returns materialize. | Intermediaries required to assess borrower repayment capacity in line with Client Protection Principles (Cerise), confirmed in intermediary agreements. Loan tenors and grace periods purposefully designed to track the expected 2–4-year income gap.                      |

# LATTE embeds safeguards against key social risks in coffee value chains

Smallholder coffee value chains carry social risks rooted in informal labor, weak local institutions, and unequal access. These factors can undermine both farmers and LATTE's impact.

| Top Social Risks                                                                                                                                                                                                                                 | Mitigation Strategies                                                                                                                                                                                                                                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Child and Forced Labor</b><br>Coffee harvesting is labor-intensive and seasonal, creating known risks of child and forced labor on smallholder farms.                                                                                         | Embed labor standards into loan and farmer incentives eligibility criteria; screen financial intermediaries and their portfolios at intake through IDH Colombia Hub; and use farmer-facing TA and traceability data to monitor and remediate against IFC/ILO (International Labour Organization) benchmarks.     |
| <b>Community Security and Corruption</b><br>Cash-based payments, land pressures, and operating in remote or fragile areas can expose farmers, financial intermediaries, and farmer incentive flows to insecurity, diversion, or misuse of funds. | Route capital and farmer incentive payments through vetted, formalized intermediaries with transparent digital disbursement and audit trails; and apply anti-corruption due diligence in FI selection.                                                                                                           |
| <b>Discrimination and Exclusion</b><br>Women, Indigenous, and other underserved coffee producers face structural barriers to land tenure, finance, and decision-making, risking their exclusion from LATTE's benefits.                           | Apply gender-sensitive screening and set inclusion targets at intake; prioritize women-led and women-inclusive producers and financial intermediaries; and design the loan products and farmer incentives around the barriers these groups face, tracking reach through disaggregated monitoring and evaluation. |

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# A step-by-step approach to implementing LATTE

|                                                  | 2027 |    | 2028 |    | 2029 |    | 2030 |    | ... | 2035 |    |
|--------------------------------------------------|------|----|------|----|------|----|------|----|-----|------|----|
|                                                  | H1   | H2 | H1   | H2 | H1   | H2 | H1   | H2 |     | H1   | H2 |
| LATTE pilot (\$2.0M)                             |      |    |      |    |      |    |      |    |     |      |    |
| Corporate engagement & farmer incentive payments |      |    |      |    |      |    |      |    |     |      |    |
| LATTE first Close (\$15M)                        |      |    |      |    |      |    |      |    |     |      |    |
| LATTE second close (~\$30M) and Colombia scaling |      |    |      |    |      |    |      |    |     |      |    |
| LAC expansion                                    |      |    |      |    |      |    |      |    |     |      |    |
| Monitoring, evaluation & learning                |      |    |      |    |      |    |      |    |     |      |    |



Phase 1



Phase 3



Phase 2



Phase 4



Cross-cutting workstreams

# A sequenced path from pilot to regional scale

**Phase 1: LATTE pilots (Huila & Nariño)**  
Raise initial USD 2M investment facility and USD 0.6 M TA facility to scale a pre-existing green-crediting pilot with Confiamos in the Nariño department of Colombia into a growing portfolio, while adding a new pilot with AgriCapital in Huila, with the goal of testing interventions, smallholder repayments, and incentive mechanisms. Both pilots to be rolled up and expanded with Fund first closing in 2028.

**Phase 2: Fund structuring & first close**  
Having built intermediary interest and refined understandings of smallholder repayment capacities, prioritized interventions, and effective pathways for incentive payments, a first closing of USD 15M is targeted for Q4 2027.

**Phase 3: LATTE second close & colombia scaling**  
Roll out the validated model across supply sheds through multiple intermediaries, scaling toward five-year targets.

**Phase 4: LAC expansion**  
Replicate the model in other LAC coffee geographies, such as Honduras and Mexico.

## Cross-cutting

**Corporate engagement & PES**  
IDH continues to engage existing network of coffee brands and traders to build buy-in for incentive contributions to strengthen farmer cash flow and resilience.

**Monitoring, evaluation & learning**  
Track outcomes and system change, feeding insights back into product design.

# Testing intermediary partnerships and farmer repayment expectations

## Active non-LATTE Pilot, expanded for LATTE



Junior debt

**FI type:** MFI

**Description:** Currently runs an IDH-supported green-credit pilot focused on coffee and other commodities, which has resulted in interest to expand similar smallholder coffee lending in Nariño, as well as to Huila. Expanding this existing pilot shows how **LATTE would layer in a subordinated position absorbing first losses** and crowding in senior lenders.

|                                  |                                                           |
|----------------------------------|-----------------------------------------------------------|
| Proposed LATTE Capital           | USD 600,000 – 1,000,000                                   |
| Total Transition Lending Enabled | USD 1,800,000 – 3,000,000 (5% first loss from Confiamos)* |
| Avg. loan size                   | USD 2,180**                                               |
| Avg. term                        | Up to 20 months                                           |
| Geography                        | Nariño                                                    |
| Adaptation interventions         | Post-harvest facility improvements (e.g., drying beds)    |

## Preliminary validation



Junior Debt

**FI type:** Fintech

**Description:** Non-regulated fintechs cannot access FINAGRO-backed guarantees (FAG). This case study shows how a **LATTE first-loss position would fill the gap, leveraging local funding roughly 4x at a more affordable rate.**

|                                  |                                                                                            |
|----------------------------------|--------------------------------------------------------------------------------------------|
| Proposed LATTE Capital           | USD 600,000 (LATTE 20% junior debt)                                                        |
| Total Transition Lending Enabled | USD 3,000,000                                                                              |
| Avg. loan size                   | USD 1,500 – 2,000                                                                          |
| Avg. term                        | Up to 20 months                                                                            |
| Geography                        | Huila                                                                                      |
| Adaptation interventions         | Bio fertilizer, low carbon fertilizer, shade crop integration, nitrogen fixing cover crops |

\* Reflects assumed leverage on LATTE capital per financial modeling (~3x Confiamos; ~4–5x AgriCapital); \*\* COP 7 million at COP 3,205.81 / USD 1.00.

## LATTE is raising USD 2.6M to advance Phase I to its next stage

The raise comprises a blended-capital layer of USD 2M (junior and senior tranches) and a USD 0.6M TA facility\*.

Early conversations are underway with potential providers across the stack, including Agri3, Oikocredit, and Rabo Foundation.

|                               | Type of Investor            | Tranche                    | Amount        |
|-------------------------------|-----------------------------|----------------------------|---------------|
| Financing Facility            | Impact Investors            | Junior                     | USD 600,000   |
|                               | Commercial Impact Investors | Senior                     | USD 1,400,000 |
|                               | Subtotal                    |                            | USD 2,000,000 |
| Technical Assistance Facility | Donors                      | TA Facility (incl. design) | USD 600,000   |
| Total                         |                             |                            | USD 2,600,000 |

\* Amounts are indicative fundraising targets; conversations with potential providers are exploratory and no capital is yet committed;

\*\* At pilot scale, capital and TA needs could each be met by a single provider; the structure above reflects the fuller stack envisioned as LATTE scales.

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## Detailed comparative vehicles analysis (1 of 2)

| Vehicle                                                       | Launch year | Region                                                        | LATTE similarity                                                                                                                                                                                                                                   | LATTE differentiation                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------|-------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agricultural Supply Chain Adaptation Facility (ASCAF)</b>  | 2015        | Latin America & Caribbean                                     | Both channel adaptation finance through supply chains to smallholder coffee farmers in LAC using blended structures with first-loss protection and TA. Both use agribusiness intermediaries as delivery channels and target similar climate risks. | LATTE adds farmer incentive payments layer funded by coffee brands, rewarding farmers for verified climate outcomes. LATTE also introduces a white-label credit product for local FIs / fintechs and applies a systemic investing lens, going beyond project-based credit enhancement.                                                          |
| <b>NKG BLOOM – Smallholder Livelihoods Financing Facility</b> | 2019        | Africa; Latin America & Caribbean                             | Both channel finance to coffee smallholders using blended guarantee structures with TA. Both involve IDH and NKG as partners and target similar LAC regions (Honduras, Mexico). Both use risk-sharing to mobilize additional lending.              | LATTE explicitly centers climate adaptation outcomes and links farmer incentive payments to verified resilience metrics, while NKG BLOOM is primarily a livelihoods / income facility. LATTE targets local fintechs and financial institutions rather than SPVs, enabling broader market participation.                                         |
| <b>IDH Farmfit Fund (IFF)</b>                                 | 2020        | Sub-Saharan Africa, Southeast Asia, Latin America & Caribbean | LATTE is a direct evolution of IFF, with the same sponsor, similar blended finance method, overlapping geographies and coffee focus. Both use first-loss junior tranches to crowd in commercial capital and combine investment with TA.            | LATTE is coffee and adaptation-specific, adding farmer incentive payments from brands tied to verified climate results, while IFF is multi-commodity and does not include brand-funded farmer incentive payments. LATTE also introduces the white-label credit product for local FIs and applies systemic investing principles more explicitly. |

## Detailed comparative vehicles analysis (2 of 2)

| Vehicle                                        | Launch year | Region             | LATTE similarity                                                                                                                                                                                                                                 | LATTE differentiation                                                                                                                                                                                                                                                                  |
|------------------------------------------------|-------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Agri-Smallholder Resilience Fund (ASRF)</b> | 2025        | Southeast Asia     | Both are blended finance vehicles targeting smallholder climate adaptation with first-loss capital and TA. Both use local financial intermediaries for delivery and aim to demonstrate investable smallholder models.                            | LATTE is coffee-specific in LAC and uniquely incorporates farmer incentive payments from coffee brands and a white-label fintech credit product, while ASRF targets aquaculture and multi-crop Philippine smallholders and integrates parametric insurance as a core de-risking layer. |
| <b>Smallholder Resilience Fund (SRF)</b>       | 2021        | Sub-Saharan Africa | Both pair investment with TA across agricultural value chains to build smallholder climate resilience. Both use a first-loss capital structure to de-risk senior investors and leverage existing agricultural networks for pipeline development. | LATTE is coffee-specific in LAC and adds brand-funded farmer incentive payments tied to verified climate metrics, while SRF does not include this layer. LATTE uses agri-fintechs as digital delivery intermediaries; SRF relies on One Acre Fund's physical rural infrastructure.     |
| <b>ADAPTA Climate Finance Facility (ACF)</b>   | 2021        | Sub-Saharan Africa | Debt facility providing first-loss capital to local financial institutions. Includes TA for climate-smart practices.                                                                                                                             | LATTE follows a value-chain approach, connecting coffee buyers who provide farmer incentive payments. Transition loan designs mandate the implementation of specific resilience-building interventions.                                                                                |

