

SUMMARY OF THE PROJECT IN DESIGN * (*)

Innovation in Ag Tech and Digital Agriculture

| | | |
|---|----------------|--|
| PITCH ELIGIBILITY DATE | | COUNTRY(IES) |
| 05/11/2022 | | Bolivia; Colombia; El Salvador; Honduras; Paraguay; Peru |
| ALIGNED WITH COUNTRY STRATEGY? | | |
| Yes | | |
| PARTNER(S) | | |
| Incofin | | |
| PRELIMINARY CLASSIFICATION ENVIRONMENTAL AND SOCIAL IMPACT | | |
| C (**) | | |
| TOTAL BUDGET | IDB Lab | LOCAL COUNTERPART AND COFINANCING |
| US 2,800,000 | US 1,300,000 | US 1,500,000 |
| DESCRIPTION | | |

The problem: 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 livelihoods, closing information gaps, improving access to finance for climate adaptation, and reaching 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.

Even though Agritech[1] 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 active user figures above 25,000 -most of the tools profiled in the study have between 1,000 and 5,000 active users-, with only a few agritechs 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.

The solution: The objective of this project is to catalyze the capacity of Ag Tech solutions for improving small farmers' productivity, access to finance and markets, and climate resilience. The project will use a tiered approach to identify promising Ag Tech solutions for small farmers and provide them with investment financing, capacity-building support, and technical assistance. The target countries for the implementation of this project are Peru, Bolivia, Paraguay, Colombia, Honduras, and El Salvador, for their similarities in the Ag Tech ecosystem and their large number of small farmers.

The beneficiaries: The proposed project directly transforms the lives of 30,000 small farmers across the six countries pre identified for the implementation of the project (Peru, Bolivia, Paraguay, Colombia, Honduras, and El Salvador), who will be the direct users of the 15 – 20 agritech solutions supported by the project.

The partner: INCOFIN is an impact investment fund specialized in the access to finance for small farmers and rural producers. Founded in 2001 it has over 120 investments in both equity and debt around the globe focused in innovation in

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**The IDB categorizes all projects into one of six E/S impact categories. Category A projects are those with the most significant and mostly permanent E/S impacts, category B those that cause mostly local and short-term impacts, and category C those with minimal or no negative impacts. A fourth category, FI-1 (high risk) Financial Intermediary (FI)'s portfolio includes exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, mostly irreversible or unprecedented, FI-2 (medium risk) FI's portfolio consists of business activities that have potential limited adverse environmental or social risks or impacts, FI-3 (low risk) FI's portfolio consists of financial exposure to business activities that predominantly have minimal or no adverse environmental and social impacts.

financial services for agriculture. INCOFIN also operates a technical assistance fund and facility to work along side financial intermediaries and rural enterprises to enhance access to services by farmers. It has over 80 staff with 5 offices in strategic countries, one of them being Colombia.

The IDB Lab's contribution: BID Lab will support this project with US\$1.3M non-reimbursable TC (\$750,000 IDB Lab and \$550,000 IFAD and SIDA).

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