



Investing in rural people

Executive Board

President's report on a proposed grant under the global/regional grants window to the German Sparkassenstiftung for International Cooperation for Scale Up Agritech and Fintech Solutions within IFAD's portfolio (Innovatech 2.0)

Project ID: 2000004973

Document: EB 2024/LOT/G.5

Date: 31 July 2024

Distribution: Public

Original: English

FOR: APPROVAL

Action: The Executive Board is invited to approve the recommendation contained in paragraph 21.

Technical questions:

Enrique Hennings

MesoAmerica and the Caribbean Hub Head
Latin America and the Caribbean Division
e-mail: e.hennings@ifad.org

Daniel Anavitarte

Regional Specialist
Latin America and the Caribbean Division
e-mail: d.anavitarte@ifad.org

President's report on a proposed grant under the global/regional grants window to the German Sparkassenstiftung for International Cooperation for Scale Up Agritech and Fintech Solutions within IFAD's portfolio (Innovatech 2.0)

I. Background and compliance with the IFAD Regular Grants Policy

1. Worldwide, agriculture is the primary source of income for rural poor people. However, many agricultural producers, especially smallholder farmers living in remote rural areas, face barriers such as limited access to financing, lack of efficient technology and the training needed to maximize their yields, lack of digital solutions to enhance the use of agroecological farming and commercialization practices, and difficulties in accessing formal markets. While the number of fintech and agritech companies has grown significantly in recent years in Latin America, their offerings to smallholder farmers remain limited. Approximately 20 million households classified as small-scale producers or family farmers need access to technology, credit, markets and value chain services. Bridging the gap between smallholders and tech companies is crucial and requires innovative solutions and financial support.
2. Innovatech 2.0 will continue the successful implementation of the first Innovatech grant,¹ which supported smallholders in recovering from the impacts of COVID-19 by improving the availability and quality of tailored digital-technology-based solutions and thus facilitating their access to markets, and financial and non-financial services.
3. The project seeks to expand upon this success by: (i) creating a robust ecosystem of technological and innovative solutions offered to vulnerable rural groups, including small-scale producers who are engaged in or are in transition towards agroecology; (ii) strengthening IT and programming skills of individuals in rural areas; and (iii) setting up the grounds for a permanent knowledge management and impact financing mechanism to foster innovation by guaranteeing long-term engagement between IFAD's target group and innovative start-ups.
4. The project places specific emphasis on agroecology, aiming to develop tailored digital solutions that enhance the income, nutrition and climate change adaptation outcomes of agroecology farming systems. Furthermore, Innovatech 2.0 introduces initiatives to establish connections between producers and consumers through shorter supply chains, emphasizing the value of sustainably produced and safe food. The project also intensifies efforts to advance knowledge generation and knowledge-sharing by actively supporting experimental learning experiences and data-sharing solutions.
5. The proposal aligns with SO1 of the Regular Grants Policy (2021), as it contributes to leveraging better impact on the ground for IFAD's programme of work, including through the improvement of in-country capacity for greater sustainability of benefits. The project responds to the following pathways: (i) leveraging strategic and operational partners' expertise and resources to deepen the impact of IFAD's programme of work; and (ii) improving the availability and uptake of relevant knowledge and innovation for enhanced impact and sustainability.

¹ "Innovatech: Innovative Solutions Agro/FinTech" (GRIPS ID: 2000003835 / 2000002829), funded by the Rural Poor Stimulus Facility and regular IFAD funding, and implemented by the German Sparkassenstiftung for International Cooperation (DSIK) between November 2021 and August 2023.

6. Furthermore, the project aligns with the Thirteenth Replenishment of IFAD's Resources' priority area of engaging with the private sector to bolster enhanced rural livelihoods, and with objective 1 of the IFAD Private Sector Engagement Strategy 2019–2024, which aims to mobilize private funding and investments into rural micro, small and medium-sized enterprises (MSMEs) and small-scale agriculture. In addition, through partnerships with agritech/fintech companies, the grant aims to develop new technologies and cost-effective solutions to address long-standing challenges faced by small-scale producers and rural communities, thereby supporting objective 2 of the IFAD Private Sector Engagement Strategy.
7. Finally, the project contributes to the following Sustainable Development Goals (SDGs): no poverty (SDG 1), zero hunger (SDG 2), gender equality (SDG 5), reduced inequalities (SDG 10), climate action (SDG 13), life on land (SDG 15), and partnerships for the goals (SDG 17).
8. The grant recipient, the German Sparkassenstiftung for International Cooperation (DSIK), was identified through direct selection. The direct selection was approved by the Operational Strategy and Policy Guidance Committee Chair on 6 December 2023.

II. The proposed project

9. The overall goal of the project is to increase productivity, income, climate adaptation and the economic resilience of rural smallholders. The development objective is to strengthen the ecosystem of digital services provided by agritech/fintech companies (start-ups and MSME) in the Latin America and the Caribbean region (LAC), and the Asia and the Pacific region (APR) to allow rural smallholders to have better access to markets, financial and non-financial services, and agroecological technical solutions. This would contribute to transitioning towards sustainable and resilient food systems.
10. The three specific objectives are: (i) to support and accelerate at least 15 start-ups within selected countries to provide ad hoc financial and non-financial services to smallholder farmers within the IFAD portfolio (including women, youth and Indigenous Peoples) in order to improve their access to financing, technical assistance, market access and agroecological practices. Of the 15 start-ups to be supported, six will have a digitalization-for-agroecology focus and receive technical assistance on agroecology; (ii) to develop a training programme to strengthen the IT and programming skills of local young talent, including young women; and (iii) to design and plan the set-up of a rural impact innovation facility to assemble finance for promising start-ups in order to provide services and solutions for rural smallholders.
11. The target group will be composed of 17,000 households encompassing approximately 68,000 individuals (of whom 50 per cent are women, 50 per cent are youth, and 10 per cent are Indigenous Peoples). Priority target groups include: (i) vulnerable smallholder farmers who have been greatly affected by economic, social or climate shocks; (ii) vulnerable groups such as women, young people, Indigenous Peoples, returned migrants, potential migrants from semi-urban and rural areas and persons with disabilities; and (iii) producers' organizations and rural smallholders participating in completed or ongoing IFAD projects.
12. The project will be implemented in low-income and upper-middle-income countries in Latin America and the Caribbean, including Bolivia, Guatemala, El Salvador, Honduras and Peru, along with Bangladesh as a pilot country to test the project approach in Asia.
13. The project will be implemented over two years and will have three components. **Component 1: acceleration programme for digital solutions**, which entails a technical and financial acceleration programme tailored for 15 digital fintech and agritech start-ups, with a particular focus on agroecological solutions to tailor their

business model for the benefit of rural smallholders. **Component 2: strengthening innovative and technological capacities**, which seeks to explore and establish mechanisms to train young developers and programmers on coding and software development in the selected countries in LAC. **Component 3: design of a rural impact innovation facility**, which aims to design a facility with a robust knowledge management focus on information and communication technologies for development. The rural impact innovation facility proposes a dedicated funding mechanism to invest in start-ups with digital solutions for rural development.

14. Project management costs are accounted for as a separate component.

III. Expected outcomes/outputs

15. The project is expected to have the following outcomes:
 - For component 1, smallholder farmers within the IFAD portfolio, including women, young people, Indigenous Peoples and persons with disabilities benefit from ad hoc financial and non-financial services that improve their access to financing, technical assistance, markets access and agroecological practices.
 - For component 2, a training programme that strengthens the IT and programming skills of local young talent in the LAC and APR regions, including young women, is developed; a first batch of students has completed the programme and has found work in a relevant field.
 - For component 3, an impact innovation facility with a strong emphasis on knowledge management is designed.

IV. Implementation arrangements

16. DSIK will be fully responsible for the project's implementation and grant management, while ensuring high-quality outcomes. This will be achieved through a qualified and committed project team that will be selected in consultation with IFAD, reinforced by appropriate backstopping and support structures, constant monitoring and evaluation of subrecipients and subcontractors, and active management and exchange with project stakeholders.
17. DSIK will be fully responsible and liable for both subrecipients and subcontractors. This includes start-up companies that are subrecipients of the grant, and external service providers and consultants acting as subcontractors. The selection of start-up companies as subrecipients will involve IFAD representatives, with each recipient receiving individual subgrants for the adaptation and scaling up of their innovative solutions to IFAD's target group, as per contractual agreements. DSIK will oversee the disbursement of funds and monitor the overall performance indicators of grant subrecipients, reporting these findings to IFAD.
18. Day-to-day operational implementation of the project will be handled by DSIK, including developing and monitoring the annual workplans and budgets, which will be submitted to IFAD within 60 days before the relevant financial year starts for IFAD's no objection.
19. Deviations from the standard procedures for financial reporting and audit are as follows: the audit of the institutional financial statements will be submitted to IFAD within 11 months after the end of each fiscal year. This deviation will be reflected in paragraph 8 of the grant agreement. For the audit opinion on the statements of expenditure (SOEs), the six-month deadline is maintained in line with IFAD's standard procedures for financial reporting and audit. The certified SOEs, including the expenditure transaction lists, should be submitted to IFAD along with the audit opinion on the SOEs.

V. Indicative project costs and financing

20. The total project cost of Innovatech 2.0 amounts to EUR 3.791 million, comprising EUR 1.848 million from IFAD regular grant funding, and EUR 1.296 million from the European Union's Global Programme for Small-scale Agroecology Producers and Sustainable Food Systems Transformation (GP-SAEP), through a supplementary fund grant managed by IFAD. Additionally, the grant recipient (DSIK) and the subgrantees (15 agritech/fintech companies) will contribute a total of EUR 647,640, representing 20.6 per cent of the IFAD grant funding, in the form of in-kind contributions. Management fees and overheads amount to EUR 130,000, representing 4 per cent of the direct costs.

Table 1
Costs by component and financier
(Thousands of euros)

<i>Component</i>	<i>IFAD regular grant</i>	<i>EU GP-SAEP grant</i>	<i>DSIK</i>	<i>Agritech/ fintech companies</i>	<i>Total</i>
1. Acceleration programme for digital solutions	1 229	871	72	277	2 450
2. Strengthening innovative and technological capacities	95	58	148	-	301
3. Design of a rural impact innovation facility	188	121	93	-	402
4. Project management (including overheads)	336	246	57	-	640
Total	1 848	1 296	370	277	3 792

Table 2
Costs by expenditure category and financier
(Thousands of euros)

<i>Expenditure category</i>	<i>IFAD regular grant</i>	<i>EU GP-SAEP grant</i>	<i>DSIK</i>	<i>Agritech/ fintech companies</i>	<i>Total</i>
1. Salaries and allowances	370	246	217	-	833
2. Operating costs (including travel & allowances)	124	106	18	-	249
3. Workshops, trainings, equipment and materials	163	104	-	-	266
4. Goods, services and inputs (including consultancies)	282	233	135	-	650
5. Subgrants	831	554	-	277	1 663
6. Overhead	78	52	-	-	130
Total	1 848	1 296	370	277	3 792

VI. Recommendation

21. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, Scale Up Agritech and Fintech Solutions within IFAD's Portfolio (Innovatech 2.0), shall provide a grant of one million eight hundred and forty-eight thousand euros (EUR 1,848,000) to the German Sparkassenstiftung for International Cooperation for a two-year period upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario
President

Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
Goal	Increase productivity, income, climate adaptation and economic resilience of rural smallholders	Rural smallholders reporting increased productivity, income, climate adaption or economic resilience Percentage of rural smallholders reporting increased productivity, income, climate adaption, or economic resilience.	PO Survey	
Objectives	Strengthen the ecosystem of digital services provided by Artech/Fintch companies (startups and MSMEs) in LAC and APR that allow rural smallholders to have better access to markets, financial and non-financial services, and agroecological technical solutions, thus contributing towards sustainable and resilient food systems.	Support selected companies (start-ups and MSME) in customizing and mainstreaming the provision of their services to smallholders within IFAD Selected companies financed and leveraged	Evaluation reports, monthly startup progress reports Startup contracts	
Outcomes/ outputs	C1: Smallholder farmers within the IFAD portfolio, including women, young people, indigenous people and people with disabilities benefit from ad-hoc financial and non-financial services that improve their access to financing, technical assistance, markets access and agroecological practices.	Number of persons accessing the services of Agtech and Fintech as a product of the projects activities Number of persons benefiting from access to solutions that foster agroecological practices in rural agriculture	Innovatech Participation Form signed by PO representative	90% of 17000 households receive access to startup solutions. 10% might receive access to other services, such as trainings, etc. 40% assuming that at least 6/15 startups integrate agroecological features.
	C2: A training program that strengthens IT and programming skills (e.g. dual formation) of local young talents in the LAC and APR region, including young women, is developed. A first batch of students has completed the program and has found work in a relevant field.	IT training program graduate students increase their capacity in IT- and/or programming skills and have found employment in an IT-related field.	Written confirmation on employment by participants including job title	
	C3: Design of an impact innovation facility with strong emphasis on knowledge management to reach practitioners in the region	Final proposal for the IFAD Innovation Facility Number of practitioners, experts and relevant members of organisations benefitting from knowledge products	Formal proposal document Report on numbers of persons following Innovatech on Social Media	
Key activities by component	Component 1: A1.1: Demand analysis for each of the 6 targeted countries	Number of IFAD projects involved in the demand analysis	Demand analysis report for each targeted country	

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p>A1.2: Landscape Analysis for the current offer of agtech, fintech and agroecological services in the targeted countries</p> <p>A1.3: Startups with agtech, fintech, and agroecological solutions expand their services to IFAD's target group in the selected countries</p> <p>A1.4: A group of organizations committed with rural development and technological innovation to join the programme as Benefit Partners by having an active participation over the course of the programme or providing pro bono support to the selected start-ups.</p> <p>A1.5: Innovation Hubs are trained in the Innovatech methodology</p> <p>A1.6: Execution of an event where the participating companies will showcase the startup solutions adapted to the needs of rural smallholder farmers as well as the results of the program</p>	<p>Number of completed analyses</p> <p>Number of completed analyses</p> <p>Number of companies selected after due diligence process</p> <p>Number of Benefit Partner agreements signed, including a list of pro bono services offered</p> <p>Creation of Hub selection methodology</p> <p>Creation of Hub training methodology</p> <p>Number of Innovation Hubs trained</p> <p>Execution of Innovatech Hub Edition</p> <p>Execution of a Demo Day Event</p>	<p>Landscape analysis report for each target country</p> <p>Landscape analysis report for each target country</p> <p>Signed Innovatech Program contract</p> <p>Signed Benefit Partner Agreements</p> <p>Hub Selection Methodology</p> <p>Innovation Hub Training Methodology</p> <p>Contracts and training material</p> <p>Execution report including learnings</p> <p>List of participants, Startup Pitch Decks, follow up on investment opportunities</p>	
<p>Component 2:</p> <p>A2.1: Startup needs analysis of IT and programming skills for one target country</p> <p>A2.2: IT Programme Analysis of the current offer of courses and certificates in Latam</p>	<p>Number of completed studies</p> <p>Number of the completed analyses</p>	<p>Startup Needs Analysis Report</p> <p>IT Programme Landscape Report</p>	

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<p>A2.3: Development of a Training Methodology</p> <p>A2.4: Local young talents finish a pilot training program</p>	<p>Dual Training Methodology 6-9 months</p> <p>Number of trainees finishing the training program</p>	<p>Dual Training Methodology</p> <p>List of participants, lessons learned.</p>	
<p>Component 3:</p> <p>A3.1: List of innovation hubs, impact funds, incubators, accelerators, strategic partners (Investment Fund Partner) and other relevant players for the project</p> <p>A3.2: Due Diligence Methodology adapted and ready to be implemented in an impact innovation facility</p> <p>A3.3: IFAD Assessment and draft proposal for RIIF</p> <p>A3.4: Innovation Facility Setup</p> <p>A3.5: Handover of Knowledge Management products</p>	<p>Mapping of Innovation Facilities</p> <p>Number of completed methodologies</p> <p>Number of interviews with IFAD projects and decision makers</p> <p>Number of interviews with external experts</p> <p>Analysis of IFAD's regulatory landscape</p> <p>Number of facility proposals presented</p> <p>Presentation of final proposal for RIIF setup for internal approval process</p> <p>Toolbox for the Innovation Facility and Startup Pipeline</p>	<p>Analysis of innovation facilities in Latin America (at least 30 programmes/funds)</p> <p>Innovatech Methodology documents</p> <p>Interview notes</p> <p>Analysis report</p> <p>Formal proposal document</p> <p>Toolbox documents</p>	