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MULTILATERAL INVESTMENT FUND

**REGIONAL**

**INNOVATION IN AG TECH AND DIGITAL AGRICULTURE  
FOR SMALL FARMERS**

**RG-T4145**

**DONORS MEMORANDUM**

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**PROJECT SUMMARY**  
**INNOVATION IN AG TECH AND DIGITAL AGRICULTURE FOR SMALL FARMERS**  
**(RG-T4145)**

This project will contribute to catalyzing the capacity, investment readiness and uptake of agritech solutions for improving small farmers' productivity, access to finance and markets, and climate resilience. The project will use a tiered approach to identify 14 promising agritech solutions for small farmers and provide and/or connect them with investment financing to pilot or scale solutions, capacity-building support, and technical assistance. Supported agritech solutions will expand their capacity to provide or facilitate access to technology services for small farmers because of the project. It is expected they reach 30,000 new users -small farmers- across six countries: Bolivia, Colombia, El Salvador, Honduras, Paraguay, and Peru.

Even though agritech offers huge potential to bridge the data gap in smallholder productivity and financing, Latin America's digital agriculture tools have not reached the same scale as in Asia and Africa. Limited connectivity in some rural areas, high cost of data services and equipment, and small scale and highly concentrated investment prevent the region's agritech sector from achieving its full scale and potential. To overcome these challenges, agritech solutions for small farmers require more strategic support from governments, donors, and investors to create a more enabling environment for scaling up their impact.

This project will contribute to strengthening the region's agritech ecosystem by **innovating** in multiple ways: (i) The project will use an *open innovation call* to reach out to a large and diverse group of innovators including Agri Tech Services Providers and/or start-ups, farm level financial services providers, agricultural based enterprises (farmer cooperatives), and agribusiness corporates with small farmer procurement programs ; (ii) The project will use a *tiered approach* to identify promising agritech solutions and provide them with tailored technical assistance to start up a new project, scale up a product/service and/or consolidate in a new market; (iii) The project will use a *blended finance* approach to connect selected agritech solutions with acceleration funding from different sources; (iv) The project creates a *trustworthy bridge among key players* in the tech, financial, and development sectors participating in the project as funding and operational partners to ensure each one provides the project with their better experience, learnings, and resources and develops a collaboration platform for future projects in the region; and (v) The project will develop a *knowledge platform* to document and disseminate insights around market opportunities and best practices in the sector. The knowledge platform will be a strategic tool for the sector's stakeholders informing needs and policies and investment decisions.

The project is aligned with the IDB's Vision 2025, as it brings SME's in the rural and agricultural sectors closer to technological and digital solutions and a preferential option for women, who according to recent research, are further empowered when having access to a mobile phone.

## **ACRONYMS AND ABBREVIATIONS**

<b>CTI</b>	IDB Competitiveness, Technology, and Innovation Division
<b>DiCi</b>	Diagnostic of the Executing Agency's Integrity and Institutional Capacity
<b>GSMA</b>	Global Systems for Mobile Communications Association
<b>IDB</b>	Inter-American Development Bank
<b>IDB Invest</b>	Inter-American Investment Corporation
<b>IDB Lab</b>	Multilateral Investment Fund
<b>IFAD</b>	International Fund for Agricultural Development
<b>IICA</b>	Interamerican Institute for Cooperation in Agriculture
<b>KPI</b>	Key Performance Indicator
<b>MBB</b>	Mobile Broad Band
<b>M4D</b>	Mobile For Development
<b>SME</b>	Small and Medium Size Enterprise

**PROJECT INFORMATION**

**REGION**

**INNOVATION IN AG TECH AND DIGITAL AGRICULTURE FOR  
SMALL FARMERS (RG-T4145)**

<b>Country and Geographic Location:</b>	Regional: Bolivia, Colombia, El Salvador, Honduras, Paraguay and Peru.		
<b>Executing Agency:</b>	Incofin Foundation.		
<b>Focus Area:</b>	Climate Smart Agriculture.		
<b>Coordination with Other Donors/Bank Operations:</b>	This project will be coordinated with project RG-T4117, the Innovation for Climate Smart Agribusiness Fund Project Specific Grant, financed with Israeli Funds, especially in the areas of project identification, exchange and match making with Israeli agritech technologies and funding of small pilot projects.		
<b>Project Beneficiaries:</b>	30,000 small farmers across the six countries pre identified for the implementation of the project (Bolivia, Colombia, El Salvador, Honduras, Paraguay, and Peru), who will be the direct users of the 16 agritech solutions supported by the project.		
<b>Financing:</b>	Technical Cooperation	US\$ 1,000,000	
	<b>TOTAL IDB Lab FUNDING:</b>	<b>US\$ 1,000,000</b>	
	Counterpart Funding:	US\$ 1,770,000	
	Co Funding: RG-T4117	US\$ 400,000	
	<b>TOTAL PROJECT BUDGET:</b>	<b>US\$ 3,170,000</b>	
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	Special condition precedent to second disbursement of the IDB Lab funds will be the documented selection criteria for the solutions to be financed, approved by the key stakeholders of the project.		
<b>Environmental and Social Impact Review</b>	This operation was screened and classified as required by IDB's Environmental and Social Policy Framework (GN-2965-21) on July 14 <sup>th</sup> , 2022. Given the limited impacts and risks, the category for the project is C.		
<b>Unit responsible for disbursements</b>	Costa Rica.		

## I. The Problem

### A. Background Problem Description

- 1.1. Digital agriculture solutions have the potential not only to transform current food systems by making them more productive, cost-efficient, transparent, and agile; they also have the power to transform rural communities by improving farmer's livelihoods, closing information gaps, improving access to finance, formal markets and assets that would otherwise be out of reach. These tools also strengthen small farmers' resilience to climate change and benefit the environment by giving them the ability to optimize their use of natural resources and implement sustainable practices<sup>1</sup>.
- 1.2. Even though agritech offers huge potential to bridge the data gap in smallholder productivity and financing, Latin America's digital agriculture tools have not reached the same scale as in Asia and Africa. A recent study conducted by GSMA (Loukos & Arathoon, 2020) identified very few digital agriculture tools with more than 25,000 active users -most of the tools profiled in the study have between 1,000 and 5,000 active users, with only a few agritech companies targeting smallholders. In the region, the penetration of mobile payment services, which has been a key driver of financial inclusion in less developed countries, is also limited. For instance, Ghana had financial account ownership rate (at a financial institution or through a mobile money provider) of 58 percent in 2017. Meanwhile, Nicaragua, which has a higher GDP per capital level, had an account ownership rate of just 31 percent.
- 1.3. Three main challenges have prevented the region's agtech sector from achieving its full scale and potential. First, limited connectivity in rural areas. In Latin America and the Caribbean, 96% of the population lives within the coverage area of mobile broadband (MBB) network. However, the remaining four percent who live outside MBB Coverage are located in rural areas. Second, high cost of data services and equipment. Although most app-based solutions are free to download, farmers still incur the cost of the data to download and run the app, which is high. About 41% of the population is covered by MBB but does not subscribe to mobile internet. The affordability gap is especially acute in rural areas. On average, the internet penetration gap between urban and rural areas in Latin America and the Caribbean region was 28 percentage points in 2018. Third, small scale and highly concentrated investment in the agtech sector. Even though the volume of investment in the agtech sector has grown exponentially over the last few years, it only accounts for roughly one percent of total venture capital (VC) volume. Investment has mainly focused on large-scale farming coming out of the Southern Cone (Brazil and Argentina), while agtech solutions for small-scale farming, which account for the bulk of production in Central America, and in Colombia, Bolivia, Ecuador, and Peru, has been hampered by lack of access to financing<sup>2</sup>.

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<sup>1</sup> What's Cooking: Digital Transformation of the Agrifood Systems. Kateryna Schroeder, Julian Lampietti, Ghada Elabed. The World Bank. 2021.

How artificial intelligence improves agricultural productivity and sustainability: A global thematic analysis. Lakshmi, V. and Corbett, J., 2020.

<sup>2</sup> Poor digital access is holding Latin America and the Caribbean back. Franz Drees-Gross and Pepe Zhang. The World Bank, August 2021.

- 1.4. Other reasons why the agtech sector has not fully developed, in particular in the smaller economy countries include: (i) the lack of technological leaders that can bridge the gap between digital solutions and the more traditional agricultural sector; (ii) fragmentation of both the small farmer sector and the agtech start up sectors which often are not aware of each other's potential and opportunities; and (iii) the lack of interest or capabilities of the more traditional agricultural service providers to innovate beyond their current service offerings and or delivery mechanisms.
- 1.5. Despite these challenges, agtech solutions for smallholders in LAC have shown promising results and became more relevant over the last two years. Ag Tech solutions have the potential to generate high impact to vulnerable populations and the environment by introducing solutions that enhance access to small farmers to markets, raise transparency and price conditions – and at the level of the farm – by improving livelihoods and climate resilience with digital and biological applications. Smart farming pilots increased production as high as 50 to 80 percent, and digital payments services can reduce costs by 20 to 40 percent. In many cases, it has proven that the more intensive and targeted use of agri data can also be used to capture information of carbon sequestration, and other climate related data for the optimization of small farmer production capacity<sup>3</sup>. The COVID-19 pandemic is accelerating the trend towards digitization worldwide. Disruption of logistics networks has made it more urgent than ever to transform the ways current food systems operate to become more agile and resilient.
- 1.6. The productivity gaps and financial exclusion faced by smallholder farmers in LAC, as well as the lack of capability to face unforeseen events such as the Covid-19 outbreak or climate shocks, are an opportunity for digital interventions to have a positive impact on rural economies and farmer incomes. To capitalize on this opportunity, agritech solutions for small farmers require more strategic support from governments, donors, and investors to create a more enabling environment for scaling up their impact<sup>4</sup>.

## **B. Description of target population**

- 1.7. The proposed project will directly benefit 30,000 poor and vulnerable small farmers across the six countries where the project will be implemented: Bolivia, Colombia, El Salvador, Honduras, Paraguay, and Peru, who will be the direct users of the 14 agtech solutions supported by the project. Typical farmers benefitting from the project will be small farmers linked to markets with one or more products, and where the value chain has clearly identified room for increased efficiencies or improvements. Farmers will typically be a part of a farmer cooperative, have access to some kind of finance from a financial intermediary (i.e., rural microfinance organization), or be a part of a value chain of a large business or corporation where it sells its farm products. The project will work with initiatives that have the capacity to capture basic farm level data for estimating farmer income or at least farmer levels of commercialization.
- 1.8. Several studies point to how women face barriers to digital inclusion that reflect existing inequalities in access to other services. The gender gap in access to digital services is also quite significant<sup>5</sup>. Therefore, the project will also work to identify digital innovations

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<sup>3</sup> Idem. Kateryna Schroeder.

<sup>4</sup> Narrowing Latin America's Digital Divide. The World Bank Group. Presentation. 2021.

<sup>5</sup> GSMA 2020. The Mobile Gender Gap Report 2020. London GSMA.

that have the capacity to mainstream the solutions in a gender sensitive way, in order to advance the inclusion of women across agricultural value chains. The project will also work to establish mechanisms to collect gender disaggregated data to assess how women are using and or have the potential to better use digital tools for agricultural activities.

- 1.9. The direct beneficiaries are expected to be active participants in agricultural value chains of the selected countries which could be anchor Agri Tech Services Providers and/or start-ups, financial services providers, agricultural based enterprises and agribusiness with small farmer procurement implementing external tech solutions.
- 1.10. The target countries for the implementation of this project are Bolivia, Colombia, El Salvador, Honduras, Paraguay, and Peru, for their similarities in the agtech ecosystem and their large number of small farmers.
- 1.11. In the past few years, the IDB Group has had a growing exchange and relation with the Government of Israel and Israeli based enterprises, around the topics and themes of agriculture, innovation, and basic services. An example of this collaboration has been project RG-T3298 in which Bank and Israeli funds were used to support this growing exchange and learning that continues to serve the Water and Sanitation sector. Based on an increased interest from both parties, the Bank and the Government of Israel established the Innovation for Climate Smart Agribusiness Fund project specific grant (RG-T4117) in 2022, as a way to deepen their commitment and support for agritech innovations and solutions in Latin America and the Caribbean. As part of this effort, this project will also identify opportunities to establish exchanges and collaborations with the dynamic agtech sector in Israel and its ecosystem actors. For this purpose, a set amount of funds (detailed in the budget) and as permitted under RG-T4117, will be used particularly to identify these types of opportunities that can be supported by project specific grant.

## **II. The Innovation Proposal**

### **A. Project Description**

- 2.1. The objective of this project is to improve small farmers' profitability, access to finance and markets, and climate resilience by catalyzing the capacity, investment readiness, and uptake of agritech solutions. The project will use a tiered approach to identify 14 promising agritech solutions for small farmers and provide and/or connect them with investment financing to pilot or scale solutions, capacity-building support, and technical assistance. Supported agritech solutions will expand their capacity to provide or facilitate access to technology services for small farmers as a result of the project. It is expected they reach 30,000 small farmers across six countries: Bolivia, Colombia, El Salvador, Honduras, Paraguay, and Peru.
- 2.2. The direct project beneficiaries, selected *agritech solutions*, are expected to be active participants in agricultural value chains of the selected countries which could be any of the following category of entities: (i) Agri Tech Services Providers and/or start-ups; (ii) Financial Services Providers (microfinance organizations); (iii) agricultural based and farmer owned enterprises such as cooperatives; and (iv) agribusiness or corporates with small farmer procurement implementing tech solutions with them. These entities will have



direct relationship with small farmers in the form of provision of services, finance, input supply, procurement, or marketing.

The project will innovate in multiple ways:

- 2.3. The project will use an Innovation Call for Proposals, to identify promising agritech solutions and provide them with tailored technical assistance to start up a new project, scale up a product/service and/or consolidate in a new market. Selected agritech solutions and projects will be directly funded by this *Innovation Call* to access grants for piloting, in the case of early-stage enterprises or projects, or connected with other partners to access investment, for advanced enterprises. The proposed methodology will be based on an open innovation approach and seek to reach out to a large and diverse group of innovators, which results in a bigger pool of ideas than through other methodologies. The project's approach is an efficient mechanism to control costs and ensure reaching various promising initiatives with grant funding and potential small-ticket investments across various countries. It will use a *blended finance* strategy, to connect selected agritech solutions with seed capital, lending or other types of investment or instruments from different sources, and to provide tailored technical assistance to improve capacities in maximizing the potential of agritech solutions for small farmers.
- 2.4. Several key players in the agritech, agricultural finance, and development sectors will participate in the project as funding and operational partners. These include Incofin Foundation and Incofin IM, a global investment impact fund manager specialized in rural and ag finance and the project lead, GSMA, the global network of mobile operators through its M4D (mobile for development platform), the Israeli Ministry of Agriculture, the Israeli Innovation Institute, and the IDB Lab. These partners will in turn engage with local efforts and networks of the agtech ecosystem to strengthen their capacity to be a positive force in the development of this sector. The project creates a trustworthy bridge between these institutions to ensure each one provides the project with their better experience, learnings, and resources and develops a collaboration platform for future projects in the region.
- 2.5. The project will contribute to the sector's development process by creating a knowledge platform to document and disseminate insights around market opportunities and best practices. The knowledge platform will be a strategic tool for the sector's stakeholders informing needs and policies and investment decisions.

## **B. Components and Activities**

- 2.6. The project will be implemented in two separate phases. Component 1 will be implemented during Phase 1 over the first 18 months of the project, and Phase 2 will encompass Components 2 and 3 over a three-year period. There will be an additional initial preparatory phase which will focus on the contractual and administrative set up of the project, fine-tuning the project parameters and selection criteria, theory of change, KPIs, preparing and designing the Innovation Call, implemented over a 6 months period before the launch of the two main project phases.
- 2.7. **Component 1: The Innovation Call (Total US\$868,000; IDB Lab: US\$548,000; RG-T4117: US\$250,000; Counterpart: US\$70,000).** The first component, which represents the first phase of the project, consists of the actual process of designing, and implementing

the Innovation Call, and it aims to identify and select 14 promising agritech solutions. During this phase, 8 selected early-stage enterprises/projects (Tier 1) will be provided with small technical assistance grants and match making services to access seed capital or other type of investment to pilot a new product, a new service, and or target a new market. The remainder 6 top tier solutions are expected to be more mature and established solutions with larger ticket sizes and will fall under Component 2 of the project.

- 2.8. The executing agency will hire GSMA, which has a recognized track record in managing innovation challenges, to provide technical support to the design and setting up of the Innovation Call and coordinate the process of selecting 14 promising agtech solutions operating or expanding to at least one of the project countries. The project will seek to ensure that there is an even distribution of selected solutions from each country. The innovation call will identify agtech solutions championed by: (i) agtech services providers and/or start-ups; (ii) financial services providers (i.e., microfinance organizations); (iii) agricultural based and farmer owned enterprises such as cooperatives; and (iv) agribusiness or corporates with small farmer procurement implementing tech solutions with them. Based on the perceived demand in the countries of the project, and also on the recent landscape analysis funded by the IDB Lab in 2021<sup>6</sup>, the project will focus on four high-growth potential areas in agtech: digital advisory, smart farming, digital financing services, and agri ecommerce. Digital advisory refers to the provision of specialized and technical agricultural information directed to farmers, a space primarily occupied by governments, non profit organizations, and agribusinesses. Smart farming refers to the use of sensors, drones, satellites and other farm assets to generate and transmit data about a specific crop, animal, or practice to support agricultural activities. Agricultural digital financial services (DFS) is a growing sector in the LAC region, and refers to services such as digital agricultural payments, derivate services that support agricultural credit (e.g. input financing), wallets designed to support agricultural activities and insurance. Agri ecommerce refers to platforms that have been designed mainly to allow the commercial exchange between produce from small farmers and buyers in urban areas.
- 2.9. For the project, the technologies provided or facilitated by selected agritech solutions will have either a strong potential of social impact, for its reach to small farmers, or have a clear and measurable positive impact on climate adaptation and mitigation measures for farmers. Solutions selected and the entities that are proposing them should have the capacity to capture farm level data and the ability to disaggregate farmers by gender. If they lack this capacity, part of the project resources will be directed to achieve such capacity.
- 2.10. The selected agtech solutions (project beneficiaries) will be legally incorporated or legally operating in at least one of the beneficiary countries and observe the following basic eligibility criteria:

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<sup>6</sup> IDB Lab. Technical Note No. IDB-TN-2084 Panos Loukos and Leslie Arathoon. Landscaping the agritech ecosystem for small holder farmers in Latin America and the Caribbean. February 2021.

Category	Financial Services Providers (MFIs)	Agricultural Based Enterprises (Coops)	Agribusiness or Corporates with Small Farmer Procurement	Agri Tech Services Providers – Start Ups
Scale and Outreach	Minimum scale of 5000 clients	Minimum scale of 500 farmers in Coop.	At least 200 to 500 small farmers suppliers	Services reaching hundreds of small farmers
Experience in Thematic area	Track record in lending to the agri sector (farm or processor)	Enterprise whose main business and commercial activities involves buying from or selling to small farmers	Enterprise whose main business and commercial activities involves buying from or selling to small farmers	Enterprise working in small farmers space or wanting to enter the small farmer space. Could be currently working in another existing industry.

- 2.11. The Innovation Call will operate the following process: (i) *Set-up of the Innovation call*. The executing agency and GSMA will co-design with other project partners the Innovation Call's terms of reference, refine the eligibility criteria, and establish an evaluation panel made up of the lead executing agency, the IDB Lab, and sector experts. (ii) *Outreach*. The Executing Agency will strategically engage with IDB Lab's country offices and partners, and regional and national influencers and channels to ensure the Innovation Call is promoted to quality candidates in relevant markets. The outreach campaigns will also rely on solid social media and online communication through a dedicated website for the call. (iii) *Selection*. Candidates will submit information regarding eligibility, candidate profile, business model, and/or proposed project and social impact. Applications will be reviewed by the evaluation panel, who will shortlist best proposals. Shortlisted candidates will be invited to submit a complete proposal setting up a full business case for the project. The evaluation panel will make the final decision on selected agritech solutions or projects based on the assessment of their complete proposals and due diligence process results.
- 2.12. Selected early-stage agritech solutions. Eight out of the 14 promising agritech solutions, will be awarded a Small Grant of up to US\$80,000 to test new models or proof of concept ideas. The Executing Agency will channel project financial resources, playing a compliance, managerial and advisory role throughout the process, and they will contract the selected grantees, validate milestone payments, and review regular financial and narrative reports. The technical support areas could include business model development, user-centric design and feature / product development, business intelligence, customization and user-testing of a digital solution, the inclusion of climate adaptation data, financial management and business planning, impact measurement, marketing, and sales strategies as well as the support during piloting, suggestions for the rolling-out etc. The grant may also be used to cover small equipment purchases (hardware and software), necessary for the implementation of the pilot project.

2.13. Examples of the use of these small grants are:

Category	Agribusiness or Corporates with Small Farmer Procurement	Agri Tech Services Providers – Start Ups
<b>Small Grant for Pilot Project Tier 1</b>	-Pilot Landscape level data merged with farmer data to enhance implementation of certification guidelines and traceability -Consulting support to implement geo reference farm level data for the implementation of precision agriculture	Customization of digital technology for adoption by small farmers.

2.14. IDB Lab will fund the following activities: (i) Design the Innovation Call, set up the communication strategy, and coordinate the selection of the top 14 agritech solutions; (ii) managing and disbursing grants for 8 pilot projects; (iii) hiring technical assistance to the selected grantees to implement the pilot projects. Financial resources from the Innovation for Climate Smart Agribusiness Fund project specific grant (RG-T4117) will be used in this component for those pilots that present an opportunity for exchange between Israeli agtech companies and identified solutions.

2.15. The results of the first component include: (i) 14 top agritech solutions selected; (ii) 8 early-stage agritech solutions implemented in a pilot project to test a new model of proof-of-concept idea. Due to the importance of climate adaptation and mitigation in agriculture in the region, it is expected that at least 50% of the selected 14 projects have a clear path to improve climate resilience at the small farmer level or that present a clear positive impact on the environment. It is also expected that at least 30% of the 8 pilots have a clear strategy for gender access and equality.

2.16. **Component 2: Technical Assistance and Financing (Total: US\$1,870,000; IDB Lab: US\$70,000; RG-T4117: US\$150,000; Counterpart: US\$1,650,000).** The second component seeks to provide the identified 6 top tier solutions with tailored technical assistance and potential investment to scale up the provision of products and services to small farmers and potential expansion to new markets.

2.17. While early-stage funding (Tier 1) will focus on pilots and nascent initiatives mainly from start-ups and corporate ventures, the top-tier funding (Tier 2) will focus on enterprises, cooperatives and financial intermediaries with funding needs higher than US\$100,000 and closer to an amount of US\$400,000, to scale their existing models or solutions. These select entities and solutions will receive a “Financing Package” consisting of specialized technical assistance, for the implementation of digital solutions, and financing or investments for the working capital or capex financing needed to roll out or scale the solutions. It is expected that the Executing Agency<sup>7</sup>, identifies and establishes financing

<sup>7</sup> Incofin Foundation will be the Executing Agency. Its sister organization, Incofin IM provides equity and debt investments to agricultural SMEs, agricultural Cooperatives, and financial intermediaries. Thus, top-tier solutions under the categories of Financial Services Providers (MFIs), Agricultural Based Enterprises (Coops) and Agribusiness or Corporates with Small Farmer Procurement could access Incofin IM funding. Investment decisions for top-tier solutions under the mentioned categories, will follow Incofin's eligibility criteria, requirements, and processes. Selected solutions that are not targeted by Incofin criteria could access other funding opportunities through IDB Lab and partnered investors or funds.

mechanisms for select top tier solutions, as long as these meet the appropriate requirements and qualifications of potential investors. These investors could include Incofin's sister organization Incofin IM, IDB Lab, IDB Lab venture investment funds and other financing sources. For purposes of the project budgeting, the average amount estimated for the investment needs in this stage is US\$250,000, for a total 4 entities, therefore a total of US\$1,000,000 has been allocated from the counterpart funding in the form of financing.

2.18. Examples of some of the potential solutions include:

Category	Financial Services Providers (MFIs)	Agricultural Based Enterprises (Coops)
<b>Strategic Technical Assistance and Investment</b>	Rolling out the use of mobile for climate data dissemination to existing and potential loan customers and lending finance for adoption and acquiring of agtech.	Client data capture for more targeted precision agriculture and working capital for farmers to enroll in the agtech platform or package.

- 2.19. The Executing Agency will structure tailored technical assistance packages for top-tier agritech solutions and establish a pool of expert external providers to deliver the top-tier solutions with customized advice throughout the project lifecycle. The technical assistance package could include in-depth analysis and diagnostic of selected agritech solutions, customized advisory in the incorporation of mobile or digital services, and other areas such as business model development, user-centric design, business and market intelligence, and inclusion of climate adaptation data, and user-testing. It is expected that GSMA may also participate in some of these initiatives to provide critical technical assistance in areas such as research and development of digital solutions, deployment of go-to-market strategies, product iteration and user experience modeling, among others.
- 2.20. IDB Lab will fund the following activities: (i) structure and manage a tailored technical assistance package based on selected solutions' needs; (ii) hire technical assistance providers and vendors to deliver technical assistance to the top-tier agritech solutions; and (iii) facilitate access to financing to scale up the provision of products and services to small farmers. Financial resources from the Innovation for Climate Smart Agribusiness Fund project specific grant (RG-T4117) may be used in this component for those solutions that present an opportunity for exchange between Israeli agtech companies and identified solutions. The details of this exchange will be defined by a collaboration between the Executing Agencies of each project.
- 2.21. The results of this component include: (i) at least 4 of the top tier selected agritech solutions have accessed external financing to scale innovations; (ii) 6 top-tier selected agritech solutions have been provided with tailored technical assistance, and (iii) USD 1 million of additional financing investment mobilized through the project.
- 2.22. **Component 3: Knowledge and Agritech Platform (Total: US\$140,000; IDB Lab: US\$120,000; Counterpart: US\$20,000).** An important component of the project is the consolidation of a Knowledge Agritech Platform or Network. To date, there are various informal networks and working groups, in which IDB Lab participates, including with

partners like IFAD, IICA, GSMA, and others in the region. The project will seek to establish the foundation of a more formal platform whose main objective will be to strengthen the nascent agritech ecosystem in the region with a focus on smallholder farmer solutions and climate finance. The platform serves two objectives: i) Documenting and disseminating the project's insights to establish a community of practices and lessons learned; ii) Connecting eligible applicants at the Innovation Call stage, irrespective of whether they received finance, and other companies offering agritech solutions with clients -Agribusinesses SMEs, cooperatives, and smallholder farmers-. The platform will leverage all project partners' networks and experience in market linkages.

- 2.23. The project will design and implement an online knowledge agritech platform, extracting learnings from the solutions supported through the project and produce best practices on technical, operational, and business models in the agritech space. Key messages will be disseminated through engaging formats such as storytelling videos, presenting success stories, infographics, short insights, and webinars. The Executing Agency will have a supervisory role and assurance of correct roll out of dissemination effort in coordination with IDB Lab, IDB Invest, the Government of Israel and other donors.
- 2.24. The knowledge platform will be a strategic tool for the sector's stakeholders informing needs and policies and investment and marketing decisions. IDB Lab will add value to the platform by adding insights from other projects and referring key national and regional to consolidate the community of practices and lessons learned.
- 2.25. IDB Lab will fund the following activities: i) documenting the results and consolidating them in a shareable report; ii) producing a storytelling video based on the project's success stories; iii) a website platform set up to maintain the communication and dissemination efforts; and iv) workshops and knowledge sharing events.
- 2.26. The results of this component include: (i) 30 key ecosystems stakeholders registered in the platform; (ii) 1 storytelling video showcasing the project's success uploaded to the platform, and (iii) A final report disseminating the project's insights and results.

### **C. Project Results, Measurement, Monitoring and Evaluation**

- 2.27. At the end of the project 14 promising agritech solutions will have secured critical technical assistance and financing for the scaling of their services or products. These services will have benefitted directly 30,000 small farmers representing mostly the poor and vulnerable populations of rural areas. It is expected that 80% of the agritech solutions participating in the project will increase the profitability of small farmers in their respective value chains. These solutions will also have a direct positive impact on the environment (at least 7) with tools and technologies that will allow for enhanced methods of production, data gathering and dissemination. Lastly, 8 new strategic partnerships are expected to be developed between agritech solutions participating in the project and key ecosystems stakeholders.
- 2.28. The Executing Agency will use its own Monitoring and Evaluation system to track the main indicators related to the supported solutions and the farmers they work with. Results will be reported monthly to monitor and track its progress. Semi-annual reporting on development indicators will be in an online format provided by IDB Lab (PSR). These will reflect progress towards the indicators noted above across the various countries.

### III. Alignment with IDB Group, Scalability, and Risks

#### A. Alignment with IDB Group

- 3.1. The alignment with *Vision 2025* is sought by the project as it: (i) creates incentives and promotes the conditions required to accelerate the adoption of new technologies and digitalization; (ii) invests in entrepreneurship, develops the innovation ecosystem, and encourages a more conducive business climate; (iii) promotes the emergence and consolidation of dynamic companies with inclusive and sustainable new business models that could become engines of economic growth; (iv) supports the development and scaling up of solutions to increase resiliency, adaptation, and mitigation of climate change; and (v) expand women's economic opportunities by increasing labor force participation, closing income and gender gaps between men and women, and improving women's access to technology and its applications in the agriculture sector.
- 3.2. The project team also verified that the project is aligned with each of the country strategies as stated in their respective documents. For example, in the case of Peru the project is aligned with strategic objective number 5, which seeks to improve the productivity of the agribusiness sector; in the case of Colombia it is aligned with strategic objective number 1 which seeks to spur innovation and development in business and agriculture; and in the case of El Salvador it is aligned with objectives 2.1 and 2.3 which aim to provide access to finance and for small and micro enterprises and increase digital connectivity.
- 3.3. The proposed project is a direct fit with the objectives of the IDB Lab's Climate-Smart Agriculture (CSA) thematic focus by promoting the transformation of value chains and improving livelihoods at the farm level to increase incomes, sustainability, and climate resilience of smallholders. The project also aligns with the objectives of IDB Lab's Knowledge Economy (KE) thematic focus, specifically the provision of access to finance for innovation, building of human and institutional capacity, supporting the development of innovative solutions related to climate finance and gender equality, and the development of an eco-system approach to support innovation. There is a direct fit with IDB Lab's portfolio in the wider region, which includes several projects supporting innovation and entrepreneurship and agritech.
- 3.4. The project will build on IDB Lab's experience in designing and implementing innovation challenges such as Better Together, Blue-Tech, Orange Innovation, Silver Economy, Gender, and Artificial Intelligence, among others. The project will also take insights from IDB Lab's experience connecting entrepreneurs with capacity development and investment opportunities from programs such as WeXchange; and developing knowledge platforms such as LatitudR.
- 3.5. The project will also coordinate closely with the IDB Invest, its investment officers and the Units responsible for the supervision of operation RG-T4117, to identify potential corporate agribusiness candidates that could be selected to implement solutions with the small holder farmers which are part of their supply chains. A preliminary mapping of corporates implementing technologies with small farmer suppliers is being completed in 2022, the results of which could be used to assist in the identification of these potential candidates<sup>8</sup>.

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<sup>8</sup> Transformación Digital de la Agroindustria en LAC. Documento de Trabajo Interno BID Invest. 2022.

- 3.6. The project is also aligned with the Sustainable Development Goals (SDGs). Firstly, it is aligned with SDG 9 (Industry, Innovation, and Infrastructure), and in particular to the SDG 9.B meant to support domestic technology development, research, and innovation in developing countries. Additionally, it is aligned with SDG 13 (Climate Action), specifically to its sub-objective 13.3 related to improve education, awareness-raising and human and institutional capacity on climate change. Lastly, the project will also contribute to SDG 17 (Alliances for the SDGs) in particular to SDG 17.3 mobilizing additional financial resources for developing countries from multiple sources (i.e., Israeli resources managed by IDBG and invested in the project).
- 3.7. Integrity review: The project team, with the assistance of the Office of Institutional Integrity (OII), conducted an integrity due diligence review on the executive agency and the partners on project RG-T4145 in accordance with the Guidelines on Integrity Due Diligence (document OP-474-1) and did not detect any irregularities on the people or agencies.
- 3.8. Approximately 30% percent of the total IDB funding for this project is invested in climate change mitigation and adaptation activities according to the joint MDB approach on climate finance tracking. This contributes to the IDB Group's goal of increasing the financing of projects related to climate change to 30% of total approvals by the end of 2022.

## **B. Scalability**

- 3.9. The proposed project can be an essential driver to unlock the full potential of the agriculture sector in the region by strengthening the agritech ecosystem, building capability in promising solutions, and promoting an enabling environment for them to scale up their impact. Through the partnership with the Government of Israel, Incofin IM, and GSMA the project ensures valuable expertise and additional resources for the continuous development of the sector in the region.
- 3.10. Selected solutions will be connected with local partners such as large agribusiness companies and small farmers associations and will gain visibility for ensuring the local scalability of the project impact. IDB Invest will be a participant in this project with the aim of scaling some these solutions, by: (i) participating in the identification of potential solutions among its network of corporate entities and clients, who could bring forth an innovation to fund through the funds; and (ii) through the financing of some of the initiatives that require greater levels of financing more adequate to IDB Invest.
- 3.11. The results and experiences resulting from the project will be systematically documented to establish a community of practices and lessons learned to foster the sector's development.

## **C. Project and Institutional Risks**

- 3.12. The main risks of the project are: (i) deterioration of some of the selected countries' business climate due to social-political and economic effects of Covid-19; (ii) weak direct beneficiaries (selected agritech solutions) engagement; and (iii) poor impact of the project on increasing the capacities of beneficiaries to scale-up their solutions to new clients and/or markets.



- 3.13. The mitigants of these risks are centered on the extensive experience of the Executing Agency and its partners working with agricultural SMEs and cooperatives and financial intermediaries in the region. The Executing Agency has also a track record of structuring, coordinating, and delivering tailored technical assistance packages to agricultural businesses and financial intermediaries scaling up their impact on improving small farmers' livelihoods. On the other hand, the operational partner, GSMA, has sound experience designing and implementing agritech innovation calls and funds, as well as consolidating knowledge materials and platforms and involving key sectorial partners.

## IV. Instrument and Budget Proposal

- 4.1. The project has a total cost of US\$ 3,170,000 of which US\$ 1,000,000 (32%) will be provided by IDB Lab's own resources, US\$400,000 by the Ministry of Agriculture of the Government of Israel, through the Innovation for Climate Smart Agribusiness Fund project specific grant (RG-T4117), which, in turn, is administered by IDB Invest and US\$1,770,000 (55%) by the Executing Agency. The instrument to be used for IDB Lab financing is a non-reimbursable grant. The use of non-reimbursable resources from IDB Lab is justified as the project seeks to develop a nascent ecosystem with technical assistance in majority C and D countries where agtech solutions are still underdeveloped and the final beneficiaries are low income small and medium sized farmers. The use of funds from RG-T4117 is justified as there is committed effort from IDB and the Government of Israel to seek opportunities to collaborate in the specific area of agtech.

	IDB Lab	RG-T4117	Counterpart in cash	Counterpart in kind	Total	%
Component 1: The Innovation Call	548,000	250,000	-	70,000	868,000	27%
Component 2: Technical Assistance and Financing	70,000	150,000	1,450,000	200,000	1,870,000	59%
Component 3: Knowledge and Agritech Platform	120,000	-	-	20,000	140,000	4%
PROJECT ADMINISTRATION SUPPORT	262,000	-	-	30,000	292,000	9%
TOTAL	1,000,000	400,000	1,450,000	320,000	3,170,000	100%
	32.00%	13.00%	45.00%	10.00%	100.00%	

- 4.2. The project will be structured in two phases; the first one will aim at running an Innovation Call for proposals and all the aspects of coordination, and the second involves providing technical assistance to some the selected beneficiaries and providing critical financing for implementation of the technologies. The condition to start with the second phase will be that the Executing Agency demonstrates the progress made with the small projects selected in the first phase.

## V. Executing Agency (EA) and Implementation Structure

### A. Executing Agency(s) Description

- 5.1. **Incofin** Foundation was established in 2021 as a private foundation under the laws of Belgium. The purpose of Incofin Foundation is to make a positive contribution to increase the scale and financial return of its social investments on the one hand and on the other hand have a positive, measurable social or environmental impact; providing technical

assistance or other support services; and raising funds and attracting sponsorship and subsidies to realise the aforementioned. The founder is Incofin Investment Management NV (Incofin IM), which is a leading international impact fund manager that invests in dynamically managed enterprises in emerging markets. Incofin's diverse investor base includes several sectors but historically focused on financial inclusion (investing in institutions active in microfinance, MSME finance, trade and supply chain finance, climate finance, etc.) and in the agri-food value chain (through producer organizations and Agriculture Value Chain SMEs). In collaboration with Incofin IM, Incofin foundation offers technical assistance to many portfolio companies to maximize financial, social, and environmental returns for the benefit of the end clients. Since 2010, Incofin IM has mobilized over US\$ 14 million in grant funding from donors and effectively implemented over 150 technical assistance projects in 46 countries across Asia, Latin America, and Sub-Saharan Africa.

- 5.2. Incofin managed in the past an IDB Lab project as an execution agency for "Rural Finance Partnership for Latin America and the Caribbean" (RG-M1230), where it provided technical assistance for 15 Microfinance Institutions (MFIs) that have a rural and agricultural focus to enhance the provision of financial services and products among poor and low-income populations. The final report of the project demonstrates that Incofin was effective in achieving planned activities and most expected outputs. Its execution capacity and relational capital helped the project to reach institutions that never worked with the IDB. Most MFIs were satisfied with the quality of the TA they received. This experience evidence that Incofin is a strong partner for executing and providing added value to the proposed project.
- 5.3. **GSMA** is an association incorporated as a nonprofit organization incorporated in the United Kingdom, that represents the interests of mobile operators worldwide, uniting more than 750 operators with nearly 400 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers, and internet companies, as well as organizations in adjacent industry sectors. The GSMA AgriTech Programme works towards equitable and sustainable food chains that empower farmers and strengthen local economies. It brings together and supports the mobile industry, agricultural sector stakeholders, innovators, and investors in the agritech space to launch, improve and scale impactful and commercially viable digital solutions for smallholder farmers in the developing world. GSMA recently launched the Innovation Fund for Climate Resilience and Adaptation and their experience in challenges as these will be critical for the success of the project. GSMA joined IDB Lab to develop a landscape study of the agritech ecosystem for small farmers that was launched in early 2021. GSMA services will be contracted in the project for an amount estimated at US\$250,000 to carry out specific activities around the call for proposals, the launch of the call, analysis, technical assistance in digital agricultural services and dissemination of the results of the project.

## **B. Implementation Structure and Mechanism**

- 5.4. Incofin Foundation will execute the project activities and manage project resources effectively and efficiently from its headquarters in Belgium. Incofin Foundation will coordinate closely with its staff located in Bogota, Colombia to execute the project and will designate a Project Coordinator to be responsible for the execution of the project and the adequate sourcing and placement of total project funds.

- 5.5. Incofin will enter into a direct contract with GSMA to carry out certain parts of the project according to the description of the components and a tentative budget outlined in Annex II. The total amount of the contract for the services rendered will be \$250,000.

## **VI. Compliance with Milestones and Special Fiduciary Arrangements**

- 6.1. **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard IDB Lab disbursement by results, Bank procurement policy<sup>9</sup> and financial management<sup>10</sup> arrangements as specified in Annex V and VI.

## **VII. Information Disclosure and Intellectual Property**

- 7.1. **Intellectual property.** The intellectual property of all works and results obtained under the Project is vested in the Bank. The Bank shall grant to the Executing Agency an irrevocable, worldwide, perpetual, royalty-free, non-exclusive license to use, copy, distribute, reproduce, publicly perform, publicly display, and publicly perform any proprietary product derived from the execution of the Project, as well as to develop derivative works. The Executing Agency may grant sublicenses to third parties without further authorization or licenses from the Bank.
- 7.2. The Executing Agency undertakes to include in all contracts it enters into with consultants under the Project the transfer to the Bank of the respective intellectual property rights, including copyrights.
- 7.3. The Bank may disclose, reproduce, and publish any information related to the Project and include in such information the name and logo of the Executing Agency.

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<sup>9</sup> Link to the Policy: [Procurement of Works and Goods Policy](#)

<sup>10</sup> Link to the document [Financial Management Operational Guidelines](#)