

PROJECT SUMMARY
REGIONAL
AGTECH FOR INCLUSION AND SUSTAINABILITY: INVESTMENT IN SP VENTURES REGIONAL
FUND (RG-Q0052)

LAC has greatly expanded agricultural production in the second half of the twentieth century as a result of rapid mechanization, professionalization of cultivation practices, and introduction of high-yielding varieties, among others. However, important social and environmental challenges persist and have been increasingly unveiled, such as rural poverty, exclusion, and high disparity of productive performance among farms. Large portions of LAC's farmers were left behind: a vast universe of small and medium-sized farms (SMSFs), many of which have low productivity and face vulnerable livelihoods, poor environmental performance and low climate resilience. Such scenario places increasing pressure on LAC's food systems to find new solutions to be able to increase food production while adopting a more inclusive and sustainable path.

Innovative solutions developed by ag-focused startups ('agtechs') can play a central role in that endeavor, especially for low productive SMSFs, both by reshaping ag value chains towards more inclusive, transparent and favorable conditions, and by providing farm-level solutions to help smallholders and rural workers improve productive performance, livelihoods and climate resilience. However, the agtech entrepreneurial ecosystem is still nascent and agtech startups face very limited availability of capital and specialized mentorship. Such vital financial and non-financial support is typically provided by venture capital funds, but there is currently no agtech-specific regional venture fund capable of providing in-depth sectorial expertise and smart capital to LAC's agtech entrepreneurs.

Following IDB Lab's longstanding history of supporting the development of new entrepreneurial segments with high-impact potential, the project will invest in the first regional agtech-specific fund in LAC, to be managed by SP Ventures (SPV). SPV is a leading venture capital firm specialized in investing and mentoring agtech startups whose solutions have the potential of promoting widespread and sustained positive transformation in the agricultural sector. After a successful track record of managing two previous funds with investments in Brazil and Argentina, SPV is launching its third fund (Agventures II), an agtech-specific regional fund which will invest in 20-30 early stage agtech startups across LAC. In addition to solid financial results, the solutions supported by SPV have shown positive outcomes in terms of social and environmental outcomes.

To this end, IDB Lab will invest USD 4 million in SPV's Agventures II. IDB Lab brings value add as an anchor investor, unlocking the investment of other institutional investors to this incipient innovation segment, provides regional expertise to support the regionalization of SPV, and can steer the Fund manager to incorporate key impact metrics in their monitoring, as well as explore important portfolio synergies.

It is estimated conservatively that 55 to 73 thousand low productive SMSFs and 500 thousand to 735 thousand people in rural settings may benefit from the innovations introduced by startups invested by the Fund in the form of increased productivity and incomes, and improved livelihoods. Also, some 25 to 33 thousand SMSFs are expected to see improved environmental performance in the form of increased climate resilience and better management of natural resources (such as water, energy and land).

The project is closely aligned to IDB Lab CSA Thematic Paper and has also benefited from close coordination with IDB Invest, and collaboration with CSD/RND.