

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SUMMARY

1. **País:** Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Panama
2. **N° Proyecto:** RG-T4705 AND RG-G1070
3. **Name of Project:** VerdeXcelerate: Agtech with Impact
4. **Executing Agency:** TechnoServe, Inc.
5. **IDB División:** Multilateral Investment Fund (MIF) – IDB Lab

6. Financing amounts

	IDB (SEP) TCG RG-T4705 (US\$)	<u>BID (SEP)</u> <u>INV RG-</u> <u>G1070</u> <u>(US\$)</u>	<u>Local US\$</u>	<u>Total US\$</u>
Investment Grant (IGR)		500.000		5.00.000
Technical Cooperation Grant (TCG)	1.000.000		1.854.270	2.854.270
Total:	1.000.000	500.000	1.854.270	3.354.270

7. Objective and purpose of the project:

The general objective is to accelerate the agrifoodtech ecosystem in Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Panama through services for startups including acceleration, connection, and access to financing, while ensuring that women-led startups benefit from these services.

8. Project Components:

VerdeXcelerate is an ecosystem initiative that seeks to improve conditions and financing for development of the agrifoodtech industry in Central America and Colombia, with the aim of addressing challenges in the agricultural sector, by promoting innovative solutions in **Colombia, Costa Rica, El Salvador, Guatemala, Honduras, and Panama** through an ecosystemic strategy for linking the fragmented, incipient efforts of agrifoodtech innovations in the targeted countries, in order to transform it into a stronger, coordinated ecosystem, including: (i) the promotion and co-creation of innovations to address problems in the sector, while coordinating the efforts of anchor companies, startups, agricultural research centers, investors, etc.; (ii) the building of strong collaboration networks between actors, where the provision of acceleration-type assistance will be key; (iii) promotion of access to early-stage startup financing to promote innovations; and (iv) generation of inputs to promote policies to help the agrifoodtech industry to continue growing and scaling up.

As part of this strategy, the initiative will promote linkages with anchor companies, which are currently key partners of IDB Invest, with a focus on value chains with innovation potential and the participation of small and medium-sized farmers (e.g. banana, pineapple, dairy, vegetables, animal

sources of protein, sugar, cardamom, coffee, cocoa). Priority will be placed on crosscutting innovations such as enhanced productivity, traceability, and smart data analysis, biological inputs for pest control, efficient irrigation, circular economy, reduced emissions, and repurposing of waste. The aim is to ensure, from the outset of the intervention, a sustainable market proposition that has an impact.

The initiative includes three programmatic components: (i) strengthening of the agrifoodtech ecosystem through the coordination of key actors (public and private sector actors, civil society, and innovators); (ii) an acceleration and coordination program with specialized training, individualized mentoring, access to networks, and co-creation of innovation alongside end users (small and medium-sized producers); and (iii) development of an investment vehicle to facilitate and connect with opportunities to access capital.

Innovation. This project is unique in its approach to co-creating solutions in realworld conditions and its orientation to demand, in venues known as “AgroLiving Labs,” while promoting the coordination of startups, large companies, and small and medium-sized producers, as well as seeking to scale up successful financing models with private-sector participation. The project’s innovations, and what differentiates it from other initiatives, can be summed up in three items: (i) AgroLiving Labs: an approach to co-creating solutions with end users in realworld conditions using a methodology that differs from traditional research models in controlled settings; (ii) demand orientation: heavy emphasis is placed on farmers’ actual needs in view of the strategy that uses innovation brokers as liaisons between farmers and existing solutions; and (iii) access to financing: to scale up successful models, financing will be provided through a financial vehicle created for pre seed and seed stages, as well as effective linkages with other potential investors (including corporations) and/or venture capital funds for validation and growth in the market.

The agrifoodtech initiative will also focus on promoting a more inclusive financial environment by eliminating structural and systemic barriers to financing for women entrepreneurs in Latin America, while mainstreaming gender in its activities. This includes the proactive selection of startups led or co-led by women, technical assistance with a gender lens, and facilitation of connections to funds and institutions interested in investing in inclusive startups. The program will also build capacities in leadership, access to capital, and connections to networks, while addressing the structural barriers that have historically marginalized women in this sector. Not only will this help close the gender gap, but it will also promote a more diverse, resilient, and innovative agrifoodtech ecosystem.

The project’s components are described below, along with the objective, activities, and results of each component.

Component I: Strengthening of the agrifood ecosystem (US\$402,033 IDB Lab technical cooperation grant; US\$610,577 TechnoServe)

The **objective** of this component is to promote the agrifoodtech innovation ecosystem in Central America and Colombia by coordinating key actors (public and private sector actors, civil society, and innovators), generating and disseminating strategic knowledge, and establishing formal, high-quality collaborations between startups, academic institutions, businesses, and government entities to support sustainable growth and sector transformation.

The project will also work to strengthen the agrifoodtech innovation and investment ecosystem in each country and the region. To this end, the project will leverage the experience in more mature markets, such as Colombia, in order to improve more incipient markets, such as those in Central America.

To achieve this component’s objectives, the executing agency will carry out the following activities: (i) conduct a mapping of significant actors, gaps, and priority needs in the ecosystem, in view of

gender gaps and highly vulnerable regions (departments in Colombia's Caribbean region, Alta Verapaz department in Guatemala, and Morazán department in El Salvador), which may be pertinent to Components II and III of the projects; (ii) establish partnerships and collaborative arrangements with relevant public sector entities, research centers, international organizations specializing in agriculture (FAO, Inter-American Institute for Cooperation on Agriculture, International Fund for Agricultural Development, etc.), businesses, microfinance institutions, accelerators, and domestic and regional funds and investors, with the aim of improving coordination, enhancing the impact on small farmers, and exploring opportunities for public policy advocacy; (iii) build capacities and provide incentives for seed capital programs, venture capital investors, and other funds to invest in agrifoodtech, including compiling and disseminating success stories of investment in this sector with the aim of attracting more investors; (iv) document and disseminate lessons learned, including the development of knowledge products and exchange venues; and (v) hold events for the exchange of key knowledge between ecosystem participants (incipient, emerging, and mature), startup founders, investors, corporations, public sector innovation agencies, etc.

The expected **outcomes** of this component are: (i) a diagnostic assessment and mapping of ecosystem actors; (ii) six knowledge exchange and business generation events between ecosystem participants, including exchange activities aimed at makers of public policy in the sector; and (iii) 12 knowledge products documenting and disseminating success stories that demonstrate the economic and environmental impact, success stories in which startups have been connected with strategic partners for growth, lessons learned, and reports on potential public policies and regulations to support the sector.

Component II: Acceleration and coordination program (US\$259,755 IDB Lab technical cooperation grant; US\$708,571 TechnoServe, Inc.)

The **objective** of this component is to develop and implement an agrifood startup acceleration model to foster confidence, build capacities, and facilitate the standardization of language between key actors (corporations, startups, and small and medium-sized producers).

A crosscutting feature of the project will be the selection of startups led or co-led by women, as well as the provision of technical assistance with a gender lens in all component activities, through actions such as the recruitment and selection of startups with a gender lens using criteria that value team diversity; mentorship and differentiated assistance with prominent women mentors in agrifoodtech; workshop content adapted with modules on gender barriers, inclusive leadership, etc. The project will also strengthen leadership skills and facilitate connections to networks, in view of the structural barriers that women face in the agrifoodtech sector. The selection criteria for the startups will take into account climate resilience and guard against potential negative impacts, such as supply and traceability practices, expansion of land use, forest-related impacts, etc.

To achieve the objectives of this component, the executing agency will carry out the following activities: (i) connections with corporate partners and other relevant actors: Key actors in the value chains in the development cycle for creating technical solutions that address the agricultural needs of anchor companies and farmers, by promoting adoption and skills for swift implementation. To this end, the project will identify key large companies and research centers (public-private) that are interested in addressing challenges and needs through open innovation, with the aim of connecting startups that can help to address them in a faster, more cost-effective, and more practical way. Processes for identifying challenges will be used to ensure that challenges are guiding the search for startups and solutions in the acceleration program. Given the varying levels of maturity in ecosystems (incipient and emerging), actions for the exchange of lessons learned and innovations between ecosystems will be pursued; (ii) acceleration: Comprehensive, specialized assistance will be provided to startups and corporations over approximately six months, combining workshops, individualized

advisory services, mentorships with industry experts, and strategic plans to promote growth in the agrifoodtech sector. Priority will be placed on startups to ensure that these efforts reach one or more of the highly vulnerable areas identified (Colombia, Guatemala, and El Salvador). In particular, the content will be designed to prepare startups to work with corporate clients and farmers in the program's partnering value chains, address challenges in the value chain where small and medium-sized producers will be potential beneficiaries, and gain access to financing, as well as modules for climate risk assessment related to droughts, flooding, and external events; (iii) AgroLiving Labs: in conjunction with businesses and research centers, proofs of concept and prototypes will be developed in the field with producers, particularly with grassroots organizations, to ensure that the solutions are responsive to demand; build a strong relationship with farmers; address their needs by ensuring that the product and service meet their expectations; and demonstrate the benefits, return on investment, etc., while also helping to optimize and validate their business models, analyze their competitive environment, design and develop their investment pitch, and measure and report impact indicators; and (iv) demo days: these events are designed for participating startups to pitch their innovative solutions and value propositions to a select audience. This audience will include investors, strategic partners, representatives of impact funds, corporations, and key actors in the innovation ecosystem, thereby creating a unique opportunity for strategic networking and growth.

In addition to demo days, the accelerator will seek to facilitate the participation of startups at significant regional conferences and events to help them expand their networks and secure greater investment (e.g., GET Forum, events of the Aspen Network of Development Entrepreneurs, Latimpacto, etc.). IDB Lab specialists in investment and venture capital and IDB Invest staff will assist with demo days and the selection of startups to be considered for financing. Venture capital funds in the region will also be connected with impactful IDB Lab-supported agtech initiatives for possible follow-up investments in supported agrifoodtech startups, such as SPventures, Pomona Impact, and INNOGEN Fondo III.

The expected **results** of this component are: (i) 200 agrifoodtech startups enrolling in the acceleration program, (ii) 10 startups focused on at least one of the poor and vulnerable areas, selected to participate in the program; (iii) 3,000 clients of the supported startups who are small or medium-sized farmers, with 10% of them located in geographical areas defined as poor and vulnerable; and (v) 12 open innovation processes (including the AgroLiving Labs) carried out with the startups and other key actors.

Component III. Development of the investment vehicle (US\$500,000 IDB Lab investment grant; US\$130,212 technical cooperation grant; US\$505,122 TechnoServe, Inc.)

The **objective** of this component is to develop an investment vehicle that will facilitate access to capital for startups and businesses in the agrifoodtech sector, with a special focus on the Series A seed phase in Colombia and the pre-seed phase in Central America.

To achieve the objectives of this component, the executing agency will carry out the following activities: (i) design and validate a protocol, in conjunction with IDB Lab, for designing the mechanism and for securing legal counsel for establishing the vehicle, with the aim of ensuring its financial sustainability and growth potential, as well as impact over the short, medium, and long terms; (ii) hire an independent expert to review internal controls and policies related to antimoney laundering and combating the financing of terrorism (AML/CFT) and develop an action plan for implementation; (iii) identify and raise awareness among potential investors for them to participate in the financial vehicle to support agrifoodtech startups; (iv) promote additional connections of startups with venture capital investors, development finance institutions, and strategic partners to ensure they have the capital they need to grow; and (v) in addition, depending on the startups' stage of maturity, those that show the greatest growth potential will receive grants ranging from US\$25,000

to US\$75,000 to prototype or promote the acceleration of their innovations (depending on the ecosystems' degree of maturity—incipient or emerging) to make minimum viable products or proofs of concept in the field with small farmers and corporations, which will enable them to scale up and grow their businesses; these enterprises will be monitored for 12 to 18 months after completing the program to measure their progress and impact.

The expected **results** of this component are: (i) design and implementation of the financial vehicle to support the acceleration of agrifoodtech startups; (ii) 30 potential investors approached to participate in the financial vehicle; and (iii) three investors participating in the financial vehicle to help agrifoodtech startups achieve validation and growth in the market.

The itemized project budget includes two financial instruments: (i) a technical cooperation grant for US\$1,000,000; and (ii) an investment grant⁴⁹ for US\$500,000. Along with a counterpart contribution of US\$1,854,269 from the executing agency, the total project amount is US\$3,354,270.

9. Project Beneficiaries:

Initially, the program is expected to benefit **startups** in the agrifoodtech sector and the customers or users of these beneficiary startups, particularly small- and medium-scale agricultural producers in the aforementioned countries, which would have a direct positive impact on the agricultural sector in these countries. The beneficiaries of this program may be categorized as follows:

- Agrifoodtech startups in Central America and Colombia are new businesses seeking to innovate in the agrifood sector and face challenges such as limited access to capital and financing. These startups typically focus on technological solutions that support sustainable agriculture and resilience to climate change, as well as products, platforms, or solutions for greater efficiency in postharvest or logistical operations, processing, market access, education, data generation, etc. These startups use tools for precision agriculture, digital information services, enhancement of biological processes, and agrofintech. However, they face a lack of specialized funds in the region and low levels of investment at initial phases of development, such as “Series A” seed and pre-seed stages. Despite these obstacles, startups are driven by a firm commitment to boosting productivity and including small and medium-sized producers, while working to build a stronger collaborative ecosystem in the agrifood sector.
- Small and medium-sized producers will benefit indirectly, as many of these farmers belong to marginalized communities and face significant barriers to bettering their economic and social circumstances. The lack of digital skills and knowledge on modern agricultural technologies constrains their ability to adopt innovative solutions that could boost their productivity and sustainability. A lack of trust in new technologies and low financial capacity to invest in them are also factors that hinder their development. Low levels of agricultural income are due to low agricultural returns and productivity, and small farming operations obtain less production value per worker than larger operations.
- Actors in the agrifoodtech ecosystem. corporations, investors, academia, public sector entities, research centers, and others will benefit through activities to develop a growing ecosystem with high potential for impact and returns.

10. Expected results and capture of benefits:

The executing agency will compile data and report on outcomes and achievements in accordance with the project's results matrix, and this information will be kept in the project technical files. The

executing agency will develop a monitoring plan at the outset of the project, which will ensure that indicators are monitored and measured. The executing agency will also deliver a project status report (PSR) to the Bank every six months and will deliver the final PSR on project results following completion.

The outcome indicators are focused on the numbers of startups supported by the project, including: (i) 100 startups graduating from the acceleration program; (ii) 12 new formal collaborations between startups, academic institutions, businesses, government entities, and other strategic actors; (iii) 60 agrifoodtech startups gaining access to financing solutions with project support; (iv) a total of US\$1,250,000 mobilized through the financial mechanism to support agrifoodtech startups; (v) 40% of startups graduating from the acceleration program have women founders and/or a female chief executive officer; and (vi) six countries in which the startups accelerated (program graduates) and/or benefited by the financial mechanism are located. The monitoring indicators are as follows: (i) percentage growth in average annual sales among supported agrifoodtech startups; (ii) jobs created in program-supported startups; (iii) metric tons of carbon dioxide equivalent emissions reduced, averted, or sequestered as a result of the adoption of technologies by supported agrifoodtech startups; and (iv) percentage of startups supported by the acceleration program which have implemented systems for monitoring gender-disaggregated results.

To measure these results, three key actions will be taken in the project: (i) establishment of the baseline; (ii) annual evaluations/studies for monitoring component and outcome indicators; and (iii) midterm and final project evaluations. The indicators in the project results matrix will be monitored every six months through the semiannual PSR, including the final project results through the final PSR and the final evaluation document.