



# UNI2 Microcrédito, a Microfinance Organisation Serving Rural and Farming Communities in Colombia

RAI CASE STUDY



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### UNI2 Microcrédito, a Microfinance Organisation Serving Rural and Farming Communities in Colombia

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Photo: UNI2

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# Table of Contents

<b>1.0 Introduction to the Responsible Agricultural Investment Case Studies and Methodology...</b>	<b>1</b>
<b>2.0 Background and Context.....</b>	<b>4</b>
2.1 The Microfinance Industry in Colombia.....	4
2.2 Microcredit Institutional Framework .....	5
<b>3.0 Profile of the Company.....</b>	<b>6</b>
3.1 General Information .....	6
3.2 Industry Best Practice Compliance and Certification .....	6
3.3 Client Case Studies Shared by UNI2 on Its Impact.....	7
<b>4.0 Assessment of UNI2’s Business Practices Alignment With CFS-RAI and Impact on Local Stakeholders .....</b>	<b>10</b>
4.1 UNI2’s Overall Compliance with the CFS-RAI .....	11
4.2 UNI2’s Detailed Compliance With the CFS-RAI .....	11
<b>5.0 Conclusions and Recommendations .....</b>	<b>20</b>
5.1 UNI2 Evaluation of the RAI Tool for Agribusiness .....	20
5.2 Potential of the RAI Tool Approach for Other Industries .....	21
5.3 Implications for UNI2’s Practices and Procedures.....	22
<b>References .....</b>	<b>23</b>



## List of Figures

Figure 1. UNI2 scores by dimension .....	11
Figure 2. UNI2 scores on strategy and accountability .....	12
Figure 3. UNI2 scores on inclusive and transparent structure .....	13
Figure 4. UNI2 scores on responsible processes, products, and services .....	14
Figure 5. UNI2 scores on environmentally sustainable processes, products and processes .....	15
Figure 6. UNI2 scores on responsible treatment of stakeholders .....	16
Figure 7. UNI2 scores on responsible human resources development .....	18
Figure 8. UNI2 scores on financial transparency and benefit sharing .....	19

## List of Boxes

Box 1. The RAI Scoring Tool .....	2
Case 1 .....	8
Case 2 .....	9



## Abbreviations and Acronyms

<b>AVCA</b>	Agricultural value chain actor
<b>CFS-RAI</b>	Committee for Food Security Principles for Responsible Investment in Agriculture and Food Systems
<b>COP</b>	Colombian peso
<b>IISD</b>	International Institute for Sustainable Development
<b>n/a</b>	not applicable
<b>NPO</b>	non-profit organisation
<b>RAI</b>	Responsible Agricultural Investment
<b>UNI2</b>	UNI2 Microcrédito (Pty) Ltd (Finamiga)



# 1.0 Introduction to the Responsible Agricultural Investment Case Studies and Methodology

This case study is part of a series of cases, drawn from various segments of the agriculture and food sectors, aimed at analysing agricultural value chain actors' (AVCAs)—or agribusinesses'—performance and compliance with the Committee on World Food Security's Principles for Responsible Investment in Agriculture and Food Systems (CFS-RAI).<sup>1</sup>

Agribusinesses are critical players in achieving the goals of responsible agricultural investment, and include producers (of crops), processors, and traders. Their operations in the agricultural and food sectors can play a transformative role, including enabling the adoption and dissemination of new technologies, building markets and supply chain linkages, and potentially contributing to local economies and communities (e.g., through employment and income generation). Investing responsibly can be enhanced by agribusinesses aligning policies, planned operations, and practices with the CFS-RAI.

Translating the CFS-RAI Principles into action requires practical guides and tools for stakeholders—such as financial investors and agribusinesses in which they invest—who wish to incorporate them into policies, regulations, and business practices. One aim of the case studies is to help provide or improve these tools, such as the RAI Tool (Box 1).

However, the purpose of conducting the case study with UNI2 differs from the other case studies in the series ([Evidence on Investing Responsibly in Agribusinesses](#)). Other case study companies are AVCAs, for which the tool is directly intended; however, UNI2 is a microcredit investor that finances AVCAs and micro enterprises in other industries (including related industries, such as transporters of agricultural products).

The purpose of evaluating the RAI Tool therefore differed for UNI2, and this is reflected in the case study:

- UNI2 aims to invest sustainably and responsibly, which requires equivalent behaviour by investees. This includes adherence, as far as possible, to CFS-RAI Principles. Completing the tool systematically with the International Institute for Sustainable Development (IISD) helped test the instrument from other perspectives—for instance, whether certain AVCA practices would lead to the intended compliance with RAI, whether the practices suggested in the tool were realistic, and whether alternative approaches, for example, were more feasible. UNI2 made a series of suggestions and recommendations, most of which were addressed in later versions of the RAI Tool.

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<sup>1</sup> RAI refers to the [Principles for Responsible Investment in Agriculture and Food Systems](#) (CFS-RAI), which were endorsed by the Committee on World Food Security (CFS) in 2014. It is a comprehensive framework on what constitutes a “responsible investment” in agribusiness.



- Since UNI2 invests in industries other than agribusiness, it was also possible to assess whether the approach taken in the RAI Tool could be used for other industries, with the necessary adaptations. Generally, it was agreed that this was the case.

The results of testing the tool with UNI2 are presented in Section 3 as if it were attempting to comply with RAI, which inevitably leads to some large gaps in “compliance” since it is not an AVCA. Nevertheless, this process allowed UNI2 and IISD to consider changes that the company could make to its procedures vis-à-vis supporting or requiring responsible investment and processes and practices. This is discussed further in Section 4.

The methodology used for testing the RAI Tool for Agribusiness with UNI2 was an adapted version of that applied to AVCA<sup>2</sup>:

- **Phase I.** Pre-fieldwork data collection: Background information on the AVCA.
  - This comprised general characteristics, such as location of operations, value chain segment/activities, scale of operations, ownership, operational structure, etc.
- **Phase II.** Online interviews with AVCA staff: This involved online meetings with relevant members of the management team.
  - The AVCA’s key management and operational priorities and practices, especially those related to CFS-RAI, were collected.
  - Guided self-assessment, utilising the RAI Tool for Agribusiness, was conducted to collect relevant information through a set of interviews (Box 1).
- **Phase III.** Data analysis: The research team analysed the data and information gained from the interviews, compiled the principal findings, drafted the report, and discussed the findings with the AVCA and the investor.
- **Phase IV.** An initial case study was drafted and sent to the company (in this case, UNI2). After discussion, including clarifications and other feedback, a more “advanced” version was drafted for publication.

### Box 1. The RAI Scoring Tool

Information for the case studies was gathered using the RAI Scoring Tool. As specified by the CFS, the RAI principles remain generic and high level, making it difficult for AVCA<sup>s</sup> to translate them into their daily management and operations.

The objective of the RAI Scoring Tool is to provide a set of specific and measurable indicators that assess whether an agribusiness’s management of its operations, practices, and procedures are compliant or consistent with the CFS-RAI Principles. The Scoring Tool integrates RAI principles into the management and operational structure of AVCA<sup>s</sup> (decision making, actions, procedures, and processes). This makes RAI principles

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<sup>2</sup> Note this methodology differs from the one used by IISD for the other case studies in the series, which—among others—also involved fieldwork interviews with farmers, communities, and other stakeholders.



easier for AVCAAs to understand and apply and may ultimately ease the mainstreaming of RAI key performance indicators into business management and performance systems.

The tool is composed of four main parts:

- **ID card and scoping:** These two parts are completed with information on the agribusiness' profile and characteristics. This facilitates a filtering process so that businesses are only required to respond to relevant questions on their practices and outcome measures.
- **Practices:** This part comprises a detailed set of indicators, overall grouped by seven "dimensions" that broadly reflect business functions. Answers may be Yes/No/Partially/Not Applicable, which need to be explained or validated. To make the tool (and data collected) helpful for analysis, decision making, and progress, detailed information on the concrete practices implemented by the AVCA is requested.
- **Outcomes:** This part comprises a limited set of outputs and outcomes indicators on topics such as governance, employment, suppliers, and a company's environmental and climate-impact footprint.

In addition, the tool also provides dashboards showing how agribusinesses score in terms of their practices and outcomes in graphical form.

The aim of this approach is to create a reference tool that can be used by AVCAAs, financial investors, and others to assess agribusinesses' compliance with RAI and, thereby, foster more responsible and sustainable practices in the agricultural and food sectors. The latest version of the tool is available online ([The Responsible Agricultural Investment Tool for Agribusiness](#)).

Since 2021, the tool has been developed by IISD in collaboration with the Comité d'échange, de réflexion et d'information sur les systèmes d'épargne-crédit (CERISE). IISD is an independent think tank working to accelerate solutions for a stable climate, sustainable resource management, and fair economies. CERISE+SPTF is a pioneer in social performance management, developing many well-known social audit tools to help financial service providers, social businesses, and impact investors achieve their social mission. IISD is leading the case study research, analysis, and drafting of outputs. The non-governmental organisation Appui au Développement Autonome coordinates Smallholder Safety Net Upscaling Programme (SSNUP), including technical assistance projects and knowledge management activities, such as these case studies. This case study was facilitated by an organisation overseeing the International Fund for Agricultural Development's Agri-Business Capital Fund and is an investor in many AVCAAs, including UNI2.

Source: IISD.



## 2.0 Background and Context

UNI2 is representative of a financing organisation that, in addition to urban-based clients, lends to the “bottom of the pyramid” rural and agricultural sectors in Colombia.

The selection of UNI2 was focused on the need to test the IISD-CERISE+SPTF tool, which aims to provide an easy-to-use system for assessing organisations’ compliance with CFS-RAI Principles. UNI2 has specific experience using similar tools and the opinions of its management on this tool.

### 2.1 The Microfinance Industry in Colombia

The demand for microcredit in Colombia contracted significantly after December 2019, recovering from June 2020 albeit with fluctuations (Ramírez et al., 2023). This is largely explained by the COVID pandemic and its impacts on households, followed by a post-COVID recovery. As of December 2022, 23.5% of financial intermediaries surveyed indicated that improved economic growth would be the key driver of increased supply of microcredit, as well as lower funding rates (18.4%) and better information on borrowers’ repayment capacity (12.4%) (Ramírez et al., 2023). The key inhibitors to growth in decreasing order of significance were ability to pay, repayment capacity, over-indebtedness and poor credit history, and lack of financial information on the borrower. An issue growing in importance since 2021 is a lack of interest on the part of clients or associates in complying with their obligations.

Agriculture remains the sector with the least access to credit, with microcredit institutions’ clients most frequent complaints being that interest rates are too high (38% of respondents) and that the amount of credit approved is insufficient or less than requested (20%). Other factors mentioned are that the credit process is too long, the conditions for approval are onerous, and commission costs are very high.

Following the COVID-19 pandemic, some 76% of financing institutions have amended terms, although agriculture represents a very small proportion (0.31%) of their loan portfolios. Typically, amendments include extending the loan term, granting grace periods, and deferring interest payments. Write-offs as a percentage of the industry portfolio are low, at circa 1% (Ramírez et al., 2023).

Regarding access to credit for women, the Bank of the Colombian Republic, (2023, p. 4) notes that the number of new female microcredit borrowers has increased steadily since 2020: while in the first half of 2020 loans were disbursed to 87,290 new micro-debtors, in the second half of 2022 this number rose to 171,089. In terms of disbursements, between the first half of 2020 and the second half of 2022, the value disbursed increased by 144.2%, to COP 920.1 billion. Women have received the largest number of new loans in the last 3 years but receive a smaller average amount than other new micro borrowers. The agricultural sector has the largest [female client] portfolio balance (33.7%; COP 2.9 billion).<sup>3</sup>

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<sup>3</sup> Translated and adapted by author using DeepL Translator.



## 2.2 Microcredit Institutional Framework

Colombian microfinance institutions are regulated differently from large commercial financial institutions<sup>4</sup> and are not permitted to take deposits. Microfinance institutions have the option of registering under three different types of entity: co-operatives, private companies, or non-profit organisations (NPOs). If registered as an NPO, when a business grows and reaches a defined point in terms of profitability it must convert into a “for-profit” company.

Colombian microfinance institutions are usually registered as NPOs for tax benefits when they are not making significant profits. To generate funds to sustain operations, most NPO microfinance institutions must embark on revenue-generating projects of one type or another, which can detract from their main credit objectives (S. Ayalde, personal communications, October 4, 13, 20, & 27, 2022).

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<sup>4</sup> For an entity to be registered under the applicable bank regulations, a large amount of equity is required to be committed to the business, which is not something microcredit institutions have readily available.



## 3.0 Profile of the Company

### 3.1 General Information

UNI2 was established in 2014 and registered as a “for-profit” private company. Unlike most other registered microcredit organisations, it is exclusively focussed on microfinance. The decision to register as a private company was deliberate and considered to be the best strategic route to maintain focus on the core objective and to incentivise achieving a profitable position. This is notwithstanding potentially high taxes on profits. The Colombian corporate tax rate is 35%, and many consider this to be onerous (S. Ayalde, personal communications, October 4, 13, 20, & 27, 2022). Additionally, there is a 19% withholding tax on declared dividends.

UNI2’s vision is that by the end of 2025, it will have provided access to microfinancing to more than 100,000 Colombian households sustainably, positioning itself as one of the five largest non-banking microfinance institutions in the country. Its mission is to offer a high-quality, timely, and innovative service through a human team committed and motivated to generate high-impact financial inclusion, achieving the sustainable growth of micro-entrepreneurs and farmers in Colombia. UNI2 can be characterised as a socially responsible microcredit institution focused on financing and opening formal credit opportunities to micro-entrepreneurs, farmers, independents, and people who have their own business.

UNI2 serves the market with four product lines: a) PROGRESA, for working capital to fund business growth and improved productivity, b) CULTIVA to fund the purchase of agricultural inputs for cultivation or animal husbandry, c) CARGA to finance cargo and/or utility vehicles from 1 t to 10 tonnes, and d) MOTO to finance motorbikes, improving the required mobility and/or efficiency of the business. Notably, some in the transport sector using the CARGA and MOTO products are providing transport in agriculture. About 15% of loans are agricultural in nature, with rural credit clients accounting for 40% of the portfolio.

UNI2 employs 143 people in 15 offices around Colombia, particularly in the southwest states. Some 113 of those officers manage a rural portfolio, which is aligned with the percentage of rural clients (70%) UNI2 has in its portfolio.

### 3.2 Industry Best Practice Compliance and Certification

UNI2 participated in the Centre for Financial Inclusion’s Smart Campaign.<sup>5</sup> This process developed the first global financial consumer protection standards, established a rigorous certification program to validate practices by financial service providers, produced consumer protection research, and convened partners to affect change.

The project ran from 2009 to 2020 with the participation of some 135 financial institutions, serving more than 62 million low-income clients in 42 countries. These institutions were initially certified as “compliant” or “non-compliant” in adhering to the Smart Campaign’s

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<sup>5</sup> Centre for Financial Inclusion: <https://www.centerforfinancialinclusion.org/about/what-we-do/the-smart-campaign>



Client Protection Standards. The Centre for Financial Inclusion passed on the standards after the end of the campaign to several certification bodies,<sup>6</sup> enabling accredited rating firms to certify financial institutions. The process also established categories of levels of compliance (bronze, silver, and gold) that are valid for 3 years before renewal is required.

In 2021, UNI2 engaged Microfinanza Rating for their certification, receiving the “gold” standard. Aspects assessed include, among others, transparent communication with clients and maintaining security of data and client protection mechanisms.

### 3.3 Client Case Studies Shared by UNI2 on Its Impact

UNI2 shared several client case studies on the impact of finance advanced under the CARGA product line. This specialised product was developed for micro-entrepreneurs needing mobility to strengthen their business efficiency with utility vehicles and work trucks (often to transport agricultural goods). It is the only specialized microfinance product in Colombia designed specifically to finance utility vehicles, offering all the necessary guarantees to assure clients their business’s long-term sustainability.

Through its cargo vehicles product line, UNI2 supports a segment of the population, both rural and urban, that requires accessible credit lines to purchase a vehicle in pursuit of its expansion goals. Clients vary from regular merchandise conveyors to rural farmers who wish to stop renting external trucks to transport their crops. For the past 2 years, UNI2 has successfully offered its vehicle product line, opening new opportunities to hundreds of clients neglected by the formal banking sector, especially in rural communities.

There are three categories of cargo vehicle financed: (a) **heavy trucks** for trucker clients who are very experienced, well-informed customers in the sector typically looking to fund a third or fourth unit; (b) **medium trucks** for the mature business client with more than 10 years of experience for equipment renewal or a second vehicle to transport his/her own cargo; and (c) **utility vehicles** for clients who acquire their first work vehicle, with the majority migrating from motorcycles to four wheels. Uni2 has between 2 and 5 years of financing history, with the vehicles used to transport client’s own cargo.

UNI2’s portfolio at the end of 2022 consisted of

- **active vehicle loans:** 289
- **disbursements:** USD 4,706,700
- **rural vehicles:** 80 (27.7% of the portfolio)
- **vehicles for agricultural activities:** 30 (10.4% by number)
- **disbursement for agricultural activities vehicles:** USD 508,552 (10.8% by value).

The two microfinancing cases presented below are for (a) a trader in food crops and (b) a farmer producing and selling to city markets.

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<sup>6</sup> [Inclusion \[Social Ratings\]](#), [M2i](#), [M-CRIL](#), [MFR](#), and [MicroRate](#).



## Case 1

Willington is a rural merchant who specialises in purchasing stocks of a variety of crops (beans, tea, potatoes, lettuce, grapes, mango, lemon, Ecuadorian rice, etc.) from the municipalities surrounding his office. He started his business with a small store, and today he is one of the town's main groceries distributors, reaching sales equal to or greater than USD 1,000 on a strong market day.

Having had very few educational opportunities, Willington runs his business practically and does not rely on formal financial products, such as a savings account or loans. He decided to purchase his own truck through UNI2 Finamiga after realizing the significant monthly expenses he was paying to transport this merchandise.

When requesting his cargo vehicle loan, Willington gave a down payment of USD 25,000 which he had available in cash. Currently Willington pays a monthly fee of USD 1,000 for his loan, which he considers as a direct investment in an asset that will bring greater profitability to his business.

## Impact

1. Willington's main business barrier was the lack of his own vehicle to purchase and transport his products. By acquiring a truck through UNI2, the client's transportation costs were reduced by 33%.
2. By saving 33% in transportation costs, Willington's monthly liquidity increased a substantial 31%, giving the client new income to invest in his family and continue saving.
3. Despite a considerable increase in Willington's liabilities, acquiring a brand-new asset also represented an important surge in the client's gross equity (450%) which ensured a financial guarantee to sustain the business flow.

*Source: UNI2, personal communication, November 25, 2022.*



## Case 2

Nelly is a micro-entrepreneur who started her business selling a small batch of strawberries in the local markets of her municipality. With great dedication and effort, Nelly has currently around 37,000 strawberry plants that she uses to supply strawberries to different municipalities. Her main contract is with the Santa Helena Gallery in the city of Cali.

Nelly decided to acquire a second truck with UNI2 Finamiga after analysing the potential sales she was missing by transporting her products to the city with only one vehicle. Nelly is currently paying for a second truck which has substantially increased her sales and equity, making her business much more sustainable.

### Impact

1. With a second truck, Nelly's productivity and monthly sales increased by 20% while sales costs were only 9%.
2. Despite the costs of paying for a second loan, Nelly's total monthly liquidity (gross income less business and personal expenses) increased by 15%, ensuring her an extra income which she used to significantly improve her quality of life.
3. By acquiring a new vehicle, Nelly's gross equity (net of liabilities) increased by 43%, ensuring her a key asset which acts as a guarantee to support her business in case of potential difficulties.

*Source: UNI2, personal communication, November 25, 2022.*



## 4.0 Assessment of UNI2's Business Practices Alignment With CFS-RAI and Impact on Local Stakeholders

The RAI Tool assesses the operational practices of an AVCA across seven business functions or dimensions, namely:

1. Strategy and accountability on responsible agriculture
2. Inclusive and transparent structure
3. Safe and responsible agriculture and food systems and operations
4. Environmentally sustainable processes and products
5. Responsible treatment of stakeholders
6. Responsible human resource management and development
7. Financial transparency and benefit sharing

These dimensions are further divided into clusters of business practices. For example, Dimension 4, pertaining to the environment, is subdivided into “identifying and managing risk,” “implementing and promoting environmentally sustainable practices.” The specific practices or indicators under each dimension (and further subcategories) are the ultimate unit of analysis.

The RAI Scoring Tool maps each practice onto a CFS-RAI Principle (or sub-principle), so scoring AVCA responses permits an assessment of the degree to which it complies with relevant RAI principles<sup>7</sup> at each level of categorisation (from practice to dimension). There is no one-to-one correspondence between dimensions and principles. For instance, because dimensions cover a wide but related set of practices, they may reflect aspects of more than one CFS-RAI Principle. The principles with which each dimension overlaps are indicated during the analysis below.

Of course, any assessment of AVCA RAI compliance, including the scoring, reflects companies' perceptions of their operations, processes, and practices. However, they are asked to validate their responses in a concrete way (e.g., by providing documentary proof of a claimed practice or a performance measure) while completing the tool.

The RAI Tool under development and testing is intended for AVCAs and not microfinance institutions. As such, several dimensions in the tool are not applicable. However, the exercise of generating the results is useful simply to illustrate how the tool is used and how the results are aggregated and presented.

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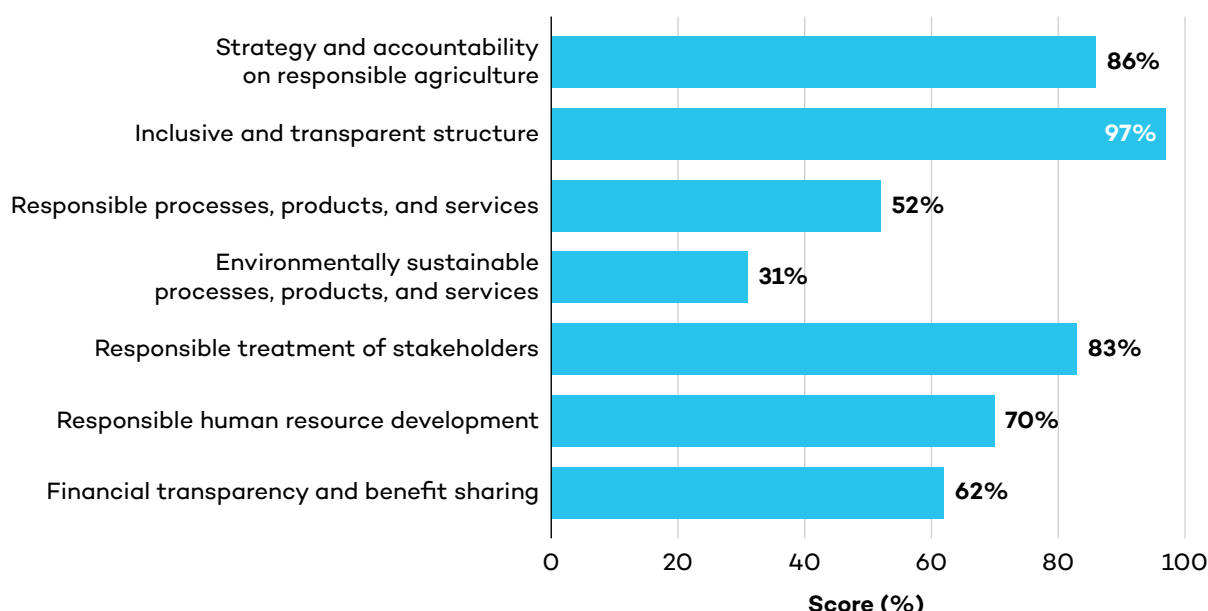
<sup>7</sup> Moreover, in order to not reinvent the wheel, each practice is also mapped to other principles and guidelines, such as the UN's Sustainable Development Goals and Association of Southeast Asian Nations-RAI, including concrete indicators already tested by other organisations. Indeed, the wording of many practices/indicators is taken from existing, tried, and tested ones from other organisations and systems. (For details, see <https://www.iisd.org/publications/guide/responsible-agricultural-investment-tool-agribusiness>).



## 4.1 UNI2’s Overall Compliance with the CFS-RAI

Overall, UNI2’s average level of compliance with the CFS-RAI is 69%, with the score by dimension ranging from 31% to 97% (Figure 1). Big gaps in compliance in some dimensions reflect the fact that UNI2 is not an agribusiness but rather funds and supports small agribusinesses. A microcredit institution such as UNI2 has a very indirect impact on agribusiness practices connected to “the organisation promotes safe and healthy agricultural food systems” dimension (but it could view funding more favourably for agribusinesses with such practices). More generally, there are questions that do not apply equally to all types of entities; this confirms the need to consider an initial screening of entities to help filter out non-applicable questions.

**Figure 1.** UNI2 scores by dimension



Source: RAI Tool for Agribusiness Dashboard.

One advantage of testing the tool with a microfinancing institution such as UNI2 was to see how usable or valid the RAI tool might be for non-agribusiness companies supporting AVCA. The analysis below should be read in this context.

## 4.2 UNI2’s Detailed Compliance With the CFS-RAI

### Dimension 1: Strategy and accountability on responsible agriculture

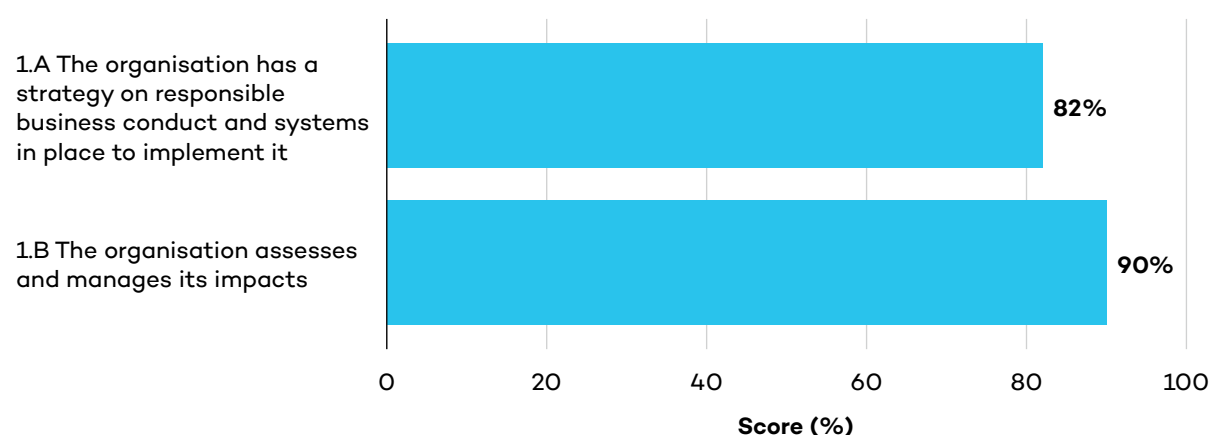
The RAI Tool Dimension 1 mostly relates to the issues covered by the CFS-RAI Principle 10: “assess and address impacts and promote accountability.” Overall, UNI2 scores 86% on this dimension. It scores 82% on the standard “The organisation has a strategy on responsible



business conduct and systems in place to implement it” and 90% on “The organisation assesses and manages its impacts” (Figure 2).

For Standard 1A, there are 23 practices or questions,<sup>8</sup> of which UNI2 responded “yes” to 15. Of the remainder, there were six “partial compliance” responses, one “not applicable,” and one “non-compliant.” The non-compliant response refers to having sustainability/ environmental, social, and governance conditions integrated into contracts with key suppliers and business partners/clients—UNI2 presently does not. However, during loan screening, if poor farming practices are evident, then the loan may not be advanced because of increased risks for non-repayment.

**Figure 2.** UNI2 scores on strategy and accountability



Source: RAI Tool for Agribusiness Dashboard.

For Standard 1B, there are 12 compliance practices/questions, of which there were eight “yes” responses, two “partial compliance” responses, two “not applicable,” and no “non-compliant” responses. The “partial” responses relate to measuring impact on food security and tenure rights. UNI2 does indirectly measure impact on food security by monitoring the producer price index and impacts on living standards. Tenure rights are assessed at the screening phase on a loan application. The loan is not granted if the applicant does not have secure tenure. However, UNI2 does not support the applicant to gain or secure tenure rights.

The “n/a” response relate to assessing impact on human and labour rights and the environment. In terms of UNI2 policy on “Respect of human rights and labour rights,” the challenge is that there is no formal standardised declaration available on international standards. However, UNI2 undertakes an external audit of its alignment of its practices in labour wages, social security etc. with Colombian laws.

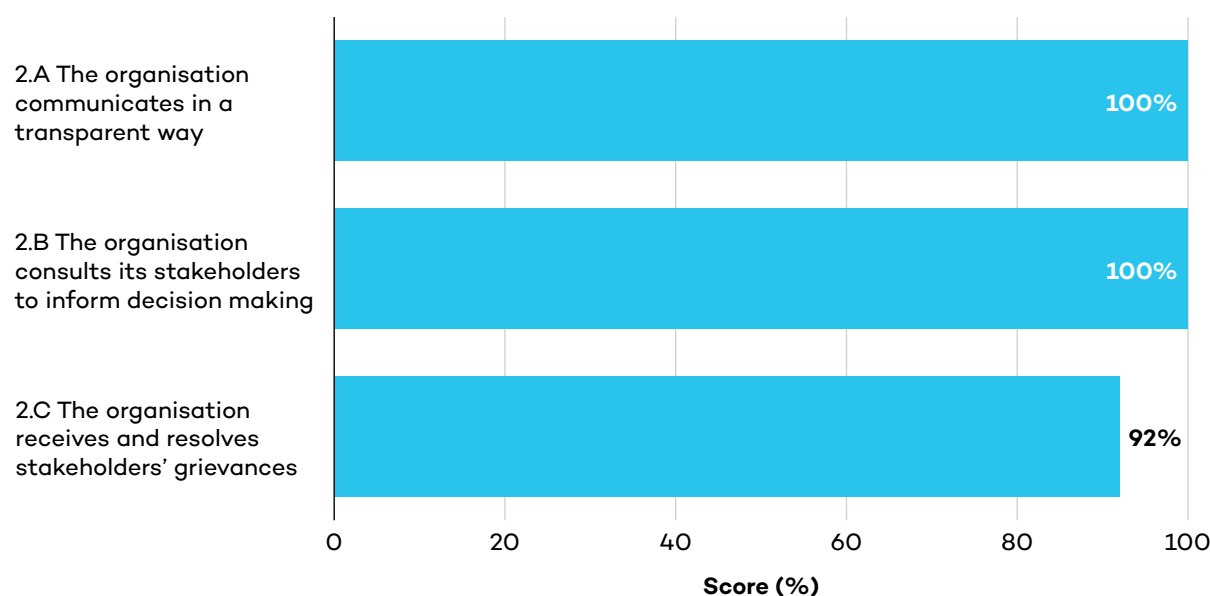
<sup>8</sup> References to the number of questions under each standard in Section 3 refer to the version of the RAI tool used with UNI2. These changed in number and scope in later versions of the tool.



## Dimension 2: Inclusive and transparent structure

Dimension 2 mostly relates to the issues covered by CFS-RAI Principle 9: “incorporate inclusive and transparent governance structures, processes, and grievance mechanisms.” Overall, UNI2 scores 97%, on this dimension. The scores for the standards “The organisation communicates in a transparent way,” “The organisation consults its stakeholders to inform decision-making,” and “The organisation receives and resolves stakeholders’ grievances” were 100%, 100%, and 92% respectively (Figure 3).

**Figure 3.** UNI2 scores on inclusive and transparent structure



Source: RAI Tool for Agribusiness Dashboard.

For Standard 2A, there are six separate compliance questions, all of which received “yes” responses. These relate to UNI2’s due diligence processes, its annual report, and audit (both external and internal). This is augmented by external assessment processes by the Microfinance Regulator.

For Standard 2B, there are 10 compliance questions, of which there were only three “yes” responses, no “partial compliance” responses, and seven “not applicable.” The high level of “n/a” refers to the practice, “The organisation has a consultation plan that includes all relevant stakeholders.” This is not relevant, as UNI2 consults daily with credit applicants at different stages of advancing and recovering loans, under specified lending policy practices, but does not have a specific corporate plan in this regard. The practice, “The organisation consults its stakeholders before, during and after any operation that may affect them” was understood by the responding manager to be more applicable to an agricultural entity that performs agricultural operations potentially impacting neighbouring communities and as not applicable to an agricultural credit provider.

For Standard 2C, there are 12 compliance questions, of which there were 11 “yes” responses and 1 “non-compliant” response. The latter is vis-à-vis “The organisation facilitates access



to pro-bono legal services and aid for communities (through independent [civil society organisations] or other organisations).” UNI2’s view is that this would only be applicable if an agricultural company were, for example, in the process of acquiring land from a community and not considered applicable to any other type of entity or situation.

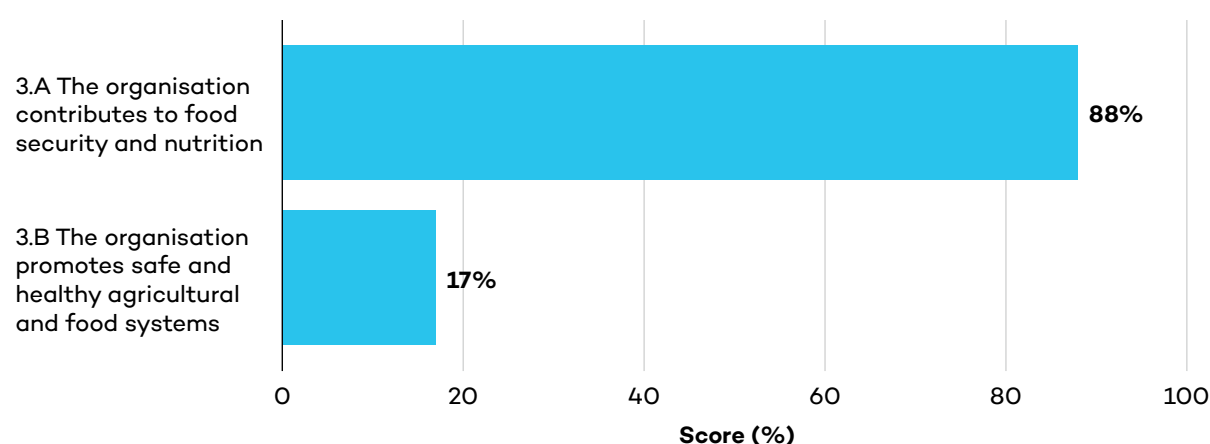
UNI2 has a very transparent and clear channel for complaints in every office. There are telephone numbers displayed, and clients have multiple access points; the company is attentive to the requirement for client protection certification. Its policy requires signage listing access points and help desk hours (08:00–18:00); complaints received must be addressed in a specified time; there is a complaints inbox; WhatsApp chat is available; and an online grievance resolution through the website. These are all optional and available. All complaints are registered in an internal system, and the operational team must address them in a timely manner. Colombia has a legal request system relating to “disclosure of information” whereby a person may apply to an organisation for any information that impacts him/her. If this is not forthcoming, the case is presented to a special body chaired by a judge.

### Dimension 3: Responsible processes, products, and services

Dimension 3 mostly relates to the issues encompassed under CFS-RAI Principle 1, “contribute to food security and nutrition” and Principle 8, “promote safe and healthy agriculture and food systems.”

UNI2 scores 52% on this dimension, with standards scores of 88% and 17%, respectively, for, “The organisation contributes to food security and nutrition” and “The organisation promotes safe and healthy agricultural and food systems” (Figure 4).

Figure 4. UNI2 scores on responsible processes, products, and services



Source: RAI Tool for Agribusiness Dashboard.

For Standard 3A, there are 19 compliance questions, of which there were 3 “yes” responses, 1 “partial compliance” response, 15 “not applicable,” and no “non-compliant” response. This standard relates to practices, indicators, and details on supporting food production. The only role UNI2 plays here is to provide access to financial services and training (financial management) and not agricultural production per se. Regarding a focus on sustainable



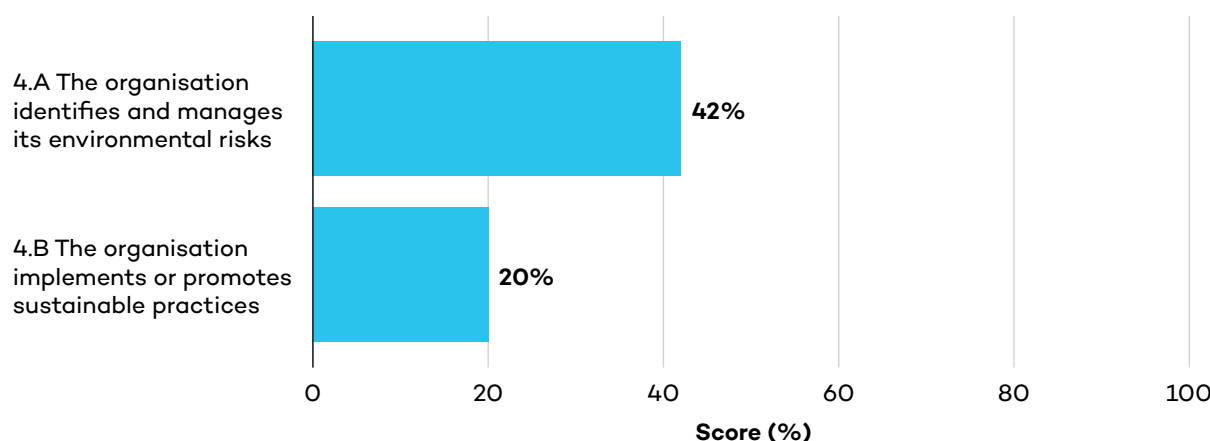
agricultural, 99% of farmers financed by UNI2 are small-scale (1-2 ha, maximum 5 ha). They do not focus on climate and sustainability but nevertheless consider their traditional production practices to be inherently sustainable. For example, most use organic home-produced manure in place of inorganic fertiliser.

For Standard 3B, there are nine compliance questions, of which there were no “yes” responses, two “partial compliance” responses, three “not applicable” responses, and four “non-compliant” responses. Regarding compliance with global animal health and welfare, the response was “partially,” as credit officers identify an applicant’s treatment of animals and, if they are obviously not well cared for, this is considered a risk to loan repayment and indicative of poor management capacity. In such cases, it is unlikely a loan would be approved.

### Dimension 4: Environmentally sustainable processes, products, and services

Dimension 4 mostly relates to issues covered under CFS-RAI Principle 6, “conserve and sustainably manage natural resources, increase resilience, and reduce disaster risks.” Overall, UNI2 scores 31% on the dimension. The standards, “The organisation identifies and manages its environmental risks” and “The organisation implements or promotes sustainable practices” score 42%, and 20%, respectively (Figure 5).

**Figure 5.** UNI2 scores on environmentally sustainable processes, products, and processes



Source: RAI Tool for Agribusiness Dashboard.

For Standard 4A, there are 19 compliance questions, of which there were 8 “yes” responses and 11 “non-compliant” responses. The highest non-compliance is for questions within the scope of the indicator, “regular assessment of environmental vulnerabilities.” UNI2 felt it should not be undertaking such activity, although, given that many of its clients use vehicles and are involved in the agriculture sector, the opposite case can be made. The organisation also does not assess its carbon and greenhouse gas emission levels.

For Standard 4B, there are 15 compliance questions, of which there was 1 “yes” response, 2 “partial compliance” responses, 5 “not applicable,” and 7 “non-compliant” responses. As with



the previous standard, many activities are deemed less relevant by a microfinance institution, but consideration of sustainable practices could be relevant for loan finance. UNI2 does help finance farmers acquiring trees and organic fertilisers, but no research has been undertaken and no training on sustainable production practices is provided.

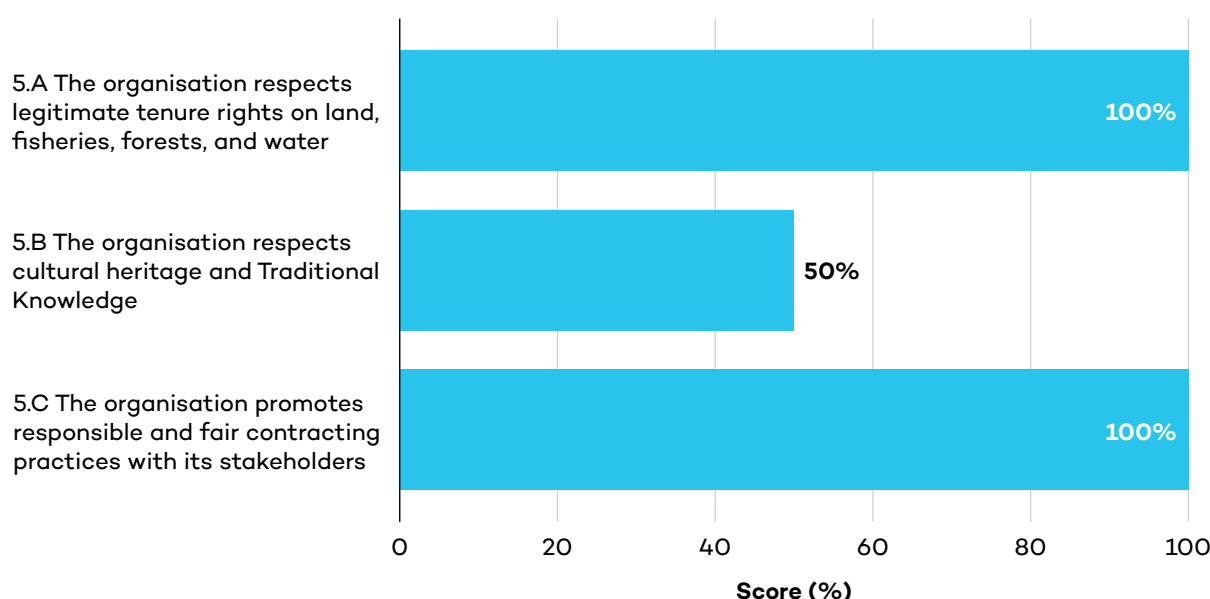
## Dimension 5: Responsible treatment of stakeholders

Because there are many types of stakeholders, Dimension 5 correlates with issues covered under several CFS-RAI Principles, especially 5 (“respect tenure of land, fisheries and forests, and access to water”), 7 (“respect cultural heritage and traditional knowledge, and support diversity and innovation”), and 2 (“contribute to sustainable and inclusive economic development and the eradication of poverty”).

Overall, UNI2 scores 83% on this dimension, and its scores on the three relevant standards, “The organisation respects legitimate tenure rights on land, fisheries, forests and water,” “The organisation respects cultural heritage and traditional knowledge,” and “The organisation promotes responsible and fair contracting practices with its stakeholders” are 100%, 50%, and 100% respectively (Figure 6).

For Standard 5A, there are 13 compliance questions, of which there were five “yes” responses, and eight “not applicable” responses. Importantly, tenure to most land is not formalised among Indigenous communities in Colombia. Some communities assign rights according to their own Indigenous laws, e.g., land must be in production to have a use-right for it, and it can be taken away if not used. UNI2 respects these use-rights, but requires a formal lease, which all Indigenous councils usually provide. If this evidence is unavailable, UNI2 approaches the council to get confirmation and confirm its use over the previous 2 years.

**Figure 6.** UNI2 scores on responsible treatment of stakeholders



Source: RAI Tool for Agribusiness Dashboard.



For Standard 5B, there are three compliance questions, for which there was one “partial compliance” response and two “not applicable” responses. The latter both relate to “The organisation recognises the contributions of farmers, especially smallholder farmers, in conserving, improving, and making available genetic resources, including seeds.”

For Standard 5C, there are 17 compliance questions, for which there were 10 “yes” responses, and 7 “not applicable” responses. Every loan process includes a portfolio containing essential documents and information that is delivered to the client, including a formal contract, payment plan, interest rates, etc. UNI2 mentions that the market is very competitive, and the organisation must be as agile for a quick approval turnaround, the length of which depends on the type of loan. This is from 2 to 3 days for PROGRESSA and CULTIVA loans and 3 to 5 days for MOTO loans, with CARGA loans taking longer (up to 2 weeks) due to size and complexity of assessment.

## Dimension 6: Responsible human resource development

Dimension 6 encompasses issues under CFS-RAI Principles 3, “foster gender equality and women’s empowerment” and 4 “engage and empower youth,” as well as other human resource-related issues.

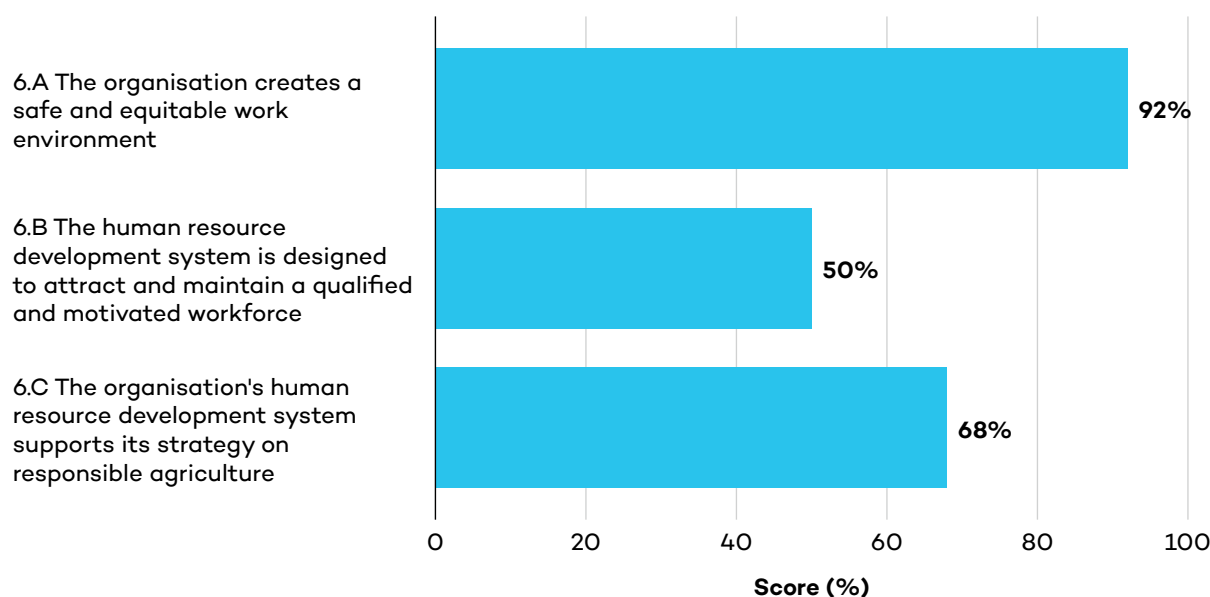
Overall, UNI2 scores 70% on this dimension. It scores 92%, 50%, and 68% respectively on the three standards, “The organisation creates a safe and equitable work environment,” “The Human Resource Development system is designed to attract and maintain a qualified and motivated workforce” and “The organisation’s human resource development system supports its strategy on responsible agriculture” (Figure 7).

For Standard 6A, there are 28 compliance questions, for which there were 23 “yes” responses, 2 “partial compliance” responses, 2 “not applicable,” and 1 “non-compliant” response. This demonstrates the range of good governance and responsible policies and practices UNI2 has regarding creating a safe and equitable work environment. This includes the following aspects:

- Internal policy manuals are available upon request.
- All new employees attend a 2-week induction process, and staff policy manuals are provided some 6 weeks before commencement of work.
- Grievance redress mechanisms are anonymous, and direct mechanisms are available.
- Colombian law protects freedom of speech and association.
- Wage comparisons are done informally as there is no formal place where the information can be sourced.
- Any illegal activity (including child labour) immediately disqualifies a client for a loan.



**Figure 7.** UNI2 scores on responsible human resources development



Source: RAI Tool for Agribusiness Dashboard.

For Standard 6B, there are eight compliance questions, for which there were four “yes” responses and four “non-compliant” responses. The non-compliant responses are for practices related to “The organisation fosters the employment of women, youth and local communities.” This is because UNI2 doesn’t have preferential hiring policies, and the company believes that a non-discrimination hiring policy ensures that no one is neglected based on their gender, ethnicity, age, etc.

For Standard 6C, there are 11 compliance questions, for which there were seven “yes” responses, one “partial compliance” response, and three “non-compliant” responses. Regarding the non-compliant questions, the company does not train board members and senior management on their responsibilities toward responsible business conduct, nor are employees introduced to issues such as the sustainable management of natural resources, environmental protection, climate change mitigation, and adaptation.

## Dimension 7: Financial transparency and benefit sharing

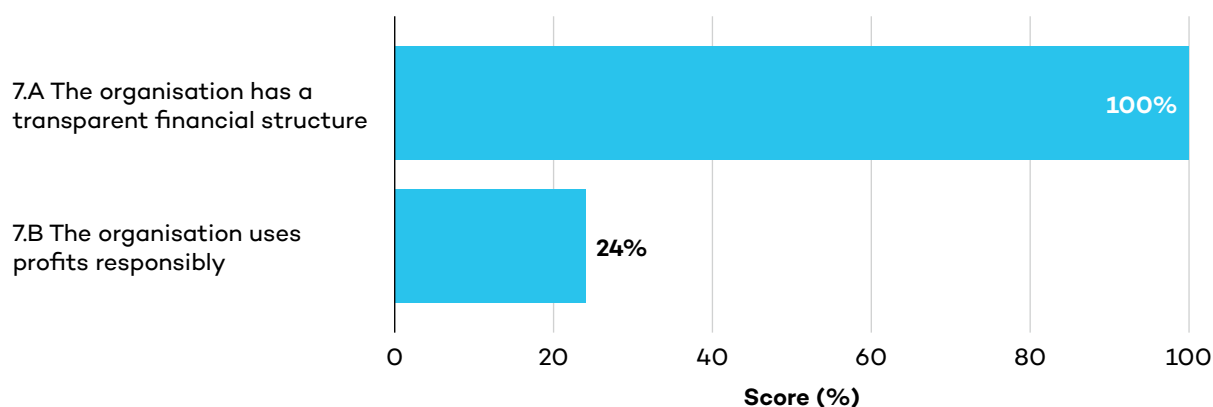
Dimension 7 primarily relates to CFS-RAI Principles 2, “contribute to sustainable and inclusive development and the eradication of poverty” and 10, “assess and address impacts and promote accountability.”

Overall, UNI2 scores 62% on this dimension. It scores 100% and 24% respectively on the standards “The organisation has a transparent financial structure” and “The organisation uses profits responsibly” score 100%, and 24% respectively (Figure 8).

For Standard 7A, there are only 2 compliance questions, both of which received a “yes” response, hence the 100% score.



**Figure 8.** UNI2 scores on financial transparency and benefit sharing



Source: RAI Tool for Agribusiness Dashboard.

For Standard 7B, there are 18 compliance questions, for which there were 4 “yes” responses, 1 “not applicable” response, and 13 “non-compliant” responses. The questions relate to environmental and climate mitigation investments, development of communities, and empowerment of women and youth as programmes additional to core business practices. UNI2 considered these as not applicable, but given the nature of the investors to which UNI2 provides funding, a case can be made for the company to change its approach (see the subsection on “Implications for UNI2’s Practices and Procedures” in the conclusions).



## 5.0 Conclusions and Recommendations

As mentioned in the introduction, the UNI2 is not an agribusiness (for which the RAI Tool was designed), but rather a microcredit institution. Testing the tool systematically provided insight into several dimensions:

- Whether the practices assessed under each dimension could support desired RAI outcomes if adopted by agribusinesses, including how the tool could be improved. This is taken up in the first subsection below.
- Whether the approach adopted in developing the tool could be used for creating equivalent tools in other industries (second subsection).

The final subsection below suggests several ways that UNI2 itself could improve its practices vis-à-vis RAI (and potentially other industries).

### 5.1 UNI2 Evaluation of the RAI Tool for Agribusiness

UNI2's very detailed and systematic assessment of the RAI tool, conducted through a series of interviews conducted by IISD, enabled the company to provide two types of suggestions that were helpful during the ongoing development and refinement of the tool.

First, because UNI2 already systematically uses tools in its funding decisions—including in agriculture and related industries—it was able to make concrete suggestions for specific questions in the RAI tool. For example, UNI2 proposed the following:

- “The indicator 5.C.2.1.1 (in version 7 of the tool), ‘The organization offers prices that are above minimum, or market standards’ is not clear and we suggest, ‘The... prices that are better than the market standards.’”
- “The indicator 6.B.1.1, ‘The organisation has preferential hiring policies for the following categories’ assumes that the categories mentioned require such a policy in the context of the business environment. A question could be added that highlights whether there is a non-discrimination policy when hiring.”

Such suggestions were taken on board as the RAI Tool was refined, along with comments and suggestions from other partners.

Secondly, UNI2 made several suggestions on the design of the tool itself. For example:

- UNI2 noted that the tool has been developed to include a “filter” for organisational types and value chain segments to screen out questions that would not be applicable. However, it argued that to achieve this would be complex and onerous, with a potential loss in robustness in the use of the tool since a programmed filter may well not be appropriate for every situation. It rather recommended the following:
  - The full suite of questions for agribusinesses be available in the tool.
  - Users should be instructed that if there are questions that are not applicable to their situation given the industry, sector, and functions the AVCA performs in



the value chain, then a response of “n/a” should be selected from the dropdown menu of options.

- In the computed results, the built-in dashboard/report should indicate the percentage of questions that do not apply to the respondent completing the tool.
- The Guidance Document should include an explanation of how the responses are computed to provide results.
- UNI2 proposed that some explanation should be provided in the section on agribusiness practices as to the intent or meaning of a question posed to assist in clarifying it. UNI2 provided several examples on how this weighting could lead to issues in scoring (especially related to comparisons between indicators and practices).
- UNI2 also suggested a reconsideration of how responses were weighted. In version 7 of the RAI Tool, the scoring by category was:
  - Dimensions = average of Standard’s scores
  - Standards = average of indicators/details’ scores
  - Essential practices = average of indicators/details’ scores
  - N/A and blank answers to indicators are not counted.

Such useful suggestions from UNI2 and other partners led to improvements in later versions of the Tool.

## 5.2 Potential of the RAI Tool Approach for Other Industries

The impression IISD gained in using the RAI Tool with UNI2 was that it was applicable to other industries but with the necessary adaptations. UNI2 itself finances investees in other industries, such as transportation (as mentioned in Section 2), and many aspects of the tool were relevant.

However, while all industries, from agriculture to garments to motor vehicles can consider how they systematically and effectively ensure sustainable and responsible investments, the approach taken in developing the RAI Tool for Agribusiness might apply better to value chains in primary sector industries similar to agriculture,<sup>9</sup> such as extractive industries (e.g., oil and gas and mining). There are already guiding principles equivalent to RAI in these industries, and indeed pertinent tools and instruments supporting sustainability and ESG exist. In any case, in these and all other industries an instrument equivalent to the RAI Tool would need to be adapted accordingly.

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<sup>9</sup> And related secondary sector (processing) and tertiary sector (trade) industries.



## 5.3 Implications for UNI2's Practices and Procedures

Although this aspect was not discussed with UNI2 at the outset, the tool testing process potentially has implications for UNI2's investment decision procedures and practices.

With respect to investment decision, a number of investors that have been supporting development of the RAI tool are considering adopting—with due adaptation—selected practices and indicators in their decision-making procedures for AVCAs. Incofin is taking the lead in the process of adapting existing procedures in this fashion, and UNI2 may find it useful to take note of this. Of course, the scale and type of investments that UNI2 makes differ from investors such as Incofin; nevertheless, there may be a learning opportunity.

Recognising that UNI2 invests in a wider range of industries than agribusiness, that its investees are small, and its investments are frequently in agriculture-related firms than directly in agribusiness, its application of the RAI tool to its own practices suggests that various changes might be considered to further responsible and sustainable investment. This is a process for UNI2 to deliberate on and undertake, but the following are several areas that IISD suggests might be considered (note: this list is not exhaustive):

- In the part of the RAI Tool dealing with environmental vulnerabilities (standard 4A), UNI2 did not comply with a majority of the practices and felt that it should not be undertaking such activity. However, many of its clients seek investment for the purchase of vehicles: in light of the climate emergency—and the role of the transport sector in it—a case can be made that assessing/tracking carbon emissions of client emissions should be included. UNI2 also does not seem to track its own greenhouse gas emission levels. While assessing greenhouse gas emissions by smaller organisations may be regarded as less urgent than for larger ones, this aspect need not be entirely excluded.
- In addition to questions related to environmental and climate mitigation questions, UNI2 generally considers that the development of communities and the empowerment of women and youth (standard 7B) are not applicable to its investment procedures or its own business practices. Its approach is to treat everyone equally, for instance, in its human resources practices. As a result, the company does not train board members and senior management on responsible business conduct, nor are employees introduced to issues such as the sustainable management of natural resources. UNI2 may wish to nuance its practices, including in providing investment in rural areas where inequalities persist.
- Tenure rights are assessed during screening for loans and if applicants do not have secure tenure, a loan is not made. UNI2 does not support the applicant to gain or secure tenure rights. This may be understandable since UNI2 is a small organisation. However, an applicant could be directed to other organisations that could help them in this respect, with an offer of reconsidering their application if tenure is secured.



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