GREEN Coalition

CASE STUDY #8

Productive and Sustainable Transformation Credit Line

FINAGRO

JUNE 2026

OVERVIEW

The Fund for the Financing of the Agricultural Sector (FINAGRO) is Colombia's public development finance institution for agriculture. It operates as a second-tier bank, channeling financial resources through financial intermediaries rather than lending directly to most end borrowers. FINAGRO is a mixed public-private entity affiliated with the Ministry of Finance and Public Credit and is part of Grupo Bicentenario, Colombia's state-owned financial group.

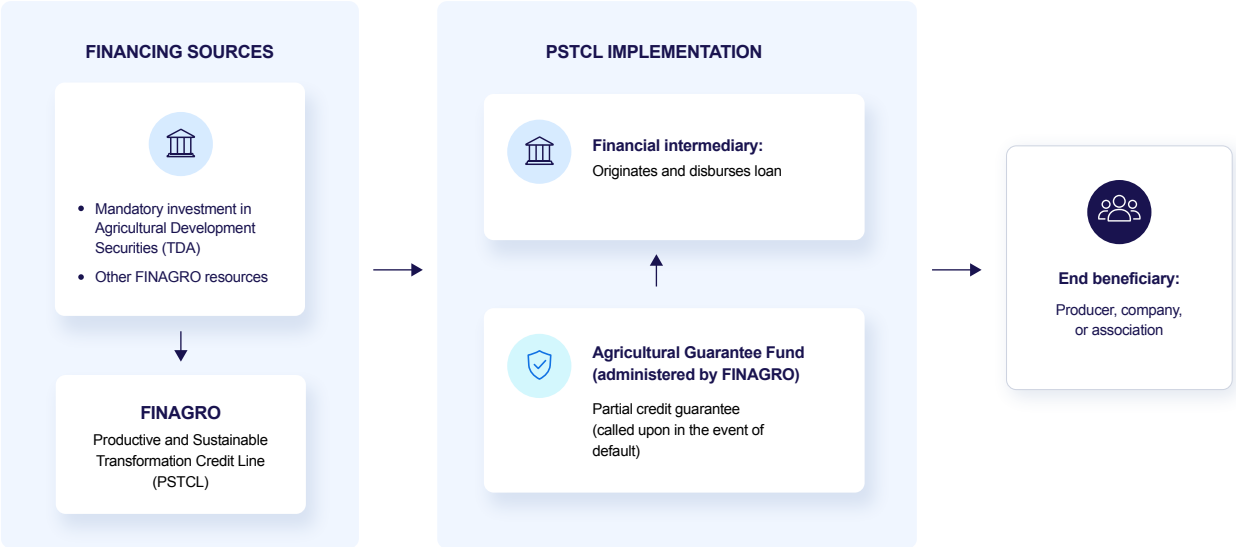
Through this structure, FINAGRO plays a central role in shaping Colombia's agricultural credit markets. It sets lending terms, provides rediscount financing, and administers complementary instruments such as guarantees and incentives that reduce risk for financial intermediaries.

Within this mandate, FINAGRO developed the Productive and Sustainable Transformation Credit Line (PSTCL), a targeted credit line that supports the transition of rural production systems toward more sustainable, climate-resilient, and economically viable models. Many green finance products require investments or activities to meet strict environmental criteria from the outset. The PSTCL, by contrast, was designed to finance the transformation process itself. It enables producers to make the investments needed to adopt more sustainable practices, recognizing that transition is gradual and that access to finance is essential.

The PSTCL finances investments that help rural Colombia shift toward lower-impact productive activities, use natural resources more efficiently, and safeguard rural livelihoods while aligning agricultural production with environmental sustainability objectives. The credit line reflects a broader strategic shift within FINAGRO toward integrating environmental considerations into agricultural finance. This includes efforts to reduce greenhouse gas emissions, promote carbon sequestration, improve water and soil management, support the adoption of renewable energy, invest in sustainable on-farm infrastructure, and foster circular-economy practices in rural production systems.

Although the PSTCL covers a wide range of agricultural activities, this case study focuses specifically on its role in enabling sustainable investment in agriculture-related infrastructure. Eligible investments include renewable energy technologies; biomass and circular-economy infrastructure; and agro-processing facilities that improve environmental performance across agricultural value chains. Since its introduction, the PSTCL has grown rapidly. Financing rose from approximately COP 30 billion in 2024 to COP 215 billion in 2025 and COP 105 billion year-to-date in 2026 (equivalent to USD 7.37 million, USD 53.05 million, and USD 29.03 million, respectively),[1] reflecting rising demand for sustainable investment in the rural sector.

Chart 1. Productive and Sustainable Transformation Credit Line Flowchart



- Financing flow for infrastructure investments:
    1. A producer, company, or municipality proposes a project involving sustainable infrastructure. For example, sustainable pig or poultry production, renewable energy, or wastewater treatment in sectors with significant environmental impacts, such as livestock, poultry, and pig farming.
    2. A financial institution assesses and approves the loan, then registers the transaction in FINAGRO's system as a rediscount transaction. Transactions may be registered individually or in bulk through the Fondeo Global scheme. The system accepts only transactions that meet the established eligibility criteria, including producer type, financial terms, and use of loan.
    3. Where applicable, the financial institution requests rediscount funding from FINAGRO under special funding terms. The producer may also use other FINAGRO instruments that facilitate access to credit, including guarantees, incentives, and insurance.
    4. The financial institution disburses financing for the infrastructure project.
- This model allows FINAGRO to scale green infrastructure financing through existing banking channels.

[1] COP-to-USD conversions were based on average annual exchange rate for each reporting year (2024, 2025, and 2026 year-to-date). The rate was calculated as the average of the daily Representative Market Exchange Rate (TRM) published by Banco de la República.
https://suameca.banrep.gov.co/estadisticas-economicas/informacionSerie/1/tasa_cambio_peso_colombiano_trm_dolar_usd

ELIGIBILITY CRITERIA

Eligible Borrowers

Through financial intermediaries, the PSTCL is available to a broad range of participants in Colombia's rural and agricultural economy. As with other FINAGRO instruments, eligibility is structured around producer and institutional classifications rather than around a narrow borrower definition. Eligible beneficiaries include:

- Small-scale, medium-sized, and large producers, classified according to income and asset thresholds
- Association-based arrangements, including cooperatives, producer organizations, and vertical integration schemes
- Rural enterprises and agribusinesses

In practice, access to the PSTCL depends not only on eligibility but also on commercial banks' willingness and ability to originate loans, since FINAGRO operates through a second-tier model. Uptake among smaller producers remains limited because of capacity constraints, perceived risk, and the difficulty of meeting green credit requirements.

Eligible Investments

The PSTCL supports investment in infrastructure and equipment that enables sustainable, climate-resilient agricultural systems. For this case study, eligible investments fall into the following main categories:

- **Water and land management infrastructure:** irrigation and drainage systems; water harvesting and storage for sustainable sector-specific uses; soil restoration; and land improvement works that increase resource efficiency and climate resilience.
- **Environmental management infrastructure:** wastewater treatment systems and infrastructure to manage agricultural effluents and reduce environmental impacts associated with sector-specific uses.
- **Renewable energy and circular-economy systems:** non-conventional renewable energy, such as solar; biomass and bioenergy systems; and infrastructure for reusing agricultural waste.
- Transition to production activities with low environmental and ecosystem impacts.
- **Agro-processing and value chain infrastructure:** facilities such as coffee-processing units, forestry-processing infrastructure, and other agroindustrial systems that improve environmental performance across value chains.

FINANCING SOURCES AND COMMERCIAL TERMS

Infrastructure investments under the PSTCL are financed through FINAGRO's second-tier rediscount model. Financial resources are channeled through commercial banks and other financial intermediaries rather than provided directly to end borrowers. Under this structure, an eligible producer, company, or other entity first obtains a loan from a financial institution, which then registers the transaction in FINAGRO's AGROS platform. The institution verifies that the loan meets the established eligibility criteria. Once validated, rediscount funds can be disbursed to the intermediary within two hours. FINAGRO may finance up to 100% of the loan, while the financial intermediary retains the client relationship and disburses the funds to the borrower.

This model allows FINAGRO to act as a policy-driven wholesale lender. It shapes credit markets at scale while leveraging private banks' origination capacity, client relationships, and distribution networks. By setting the terms on which capital is provided—rather than deploying it directly—FINAGRO can influence how and where in the agricultural sector lending takes place.

Financing under the PSTCL may take the form of rediscount financing, through which FINAGRO provides capital to financial institutions at preferential rates that are then passed on to borrowers. FINAGRO sets eligibility criteria, incentives, and financial terms, helping direct capital toward priority areas such as sustainable and climate-resilient infrastructure. Although FINAGRO can rediscount up to 100% of a transaction, the financial intermediary retains most of the credit risk. When a guarantee from the Agricultural Guarantee Fund (FAG) applies, risk is shared among the intermediary, FAG, and the producer through a progressive coverage scheme that provides greater protection for small-scale producers.

Interest rates under the PSTCL are structured around the Reference Banking Indicator (IBR), the domestic benchmark rate used across Colombia's financial system. Preferential funding terms are intended to encourage the adoption of sustainable practices. They give financial institutions access to resources on more favorable terms so they can pass these benefits on to end beneficiaries, particularly small-scale producers and association-based arrangements. In general, FINAGRO funding is provided at IBR minus 3 percentage points for loans to small-scale producers; IBR minus 3.5 percentage points for loans under association-based arrangements; IBR minus 0.9 percentage points for medium-sized producers; and IBR for large producers. Final lending rates are freely set, allowing competition among institutions to generate better outcomes. Loan tenors and grace periods are tailored to the investment's cash-flow profile and production cycle, providing flexibility for infrastructure projects that may require longer repayment horizons.

Risk-mitigation instruments are a core component of the financing structure, particularly the Agricultural Guarantee Fund (FAG), which provides partial guarantees to reduce financial intermediaries' exposure. Combined with preferential interest rates, these guarantees are critical to encouraging banks to participate in agricultural and sustainable lending, segments that are often perceived as higher risk. FAG coverage varies by producer profile and, except in extraordinary circumstances provided for by regulation, never fully covers the risk borne by the financial intermediary. Stakeholder consultations have highlighted that risk perception among financial institutions remains a significant constraint. These instruments are therefore essential to the PSTCL's operation and uptake.

Overall, the PSTCL's financing structure enables FINAGRO to mobilize capital for sustainable infrastructure at scale by combining public financial resources with private-sector intermediation. Rather than financing individual projects directly, the model uses existing banking channels to expand access to credit, lower the financing cost of eligible investments, and align agricultural lending with national sustainability objectives.

Table 1. Summary of Financing Sources

Financing Source	Role	Terms
FINAGRO rediscount financing	Provides wholesale financing to commercial banks for onward lending to eligible beneficiaries.	Preferential interest rates linked to the IBR; no interest-rate cap applies to this line when rediscount financing is used.
Substitute portfolio[2]	Allows banks to finance eligible projects with their own capital instead of the mandatory investment for Agricultural Development Securities (TDA).	Preferential interest rates linked to the IBR, subject to regulatory rate cap.
Agricultural Guarantee Fund (FAG)	Provides risk mitigation to financial intermediaries.	Partial credit guarantees for eligible loans.

TECHNICAL AND OPERATIONAL PARTNERSHIPS

The PSTCL is implemented through a network of financial, institutional, and sectoral partnerships that enables FINAGRO to translate national policy objectives and sector strategies into on-the-ground investment. Because it operates as a second-tier institution, FINAGRO relies heavily on financial institutions as its main operational partners. These institutions originate loans, assess borrower eligibility, and disburse financing, while FINAGRO provides funding, guarantees, and the policy framework that guides lending decisions.

A defining feature of the PSTCL is that it was co-designed not only with financial intermediaries but also with producer associations and industry groups, departing from FINAGRO's earlier approach to developing credit lines. Historically, some credit lines experienced limited uptake because they were developed without sufficient input from banks. For the PSTCL, FINAGRO actively consulted intermediaries during the design phase to understand the conditions under which they would participate. Banks provided input on key elements such as interest-rate structures, risk considerations, and how the line should operate within their own portfolios.

This process produced a more demand-driven, commercially aligned instrument. Its features allow banks to maintain their financial margins and serve different borrower segments more effectively. Intermediaries also indicated how they preferred to receive information and guidance on the credit line, further supporting uptake. As a result, the PSTCL has seen stronger uptake than previous instruments, reflecting a shift from a top-down, policy-led approach to a more collaborative and incentive-compatible model.

[2] Under this mechanism, commercial banks use their own balance sheets to finance projects that meet FINAGRO's eligibility criteria. These loans count toward regulatory agricultural-lending requirements even though FINAGRO does not provide the capital directly. Instead, FINAGRO sets the rules and incentives governing the use of these funds, ensuring that part of the financial system's lending is directed to the agricultural sector.

Beyond the financial sector, FINAGRO works closely with producer associations and other sector organizations to better understand the needs, constraints, and investment priorities of different value chains. These relationships are essential, but their perspectives do not always align fully with those of financial institutions. In some cases, producer associations advocate financing priorities, such as climate-resilient inputs or sector-specific investments, that do not fit existing credit policies or risk frameworks. Managing these differences is an ongoing part of designing and refining instruments, including the PSTCL.

Overall, the PSTCL operates through a multi-stakeholder ecosystem in which FINAGRO acts as a coordinator and enabler. It provides financial resources, sets incentives, and includes feedback from both financial and sector partners to continuously improve the delivery of sustainable finance.

ALIGNMENT WITH PUBLIC POLICIES

FINAGRO acts as one of the Colombian government's core financial instruments, with a mandate directly linked to the Ministry of Agriculture and Rural Development. The PSTCL is thus embedded in Colombia's broader policy framework for rural development, climate action, and sustainable land use, translating national priorities into concrete financing mechanisms.

At the broader policy level, the PSTCL aligns with national planning instruments and priorities for sustainable rural transformation, enhanced climate resilience, and more inclusive economic development. By financing sustainable production systems and enabling infrastructure, the credit line supports the plan's objectives of increasing productivity while reducing environmental pressures in rural areas. This includes strategically important regions such as the Colombian Amazon, where the transition to more sustainable production systems is a national priority. FINAGRO also operates the Environmental Alerts and Monitoring System (SAAM), a tool that assesses project-specific environmental and social risk factors based on geographic location.

The PSTCL is also consistent with Colombia's national climate commitments under its Nationally Determined Contribution (NDC), particularly in agriculture, forestry, and land use. Investments financed through the line, including efficient water use, renewable energy, wastewater management, and agroforestry, contribute directly to mitigation and adaptation goals by reducing emissions, improving resource efficiency, and strengthening resilience to climate variability.

In addition, the PSTCL reflects the principles set out in Colombia's National Policy for the Integrated Management of Biodiversity and its Ecosystem Services, which emphasizes the sustainable use of natural resources, ecosystem conservation, and the integration of environmental considerations into economic decision-making. By encouraging investment in soil conservation, water management, and biodiversity-friendly production systems, the credit line puts these objectives into practice.

More broadly, the PSTCL shows how Colombia is using financial policy tools to advance its sustainability objectives. Rather than relying solely on regulation or subsidies, FINAGRO uses preferential lending terms, guarantees, and eligibility criteria to direct investment toward activities aligned with national priorities. These include lower-emission production systems, improved water and soil management, and the adoption of cleaner technologies.

At the same time, the PSTCL brings to light some of the challenges inherent in aligning financial instruments with public policy. As a nationally defined credit line, its terms apply uniformly across a highly diverse set of ecosystems and production systems, which can limit its ability to fully reflect local environmental and economic realities. Evolving policy priorities and political dynamics can also affect how the instrument is positioned and deployed, including shifts in emphasis between support for small-scale farmers and large-scale investment.

FINAGRO PSTCL ANALYSIS

1. The Amazon Dimension

The PSTCL is a nationwide credit line that was not specifically designed for the Amazon region. Nevertheless, its structure and eligible investment categories make it highly relevant to financing sustainable infrastructure and production systems in Amazon territories. As of 2026, one PSTCL loan has been registered in the department of Caquetá: COP 40 million (equivalent to USD 11,060)[3] for a sustainable cattle-farming project.

In practice, the credit line could support a range of infrastructure investments that are critical to sustainable land use in the Amazon. These include water-management systems, off-grid renewable energy solutions for rural areas, and processing infrastructure to improve the environmental performance and value addition of local production systems. Such investments are especially important in remote areas, where infrastructure gaps are a major constraint on both productivity and sustainability.

FINAGRO has also identified several priority value chains relevant to the Amazon, including livestock, cocoa, rubber, and non-timber forest products. Infrastructure plays a key role in enabling more sustainable practices in these sectors. Examples include water systems and rotational-grazing infrastructure for livestock production, as well as processing and storage facilities that reduce pressure on natural ecosystems by improving efficiency and market access.

At the same time, applying the PSTCL in the Amazon presents structural challenges. As a nationally standardized instrument, the credit line does not fully differentiate among ecosystems, despite substantial environmental, social, and logistical differences across regions. This may limit its effectiveness in the Amazon, where financing needs are often highly localized and require tailored approaches that account for ecosystem dynamics, access constraints, and the specific characteristics of dispersed rural populations.

[3] The 2026 COP-to-USD conversion used the average TRM from January 1 to July 22, 2026 (the analysis date), calculated from daily rates published by Banco de la República. https://suameca.banrep.gov.co/estadisticas-economicas/informacionSerie/1/tasa_cambio_peso_colombiano_trm_dolar_usd

In addition, uptake of the PSTCL in Amazon regions may be constrained by the same factors that affect its broader adoption. These include low awareness among local financial intermediaries and producers, as well as limited capacity to structure and assess sustainable investments. In some regions, banks and producers are still unfamiliar with the instrument, suggesting that outreach and awareness barriers may be especially acute in more remote areas.

Overall, although the PSTCL is not Amazon-specific, it represents a potentially important mechanism for scaling sustainable infrastructure and land-use investment in the region. Its effectiveness will depend on how well its design and implementation can be adapted to the specific needs and constraints of the Amazon regions.

2. Market Differentiation and Financial Innovation

Key Differentiators

A central PSTCL differentiator is that the credit line integrates sustainable infrastructure financing into a broader agricultural credit framework. Rather than creating a stand-alone green infrastructure product, FINAGRO embeds financing for water systems, renewable energy, waste management, and processing infrastructure directly into agricultural finance. This links sustainability investments to production systems and value chains.

A second key differentiator is the use of a second-tier rediscount model to channel capital at scale. By working through commercial banks, FINAGRO can influence lending behavior across the financial system instead of financing projects one by one. This structure allows public capital to be deployed more efficiently while leveraging the private sector's origination capacity.

Another notable feature is the strategic direction provided by the National Commission for Agricultural Credit (CNCA). Through regional impact programs and special rediscount lines such as the PSTCL, the Commission enables FINAGRO to support the kinds of transformation the line is intended to promote.

Finally, the PSTCL stands out for having been co-designed with financial intermediaries, marking a departure from the previous top-down development of credit lines. By including bank input on pricing, risk, and operating conditions, FINAGRO has developed a more demand-driven instrument that aligns policy objectives with commercial realities and supports stronger uptake.

Competitive Advantage

The PSTCL benefits from FINAGRO's position as a policy-driven financial intermediary with nationwide reach. This allows it to mobilize capital through a broad network of commercial banks and reach rural borrowers, giving the credit line a scale that project-based financing mechanisms are often unable to achieve.

The combination of preferential interest rates and guarantee mechanisms creates a strong incentive structure for financial institutions. It helps mitigate perceived risks and improve the financial viability of sustainable infrastructure investments. These features are particularly important in agriculture, where lending is often constrained by risk considerations.

In addition, the PSTCL's flexibility, in both eligible investments and financing structures, allows it to support a wide range of infrastructure types and borrower profiles, from small-scale producers to large agro-industrial companies.

Competitive Disadvantage

Despite these strengths, the PSTCL faces several structural constraints. A primary limitation is commercial banks' perception of risk: they continue to view agricultural and sustainability-related investments as higher risk, which limits the credit line's uptake.

Financial institutions also face capacity gaps, particularly in assessing and structuring sustainable infrastructure investments. Many banks lack the technical expertise needed to evaluate these projects, which can slow uptake even when financial incentives are available.

At the borrower level, the PSTCL has difficulty reaching large numbers of small-scale producers. These investments often require technical assistance, upfront capital, and longer time horizons that may not align with existing financing structures. Political dynamics may further influence how the credit line is deployed, including shifts in emphasis between support for smallholders and large-scale investments.

Finally, the PSTCL's nationally standardized design may limit its ability to fully account for regional and ecosystem-specific conditions, reducing its effectiveness in highly diverse contexts such as the Amazon.

Innovative Features

The PSTCL comprises several features that reflect innovation in the design of sustainable finance instruments. First, it uses financial incentives as a policy tool, with interest-rate discounts linked to sustainability objectives. This approach allows FINAGRO to steer investment behavior without relying solely on regulation or subsidies.

Second, the combination of rediscount financing and guarantee mechanisms creates a layered risk-sharing structure that encourages private financial institutions to participate in sectors they might otherwise avoid.

Third, the credit line supports integrated investment approaches, recognizing that sustainability transitions often require several complementary investments rather than a single intervention. Borrowers can therefore finance infrastructure, technology, and supporting activities as part of a broader transformation pathway.

Finally, co-designing the instrument with financial intermediaries represents an important institutional innovation. It shows how development finance instruments can be structured to align public policy objectives with market incentives, improving both uptake and effectiveness.

3. Implementation

The PSTCL is implemented through FINAGRO's second-tier financing model, under which infrastructure investments are financed indirectly through commercial banks and other financial intermediaries. In practice, the process begins when a producer, company, association, or other eligible entity develops a project—such as irrigation infrastructure, renewable energy systems, or wastewater-management solutions—and applies for financing through a financial institution.

The financial intermediary evaluates each loan's terms and verifies compliance with FINAGRO's eligibility criteria. For the PSTCL, eligible uses of proceeds are defined to support the agricultural sector's transition toward more sustainable and resilient systems. Once the loan is approved, the intermediary requests rediscount financing under the line's terms. FINAGRO then provides the corresponding resources and instruments, including preferential funding terms and guarantees, which the intermediary uses to disburse the loan to the borrower.

However, the operating model also reveals important limitations. Because FINAGRO depends on intermediaries, the PSTCL's success is heavily influenced by commercial banks' capacity, incentives, and awareness. Some financial institutions may be unfamiliar with the credit line or lack the technical expertise needed to assess sustainable infrastructure investments, which can limit uptake. This challenge may be especially pronounced in remote regions, where both banks and producers have had limited exposure to these financing instruments.

Another key operational feature is the use of 'investment monitoring' mechanisms, under which some financed projects are verified to ensure that funds are used for their intended purpose. Although this system provides a basic level of accountability, it does not constitute comprehensive monitoring and evaluation of environmental or social outcomes. FINAGRO has started exploring more comprehensive monitoring approaches, but these remain under development.

Overall, the PSTCL operating model enables sustainable infrastructure to be financed at scale by integrating it into existing agricultural credit systems. At the same time, it underscores the importance of intermediary capacity, effective information flows, and complementary support mechanisms to ensure that financing translates into meaningful investment on the ground.

4. Scalability: Opportunities and Challenges

OPPORTUNITIES

The PSTCL is inherently designed for scale because FINAGRO's second-tier financing model allows capital to be deployed through a broad network of commercial banks. By using existing financial infrastructure rather than building new delivery mechanisms, the credit line can reach a wide range of borrowers and locations, enabling sustainable infrastructure finance to expand across the agricultural sector.

Demand is also growing for climate-resilient infrastructure, particularly in water management, renewable energy, and sustainable production systems. As climate variability increases and resource constraints grow more pronounced, these investments become more economically relevant to producers, supporting the PSTCL's long-term scalability.

Another important opportunity lies in the PSTCL's ability to simultaneously support multiple value chains, including livestock, cocoa, forestry, and other sectors relevant to sustainable land use. By embedding infrastructure in these value chains, the credit line can drive systemic change rather than isolated investments.

Financial incentives and guarantees further strengthen scalability by making sustainable investments more attractive and reducing risk for intermediaries. These mechanisms create conditions for greater private capital participation, allowing FINAGRO to mobilize financing beyond its own balance sheet.

CHALLENGES

Despite these strengths, several structural challenges limit the PSTCL's full scalability. The main barrier is commercial banks' risk perception. They continue to view agricultural and sustainability-related investments as higher risk, limiting broader uptake of the credit line.

Closely related are capacity constraints within financial institutions, particularly in assessing and structuring sustainable infrastructure projects. Without sufficient technical expertise, banks may be reluctant to originate these loans even when financial incentives are available.

The PSTCL also faces challenges in reaching small-scale producers at scale. Sustainable infrastructure investments often require complementary support—such as technical assistance, aggregation mechanisms, or phased financing—that is not fully integrated into the credit line itself. As a result, uptake among smaller producers remains more limited than among larger or better-organized actors.

Gaps in information, outreach, and institutional capacity also persist. In some regions, financial institutions and producers are still unaware of the PSTCL or do not fully understand how to access it, making communication and outreach critical constraints on scaling. These gaps can hinder broader uptake, particularly in regions with limited experience in sustainable finance instruments.

Finally, the PSTCL operates within a public-policy context that shapes its implementation priorities. However, following the adjustments established by the National Commission for Agricultural Credit (CNCA) through Resolution No. 10, the risk that the PSTCL will be discontinued as a FINAGRO tool is low. Because FINAGRO has developed the instrument and finances it with its own resources, it is less vulnerable to policy changes than that of other incentive instruments administered by the institution. Nevertheless, policy priorities and political narratives (for example, greater emphasis on financing small-scale producers) can influence how the credit line is directed and used, sometimes creating tensions among impact, scale, and policy objectives.

5. Replicability and Financial Sustainability

The PSTCL model is broadly replicable in contexts where development finance institutions operate through second-tier, wholesale lending structures. Its core architecture—which combines rediscount financing, regulatory incentives, and risk-sharing mechanisms—can be adapted by public financial institutions seeking to scale investment in sustainable agriculture and rural infrastructure without originating loans directly.

Two features are particularly important for replicability. First, commercial banks act as delivery channels, allowing public capital to leverage existing financial systems. Second, guarantees and preferential terms help address risk perceptions in sectors such as agriculture. The PSTCL also demonstrates the value of co-designing with intermediaries, suggesting that aligning financial instruments with banks' operating realities is essential to achieving uptake.

At the same time, replicability depends on several enabling conditions. These include a well-developed financial sector, regulatory frameworks that support agricultural lending, and sufficient institutional capacity among both public and private actors to structure and assess sustainable investments. Without these conditions, a similar model may be less effective.

From a financial-sustainability perspective, the PSTCL is structured as a market-based instrument rather than a grant-funded program. By providing capital through rediscount mechanisms and allowing banks to co-finance or lend from their own balance sheets, the model supports the recycling of capital over time. Interest-bearing loans combined with partial guarantees allow FINAGRO to maintain financial discipline while expanding access to credit.

Long-term sustainability will nevertheless depend on continued demand for sustainable investments and on financed projects' ability to generate sufficient returns for repayment. It will also depend on whether financial institutions' perception of risk continues to decline as they gain experience with these investments.

Taken together, the PSTCL illustrates a financing model that is both scalable and potentially sustainable over the long term. It highlights the importance of institutional capacity, market development, and aligned incentives, factors to be taken into account for successful replication in other contexts.

6. Social, Environmental, and Climate Impacts

The PSTCL is designed to generate social, environmental, and climate benefits by financing investments that improve the sustainability and resilience of agricultural production systems. Although comprehensive impact data are still emerging, the types of investment supported by the credit line provide clear pathways to multiple outcomes.

From an environmental and climate perspective, infrastructure financed through the PSTCL contributes to improved resource efficiency and reduced environmental pressures. Investments in irrigation and water-management systems support more efficient water use and greater resilience to drought and variability. Renewable energy and biomass systems help reduce greenhouse gas emissions and reliance on fossil fuels. Infrastructure for both wastewater treatment and effluent management, meanwhile, helps reduce water body pollution.

The credit line also supports sustainable land-use practices, including agroforestry, silvopastoral systems, and soil-conservation measures. These practices can increase carbon sequestration, improve soil health, and protect biodiversity. They are especially relevant in landscapes under pressure from deforestation and land degradation.

From a social and economic perspective, PSTCL investments can increase productivity, reduce operating costs, and improve income stability for producers, particularly when infrastructure addresses key bottlenecks such as water access or energy availability. The credit line also includes provisions that prioritize access for vulnerable populations, supporting broader financial-inclusion objectives.

However, the ability to quantify these impacts remains limited. FINAGRO's current monitoring approach relies primarily on 'investment monitoring,' which verifies that funds are used for their original purpose but does not systematically track environmental or social outcomes. Despite efforts to develop a more comprehensive monitoring and evaluation system, it has yet to be fully implemented.

As a result, the PSTCL's impacts are best understood as potential and directional, based on the nature of the investments financed, rather than as rigorously measured outcomes. Strengthening monitoring frameworks will be essential to demonstrate the credit line's full contribution to Colombia's climate and sustainability objectives.

7. Lessons Learned

The PSTCL experience highlights several key lessons for designing and implementing sustainable finance instruments in the agricultural sector.

- **Co-design with financial intermediaries is essential for uptake.** A key factor in the PSTCL's performance relative to earlier credit lines was the decision to involve commercial banks in its design. By aligning pricing, risk structures, and operating features with financial institutions' realities, FINAGRO created a more practical, demand-driven instrument. This experience shows that sustainable finance instruments are more effective when they respond both to public-policy objectives and to market operating conditions.

- **Risk perception remains a major barrier to scaling sustainable finance.** Even with preferential rates and guarantees, many financial institutions still view agricultural and sustainability-related investments as high risk. Addressing this challenge requires not only financial incentives, but also better data, tools, and capacity to assess these investments effectively.

- **Finance alone is not enough to drive sustainable transformation.** The PSTCL shows that transitioning to more sustainable production systems often requires several coordinated investments over time, as well as technical support. The experience therefore highlights the importance of combining long-term financing with incentives that facilitate the transition to more sustainable production systems. Credit lines that are not integrated or aligned with complementary services, such as technical assistance or capacity building, may struggle to achieve their full impact, especially among smaller producers.

- **Second-tier financing models can enable scale, but they depend on intermediary capacity.** FINAGRO's rediscount model provides broad reach and efficient capital deployment, but it also transfers responsibility for project origination and assessment to financial intermediaries. The instrument's effectiveness is therefore closely tied to the participating banks' capacity and incentives.

- **Policy-driven instruments must continue adapting to diverse contexts.** Applying a nationally standardized credit line across different ecosystems and production systems can limit effectiveness, especially in regions such as the Amazon. Greater flexibility and adaptation to local conditions may be needed to ensure that financial instruments respond to conditions on the ground.

- **Monitoring and impact measurement are essential to long-term credibility.** Although the PSTCL is designed to generate significant environmental and social benefits, current systems focus primarily on verifying the use of funds rather than measuring outcomes. Stronger monitoring frameworks will be essential to demonstrate impact and inform future policy and investment decisions.

8. SWOT Analysis

The PSTCL model combines structural strengths and limitations that shape its effectiveness as a scalable financing instrument for sustainable infrastructure, as summarized below.

STRENGTHS

- Scalable second-tier financing model that leverages existing banking systems
- Strong policy alignment with national climate and rural development objectives
- Guarantees and preferential rates that encourage sustainable investment
- Flexible eligibility supporting a broad range of infrastructure investments across value chains

WEAKNESSES

- Dependence on commercial banks' capacity and willingness to originate loans
- Limited monitoring and impact-measurement systems beyond verification of use of funds
- Persistent perception of agricultural and green investments as high risk among banks
- Difficulty reaching large number of small-scale producers without complementary support

OPPORTUNITIES

- Growing demand for climate-resilient infrastructure, including water, energy, and soil systems
- Potential to scale across multiple value chains and regions, including the Amazon
- Capacity to mobilize private capital at scale through risk-sharing mechanisms
- Scope to strengthen integration with green taxonomies and climate-finance frameworks

THREATS

- Policy changes that might affect priorities and credit allocation
- Persistently low awareness and uptake among intermediaries and producers in some regions
- Misalignment between financial products and sector needs, for example between producer associations and banks
- Structural barriers in rural markets, including access, informality, and capacity gaps

FINAL CONSIDERATIONS

The PSTCL offers a compelling example of how a public development finance institution can leverage existing financial systems to scale investment in sustainable infrastructure. By combining rediscount financing, guarantees, and preferential terms within a second-tier model, FINAGRO has created a mechanism capable of mobilizing capital across a broad range of participants and value chains.

A key lesson from the PSTCL is the importance of aligning policy objectives with market realities. Co-designing the credit line with financial intermediaries has been central to its uptake, showing that sustainable finance instruments are most effective when they are both policy-driven and commercially viable. At the same time, the experience underscores the limitations of relying on financial incentives alone: scaling sustainable investment also requires institutional capacity, technical expertise, and complementary support mechanisms.

Looking ahead, there is significant potential to strengthen the PSTCL's impact by improving monitoring and evaluation systems, refining targeting for specific ecosystems and regions, and deepening alignment with emerging frameworks such as green taxonomies. In particular, strengthening implementation of the PSTCL in the Colombian Amazon offers an opportunity to expand financing for sustainable infrastructure and production systems in a region of strategic importance to Colombia’s rural development, conservation, and climate-action objectives. Addressing these areas would not only improve the instrument's effectiveness in Colombia but also increase its relevance as a model for other countries seeking to finance sustainable agricultural transformation.

Overall, the PSTCL illustrates both the promise and the complexity of using financial policy tools to achieve sustainability outcomes at scale. Its continued evolution will depend on the ability to balance flexibility with policy direction and adapt to the diverse needs of financial institutions and producers, as well as to a wide range of ecosystem conditions.

Copyright © 2025 Banca de Desarrollo Territorial, Banco Agrario de Colombia S.A., Banco da Amazônia S.A., Banco de Comercio Exterior de Colombia S.A., Banco de Desarrollo Productivo SAM, Banco do Brasil S.A., Banco do Estado do Pará S.A., Banco do Nordeste do Brasil S.A., Banco Nacional de Desenvolvimento Econômico e Social – BNDES, Caixa Econômica Federal, Corporación Andina de Fomento - CAF, Corporación Financiera de Desarrollo S.A., Corporación Financiera Nacional B.P., Corporación Nacional de Finanzas Populares y Solidarias, Financiadora de Estudos e Projetos, Financiera de Desarrollo Nacional S.A., Fondo para el Financiamiento del Sector Agropecuario - FINAGRO, Inter-American Development Bank, International Bank for Reconstruction and Development – The World Bank, and Suriname National Development Bank Ltd – NOB, jointly referred to as the “Green Coalition Members”.

This work is subject to a Creative Commons license CC BY 3.0 IGO. The terms and conditions indicated in the (https://creativecommons.org/licenses/by/3.0/igo/legalcode) must be met and the respective recognition must be granted to the Green Coalition Members.

This case study was developed by Magnitude Global Finance. The opinions expressed in this work are those of the authors and do not necessarily reflect the views of the Green Coalition Members.