



Project Identification Form (PIF) entry – Full Sized Project – GEF - 7

Agtech for inclusion and sustainability: SP Ventures'Regional Fund (Agventures II)

Part I: Project Information

GEF ID

10336

Project Type

FSP

Type of Trust Fund

GET

CBIT/NGI☐ CBIT☒ NGI**Project Title**

Agtech for inclusion and sustainability: SP Ventures'Regional Fund (Agventures II)

Countries

Regional, Argentina, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Paraguay, Peru, Uruguay

Agency(ies)

IADB

Other Executing Partner(s)

SP Ventures Gestora de Recursos Ltda. (Fund Manager).

Executing Partner Type

Private Sector

GEF Focal Area

Multi Focal Area

Taxonomy

Type of Engagement, Stakeholders, Climate Change, Climate Change Mitigation, Agriculture, Forestry, and Other Land Use, Financing, Chemicals and Waste, Focal Areas, Persistent Organic Pollutants, Land Degradation, Land Degradation Neutrality, Sustainable Land Management, Sustainable Agriculture, Influencing models, Deploy innovative financial instruments, Communications, Awareness Raising, Private Sector, Individuals/Entrepreneurs, Capital providers, Financial intermediaries and market facilitators, SMEs, Information Dissemination, Partnership, Local Communities, Gender Equality, Gender Mainstreaming, Beneficiaries, Gender results areas, Participation and leadership, Access to benefits and services, Integrated Programs, Food Systems, Land Use and Restoration, Food Value Chains, Sustainable Food Systems, Sustainable Commodity Production, Land Productivity

Rio Markers**Climate Change Mitigation**

Climate Change Mitigation 1

Climate Change Adaptation

Climate Change Adaptation 1

Duration

60 In Months

Agency Fee(\$)

450,000

Submission Date

8/15/2019

A. Indicative Focal/Non-Focal Area Elements

| Programming Directions | Trust Fund | GEF Amount(\$) | Co-Fin Amount(\$) |
|-------------------------|------------|----------------|-------------------|
| CW-1-2 | GET | 1,800,000 | 19,000,000 |
| CCM-2-6 | GET | 1,600,000 | 18,000,000 |
| LD-1-1 | GET | 1,600,000 | 18,000,000 |
| Total Project Cost (\$) | | 5,000,000 | 55,000,000 |

B. Indicative Project description summary

Project Objective

Support the consolidation and scaling up of innovative agtech SMEs and startups that offer productivity, market, and/or environmental solutions for the agricultural sector

| Project Component | Financing Type | Project Outcomes | Project Outputs | Trust Fund | GEF Amount(\$) | Co-Fin Amount(\$) |
|-------------------|----------------|------------------|-----------------|------------|----------------|-------------------|
|-------------------|----------------|------------------|-----------------|------------|----------------|-------------------|

| | | | | | | |
|---|------------|--|---|-----|-----------|------------|
| Project Components Support the consolidation and scaling up of innovative agtech SMEs and startups that offer productivity, market, and/or environmental solutions for the agricultural sector | Investment | Establishing Agventure II Fund with diverse investor base and portfolio of SMEs to generate environmental, social, and financial returns | <p>Fund will invest \$60 MM in 20-30 SMEs and early stage agtech startups across LAC</p> <p>The Fund Manager will make investments into companies using the monies from LPs on a pro-rated basis based on each LP capital contribution. As such, introducing a carve out in the LPA to restrict investments from GEF would not be possible.</p> <p>The Fund Manager will make investments into companies using the monies from LPs on a pro-rated basis based on each LP capital contribution. As such, introducing a carve out in the LPA to restrict investments from GEF would not be possible.</p> <p>The Fund has not started its operations yet hence there are not portfolio companies. Out of the 20 to 30 companies to be part of the final investment portfolio, it is expected that many of those companies would have a direct or indirect contribution to measurable Global Environmental Benefits . However, at this point the benefits and their magnitude cannot be specified. Such impact would depend on the number of companies in a specific sector and their respective business model. More accurate data could be identified by the end of the investment period and be reported during the mid-term and final evaluation of the Fund.</p> | GET | 5,000,000 | 55,000,000 |
| | | | Sub Total (\$) | | 5,000,000 | 55,000,000 |
| Project Management Cost (PMC) | | | | | | |
| | | | Sub Total(\$) | | 0 | 0 |
| | | | Total Project Cost(\$) | | 5,000,000 | 55,000,000 |

C. Indicative sources of Co-financing for the Project by name and by type

| Sources of Co-financing | Name of Co-financier | Type of Co-financing | Investment Mobilized | Amount(\$) |
|-------------------------------|----------------------|----------------------|----------------------|-------------------|
| Private Sector | Various | Equity | Investment mobilized | 50,400,000 |
| Private Sector | SP ventures | Equity | Investment mobilized | 600,000 |
| GEF Agency | IDB Lab | Equity | Investment mobilized | 4,000,000 |
| Total Project Cost(\$) | | | | 55,000,000 |

Describe how any "Investment Mobilized" was identified

The Fund will have a similar structure to those of the other VC funds where IADB/IDB Lab and GEF have co-invested. The Fund will be organized and incorporated under Delaware (USA) Laws and managed by SP Ventures Gestão de Recursos Ltda ("SP Ventures" or "SPV", "Fund Manager", "General Partner (GP)"), a company incorporated in Brazil

D. Indicative Trust Fund Resources Requested by Agency(ies), Country(ies), Focal Area and the Programming of Funds

| Agency | Trust Fund | Country | Focal Area | Programming of Funds | Amount(\$) | Fee(\$) | Total(\$) |
|--------------------------------|-------------------|----------------|---------------------|-----------------------------|-------------------|----------------|------------------|
| IADB | GET | Regional | Chemicals and Waste | NGI | 1,800,000 | 150,000 | 1,950,000 |
| IADB | GET | Regional | Climate Change | NGI | 1,600,000 | 150,000 | 1,750,000 |
| IADB | GET | Regional | Land Degradation | NGI | 1,600,000 | 150,000 | 1,750,000 |
| Total GEF Resources(\$) | | | | | 5,000,000 | 450,000 | 5,450,000 |

E. Project Preparation Grant (PPG)

PPG Amount (\$)

PPG Agency Fee (\$)

| Agency | Trust Fund | Country | Focal Area | Programming of Funds | Amount(\$) | Fee(\$) | Total(\$) |
|-------------------------|------------|---------|------------|----------------------|------------|---------|-----------|
| Total Project Costs(\$) | | | | | 0 | 0 | 0 |

Core Indicators

Indicator 11 Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment

| | Number (Expected at PIF) | Number (Expected at CEO Endorsement) | Number (Achieved at MTR) | Number (Achieved at TE) |
|--------|--------------------------|--------------------------------------|--------------------------|-------------------------|
| Female | 367,500 | | | |
| Male | 367,500 | | | |
| Total | 735000 | 0 | 0 | 0 |

Provide additional explanation on targets, other methodologies used, and other focal area specifics (i.e., Aichi targets in BD) including justification where core indicator targets are not provided

The Fund manager is still in the process of raising the first round of capital, so the Fund has not started its operations yet hence there are not portfolio companies. Given its: (a) knowledge of the sector (AgTech), (b) knowledge of the region, and (c) previous experience managing similar investment vehicles, the General Partner (also referred as Fund manager), at this early stage, can only identify (on a pre-liminary basis) the areas in which the technologies and/or companies part of the investment portfolio may have either a direct or indirect environmental impact. Given the Fund's investment thesis it is estimated that such areas may be, but not limited to: Climate Change, Chemicals and Waste, and Land Degradation. The actual areas of impact will be confirmed only when the Fund ends its investment period which would be 6 years after it starts operations (also referred as the Operational Closing). Such areas would be gradually identified and reported on as part of the quarterly reports to be produced by the GP for the Limited Partners. Having not begun operations, at this point the Fund cannot quantify nor provide an estimate of the potential impact on these areas or its indicators since it does not have clarity on the type of portfolio investment it may have in the future. However, the Fund is working on the design of a methodology for identifying, monitoring and calculating some of the Fund's KPIs and related GEBs. Such methodology which is described in section (6) "Global Environmental Benefits, is for now a work in progress and would be perfected as the Fund starts making investments. Please refer to section (6) "Global Environmental Benefits" for further explanation.

Part II. Project Justification

1a. Project Description

(1) GLOBAL ENVIRONMENTAL PROBLEMS, ROOT CAUSES AND BARRIERS:

Latin America and the Caribbean (LAC) greatly expanded agricultural production in the second half of the twentieth century. LAC has around a third of the world's fresh water and arable land, and more potentially suitable land for rainfed cultivation than the combined land from all other regions of the world. Since the 1960's, the region has sharply increased agricultural output, becoming a leading world exporter. It did so by expanding the agricultural frontier and raising agricultural productivity (yields) faster than any other developing region, with an average annual total factor productivity growth of 1.7%. This improved performance was the result of rapid mechanization of cultivation practices, adoption of high-yielding varieties and seeds in association with intense use of agrochemicals such as fertilizers, defensives and fungicides as well as professionalization of part of the sector. In sum, the region has expanded its capacity to convert its abundant resources into agricultural products, reaping the fruits of the so-called 'Green Revolution'.

However, environmental and social problems persist. Not only has the 20th century mechanical-chemical model been approaching a saturation point as a lever to further increase productivity, but also important environmental and social challenges in the agricultural sector have been increasingly unveiled.

- Rural poverty and exclusion remain predominant issues in the LAC region. Around 53% of those residing in rural areas in the region currently live in poverty, totaling over 50 million people. Such a figure has not changed much since 1995 – despite the region's 37% increase in agricultural production from 1999 to 2009. That indicates that overall productivity growth has been, per se, a non-enough condition to improve livelihoods of vulnerable populations, with landless farmers, indigenous peoples, women and children particularly vulnerable. Also, farming as an occupation is on the decline leading to rural exodus, particularly of young people, who face limited opportunities in traditional farming.
- Large part of the small and medium-sized farms (SMSFs) has been left behind. More than half of the food produced in LAC comes from the region's 14 million smallholders, which account for 80% of the rural properties in the region and represents 64% of agricultural employment. However, the less capable SMSFs present a large productivity gap in relation to the large-scale producers at the productive frontier of the region; and also, in relation to the productivity levels of developed economies, which is estimated in the order of 22%. The low productive SMSFs often inherit traditional models based on extensive production and ever-increasing use of land to increase production, frequently having non-adequate environmental practices. They are trapped in a low productivity cycle characterized by low technology, poor farm management practices, high productions costs, inadequate market positioning and unfavorable conditions to compete in the value chains, leading to small margins, low income and vulnerable livelihoods. Such dualism in agricultural performance between the well managed and highly productive farms of the region, generally – albeit not always – larger in scale, and the long tail of low productive SMSFs helps explaining the paradox of large wealth creation and poverty coexisting in rural LAC.

Agricultural production is still coupled with environmental impact and highly vulnerable to climate change -Agriculture is both one of the most carbon-intensive activities today, contributing to 40-60% of greenhouse gas (GHG) emissions directly and through changes in land use in LAC. It is also one of the activities most vulnerable to climate change in terms of economic losses and social consequences. Climate change affects agriculture in several ways including: (i)

changes in average temperatures, (ii) rainfall and climate extremes (floods, drought, hurricanes), pests and diseases, and growing sea levels – which points to the importance of climate adaptation in agriculture, specially to the most vulnerable producers. Adding to its negative environmental impacts, Agriculture production accounts for about 70% of consumption of water (often with overconsumption given suboptimal irrigation systems), and still represents the main cause for deforestation, biodiversity loss, and degradation of environmentally sensitive areas (such as riparian forests, water springs, etc.) due to the expansion of agricultural frontier. Roughly one third of food production in LAC is lost along the supply chain or wasted by consumers and retailers. It is estimated that the food currently lost or wasted in LAC could feed 300 million people.

LAC's agricultural development model is at a crossroad. Global population is growing at nearly 78 million people per year and projected to reach 9.6 billion people by 2050. To keep up with such increase in demand, global food production will have to double agricultural yield in the next 30 years, and on as little as 12 percent more arable land. LAC's agricultural productivity will have to increase by 50% in productivity to remain a net food exporter. The rising demand for food can exacerbate rural exclusion and environmental depletion and places increasing pressure on LAC's agricultural and food systems to find new solutions to respond to the challenge of increasing food production while addressing the environmental challenges described above.

Innovative solutions developed by Ag-focused startups ('Agtechs') can play a central role in addressing inclusion and environmental challenges, especially for low productive SMSFs. Dealing with such challenges requires a combination of policies and efforts from the public and private sectors, including experimenting new market-driven solutions and technological models, many of which come from startups. Recent advances in digital technologies (such as data analytics, big data, remote imagery and satellites, internet of things, artificial and augmented intelligence and blockchain), life sciences (such as advanced genomics, biotech) and automation (such as robotics, precise sensors) have enabled the emergence of a new set of applications in the agricultural sector, defining a new field of entrepreneurship and innovation known as 'Agtech'.

Agtech solutions have the potential to generate high impact to vulnerable rural populations and the environment both: (a) along the Ag value chains – by introducing solutions that enhance the access of SMSFs to markets, raise transparency and price conditions, and (b) at the farm level – by improving livelihoods and climate resilience with digital and biological applications.

However, the Agtech ecosystem is still incipient in LAC and Agtech startups face very limited availability of capital and specialized ag-focused mentorship and guidance. Entrepreneurs very rarely thrive without specialized support and investments. As seen in other more mature entrepreneurship verticals, such as Fintech or Edtech, startups demand both capital (monetary and human) and continuous mentorship and business guidance as they set up, consolidate and then grow their business. Such financial and non-financial support is typically provided by venture capital funds, but there is currently no Agtech-focused regional venture fund that can offer the in-depth sectorial expertise needed to support Agtech entrepreneurs.

Given the specificity of the agricultural sector and the particular challenges faced by startups in this sector, few generalist VC funds have interest in investing in the segment and – when they do, they are typically ill-equipped to offer entrepreneurs in-depth guidance to help them overcome the multiple sector-specific challenges they face (e.g. relationship with producers, product development according to the real needs of each crop, seasonal cycles, life sciences-based product development, etc.). That explains Agtech startups having received only 7% of VC investments in the region in 2018 despite the fact that the number of Agtechs in the region has more than doubled since 2017. Agtech's share of VC investment in the region is also underrepresented considering agribusiness' large participation (~25%) in LAC's GDP.

The facts stated above, confirm the need for a regional Agtech-focused VC fund like Agventures II Investment Fund that can provide entrepreneurs with : (a) focused capital and in-depth sectorial expertise in investing and supporting new-to-the-market Agtech solutions and (b) the conduit, via its portfolio companies, of significant contributions to the environment in areas, but not limited to, related to climate change, chemicals and waste, land degradation, and

sustainable land management and food systems. These areas encapsulate environmental and poverty dimensions and a platform like this Fund shall prove to be a viable instrument for tackling, directly or indirectly, these challenges.

(2). THE BASELINE SCENARIO AND ANY ASSOCIATED BASELINE PROJECTS.

As described in the section above, the Latin American region faces a significant scarcity of long-term financing especially in reference to SME companies and even more critical for early stage companies. Currently there is a very limited number of VC funds (or any other investment vehicles) addressing the challenges part of land degradation, climate change, chemicals and waste, and sustainable land management and food systems in the LAC region. These are sectors that need considerable attention but there are very few dedicated investment funds/vehicles (or other private sector initiatives) addressing the problems in such areas.

Part of this set of funds include the ones in which IADB/IDB Lab and GEF have co-invested which are: EcoEnterprises II - (GEF ID: 4959), and EcoEnterprises III - (GEF ID: 9058). Both funds have the mandate to invest in biodiversity-focused SMEs in Latin America. EcoEnterprises Fund II (started operations in 2011 and achieved an overall capitalization of \$36 million) is in the first year of its Divestment Period and hence exiting its investments and gradually returning capital to its investors. The Divestment Period will end in 2022. As of, July 31, 2019, GEF has received over \$2.50 million as reflows from EcoEnterprises II which represents more than 50% of GEF's invested capital.

Anticipating the wind down of EcoEnterprises II, EcoEnterprises III was created in early 2018. Currently the fund is in the initial phase of its Investment Period and has raised over \$80 million in capital commitments (GEF and IADB/IDB Lab invested \$10 million and \$5 million respectively). For now, EcoEnterprises III would be the only vehicle providing financing to biodiversity-focused SMEs in Mesoamerica, Northern Andes and the Amazon Basin in Latin America.

It is worth mentioning that although EcoEnterprises III may have future investments in the areas mentioned above, its investment thesis is more aligned with Biodiversity. Hence the need for a Fund with a specific mandate in Agtech with potential impact on the areas of land degradation, climate change, chemicals and waste, and sustainable land management and food systems is critical.

SP Ventures (SPV or the Fund Manager) 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 agriculture and its related technical and environmental challenges. SPV follows the mission of leveraging innovation to 'solve real problems of real agricultural producers' and has a particular focus on small and medium-sized farms (SMSFs). The Fund Manager has been able to combine, through its previous two funds, solid financial results with some of the most socially and environmentally impactful investments in Agtech.

SPV was founded in 2007 in Brazil as the manager in the state of São Paulo of the fund Criatec I (\$10 million capital), a flagship venture capital (VC) fund initiative created and invested by the Brazilian Development Bank (BNDES) to promote the expansion of the VC industry the country. While Criatec I had a sector-agnostic strategy, half of its portfolio was allocated in some of the first agtech companies that emerged in Brazil, which allowed SPV's team to start specializing in the field from early days.

In 2013, SP Ventures raised its second fund, AgVentures I (\$30 million), the first Brazilian agtech-focused fund. AgVentures I invested 80% of its capital in agtech deals in Brazil and one in Argentina (Agrofy). AgVentures I has initiated its Divestment Period which will finish by the end of 2023. AgVentures I has proven to be a success story and although it has not had any exits yet, it has already received exit offers for 5 portfolio companies, with estimated returns

fluctuating between 2x and 10x multiples. Additionally, AgVentures I portfolio companies have raised successfully new rounds from other investors, validating the quality of the investment portfolio.

Track-record: The assessment of the first two funds created and managed by SP Ventures indicates that over 1 Million vulnerable people have benefitted from increasing income and livelihoods; and over 30,000 SMSFs have benefitted from access to solutions that can boost productivity or income at the farm level. More importantly, portfolio companies have brought significant benefits to vulnerable populations through their businesses, including the following cases:

- **Aegro:** this Agtech offers an affordable farm management system (FMS) that helps rural producers better manage their farms as a business, make better informed decisions towards purchase of inputs, sale of products, monitoring of their costs and disposable income. Currently over 4,000 farms use their system, which is estimated to benefit around 15,000 people. Aegro scaled up in LAC and globally, now operating in Paraguay, Portugal, Peru, Venezuela, Colombia, EUA, South Africa, France, and England.
- **Genica:** this biotechnological company is disrupting the pest control industry by giving smallholders access to less expensive, less harmful and more effective biological solutions for pest control. It reduces the intensity of use of agrochemicals, thereby reducing production costs by up to 40% and improving the environmental performance of SMSFs. Through a scaling up strategy that combines partnerships with decentralized sales, Gênica rapidly scaled up (revenues grew from USD 1M in 2017 to USD 3M in 2018).
- **Agrofy:** through an online marketplace this agtech connects rural producers to retail input providers directly, disintermediating ag value chains and providing smallholders access to a broader market, thereby improving the price conditions they face to buy inputs. The marketplace has over 7,000 registered providers and 90,000 registered users. It has operations in Argentina, Brazil, Chile, Perú and Colombia and is expanding to other countries in the region.
- **Agrosmart:** this company collects and analyses data from field sensors and applies advanced data science to create a smart irrigation and digital crop management systems that can reduce water consumption by 60%, energy by 40% while increasing productivity by 20%.
- **Inceres:** this company offers a commercialization platform that uses real data analysis to provide rural producers with tailored-made precision agriculture crop management recommendations. The platform also allows smallholders to purchase agricultural inputs at lower prices by acquiring them directly instead of through multiple intermediaries. So far, the company has helped SMSFs reduce by 20-30% their greenhouse gas emissions, save up to 23% on agricultural inputs, reduce overall costs by up to 30% and increase productivity by 10%, increasing margins by up to 40%. Inceres currently benefits 15,000 farmers in Brazil, Paraguay and Colombia.
- **Horus:** already the market leader for drones in Brazil, this company is giving smallholders access to affordable online high-resolution imagery analysis, that guide decisions made in the field and improve crop management. The embedded software maps agricultural territory and helps farmers make smarter decisions about their yield performance and early detection of plagues. The company has operations in Brazil, Argentina and Paraguay.
- **SpecLab:** with the support of EMBRAPA, this company has developed a technology that democratizes soil analysis, reducing its operational costs by roughly 68%, shortening the analysis processing period from days to 30 seconds, and dismissing chemicals reagents that generate toxic waste. By doing so, the company is giving SMFS access to soil analysis at cheaper prices, while using more sustainable methods.

After 12 years investing in the Agtech sector and ecosystem building activities (with over USD 40 million under management and more than 25 portfolio companies), SP Ventures is now launching its third fund (AgVentures II), the first Agtech-specific VC fund in Latin America with a regional scope.

3. THE PROPOSED ALTERNATIVE SCENARIO.

The new Fund (Agventures II) has the objective of supporting the consolidation and scaling up of innovative Agtech startups that offer productivity, market, and/or environmental solutions for the agricultural sector.

This project adopts a broad definition of the 'agricultural sector' by encapsulating areas such as agriculture, forestry, water management, livestock, food value chain systems, new food products, and fisheries among others.

The Fund's investment thesis focuses on firms that primarily target Small and Medium-Sized Farms (SMSFs) both at the farm level and along agricultural value chains. The project is expected to contribute to improving the livelihoods, environmental outcomes and climate resilience of SMSFs across LAC, while also helping develop the Agtech entrepreneurial ecosystem. As it is well proven, climate change aggravates variations in yields and income from agriculture, threatening the resilience of agro-ecosystems and stability of food production systems.

The Fund's portfolio companies would develop innovative solutions that would decrease the intensity of use of natural resources in agricultural production (especially water, energy and land), increase climate resilience of SMSFs and enable climate mitigation strategies in high carbon-intensive Ag segments (e.g. cattle ranching). Some 25 to 33 thousand SMSFs are expected to see improved environmental performance as a result of the innovations introduced by the invested companies.

Environmental and Social (E&S) monitoring: SPV will develop, assisted by Environmental and Social (E&S) experts, an environmental and social system customized to the Agtech sector. The tool will be used to screen and monitor portfolio companies in terms of key compliance E&S indicators (including applicable GEF's GEBs) and could serve as a benchmark for the Agtech industry in Latin America and even globally.

Agventures II will be the first LAC dedicated venture capital fund specialized in and exclusively focused on Agtech. The Fund would invest in 20 to 30 early stage Agtech startups across LAC. The Fund will be investing in early seed (pre-operational companies) stage to late seed / series-A, typically with a USD 750,000 ticket for early seed stage to a USD 1-2 million initial ticket for late seed/series-A companies.

The Fund will have a similar structure to those of the other VC funds where IADB/IDB Lab and GEF have co-invested. The Fund will be organized and incorporated under Delaware (USA) Laws and managed by SP Ventures Gestão de Recursos Ltda ("SP Ventures" or "SPV", "Fund Manager", "General Partner (GP)"), a company incorporated in Brazil.

The Fund will be managed by the General Partner with two main governance bodies: (i) Limited Partner Advisory Committee (LPAC), and (ii) Investment Committee (IC). As a Limited Partner, a representative from IADB/IDB Lab and GEF Trust Appointee would also participate in the LP Advisory Committee and/or Investment Committee. IDB Lab staff will monitor and supervise the investment by participating in frequent meetings with the GP, quarterly meetings between portfolio companies and LPs, conducting field visits and/or attending LPAC meetings. On a quarterly basis, the Fund Manager will report to IDB Lab on the progress of the Fund, including information about the portfolio companies. The project's key financial, social, and environmental indicators will be captured in IDB Lab's reporting system (the annual Project Status Update or PSU).

The Fund will have a life of 10 years with possibility of 2 additional one-year extensions approved by the Limited Partners. The first 6 years represent the Investment Period and the remaining 4 years represent the Divestment Period during which the Fund Manager would seek to exit portfolio companies part of its investment portfolio. The Fund Manager would charge a management fee of 2%. GEF's commitment would be utilized by the 5th year (the duration of the GEF project) by the Fund Manager to invest in companies together (and pro-rata) with capital from other investors. Beginning year 6th, the GEF would receive

its share allocation of each distribution (i.e. repayments, dividends, profits), in common with all Fund investors. Once each Fund investor has received its invested capital, plus a hurdle rate of 8%, investors would receive 80% of any remaining profits, based on the proportion of their investment in the fund as stipulated in the Limited Partnership Agreement (LPA).

Investment Thesis:

SPV has identified certain key investment opportunities emerging in the field of Agtech. Such opportunities can be broadly divided into Agtech solutions enabled by: (a) digital technologies (satellites, drones, weather tracking algorithms, remote soil sensors, internet of things, blockchain, artificial intelligence, big data, advanced analytics), and/or (b) by life sciences (advanced biology, genomics, quantitative agronomy). SP Ventures has identified promising investment and development opportunities in the Agtech sector including but not limited to:

- § Making precision agriculture and digital farm tools accessible to upgrade productive performance of SMSFs.
- § Improving market conditions and value capturing for farmers through value-chain solutions.
- § Expanding financial services to underserved smallholders.
- § Developing new models of agriculture insurance.
- § Introducing biological alternatives to reduce or replace the use of agrochemicals .
- § Developing healthier food ingredients and processes and reducing waste-intensity of food systems.

Base on more than a decade of experience investing in Agriculture/Agtech, and through its extensive network of relationships and partnerships, SP Venture has already built a preliminary pipeline of more than 100 potential investment opportunities. Potential co-investors into the Fund's portfolio companies could include EcoEnterprises III which, as indicated above, is one of IADB/GEF's investments.

(4) ALIGNMENT WITH GEF FOCAL AREA AND/OR IMPACT PROGRAM STRATEGIES

This project (Agventures II investment fund), has the objective of supporting the consolidation and scaling up of innovative Agtech startups/technologies that would offer productivity, market, and/or environmental solutions to the agricultural sector. The focus of the fund's investment thesis is on firms that primarily target Small and Medium-sized Farms (SMSFs) – both at the farm level and along agricultural value chains –, the project is expected to contribute to improving the livelihoods, environmental outcomes and climate resilience of SMSFs across LAC, while also helping develop the Agtech entrepreneurial ecosystem and preserve the environment. Agventures II will be the first LAC-dedicated venture capital fund specialized in and exclusively focused on Agtech. Given the Fund's objective and expected benefits, the project is well aligned with GEF's focal areas of Climate Change, Chemicals and Waste, Land Degradation, and the impact program of Food Systems, Land Use and Restoration.

(5) - INCREMENTAL/ADDITIONAL COST REASONING AND EXPECTED CONTRIBUTIONS FROM BASE LINE, THE GEF TRUST FUND AND CO-FINANCING

As indicated before, SP Ventures (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 agriculture. SPV follows the mission of leveraging innovation to 'solve real problems of real agricultural producers' and has a particular focus on small and medium-sized farms (SMSFs).

The Fund Manager has been able to combine, through its previous two funds, solid financial results with some of the most socially and environmentally impactful investments in Agtech. Founded in 2007 in Brazil, SP Ventures has been a leading builder of the Agtech ecosystem in Brazil and gradually expanded its investments and ecosystem engagement to Argentina. After 12 years of specialization in the field and ecosystem building activities, SP Ventures is now launching its third fund (AgVentures II), the first LAC-wide agtech-specific VC fund to invest across LAC. The Fund will be filling a vacuum in the investment ecosystem in Latin America. Currently, in the region, there does not exist a Fund Manager with the track record and quality of investment team as that of SP Ventures nor one that has a regional scope.

SP Ventures has a track record of more than 12 years in venture capital, with over USD 40 million of assets under management and more than 25 portfolio companies. Although the progress achieved by SP Ventures is material and could be considered a success, it is only a tiny step forward compared to the immense challenge ahead that can be only tackled by a larger and more diversified (geographically) fund like the one being proposed. The goal is to expand SP Ventures expertise, knowledge and success beyond Brazil into other countries in the region.

Due to their innovative investment strategies and catalytic roles, multilateral/development organizations and institutions such as GEF and the IADB tend to participate actively in the early funding of these venture capital funds. Having credible and globally recognized partners as lead investors, such as GEF and the IADB, tends to facilitate further capital raising. The proposed investment by GEF would serve as a vote of confidence to attract other investors, including co-investors in the private sector, and help mainstream the investment platform for these business models. The Fund would also attract private sector interest at the level of portfolio companies, as some private investors will be attracted to firms in funds supported by the IADB- and GEF. GEF's involvement as an investor would provide an important advisory opportunity, enabling GEF to draw on its extensive experience in fostering Agtech and biodiversity business investments to strengthen the Fund's efforts and to advance the evolution of natural capital as an asset class.

GEF's catalytic role is critical for the success of this Fund. Conventional institutional investors are increasingly seeing the synergies of maximizing their returns while at the same time minimizing environmental impact; however, they are risk adverse with respect to the sector and the LAC region, thus concentrating primarily on other opportunities like clean energy that appear more "mainstream". SP Ventures (as fund manager) is well established and remains as one of the only investment vehicles dedicated to solving the problems of agricultural producers (and related environmental implications) with focus on small and medium-sized farms in the region.

Aside from the IADB/IDB Lab, the Fund's investors (limited partners) would comprise global agricultural corporates, Latin American agricultural corporates, development financial institutions, private companies, individual investors, family offices (private sector investors) from the region, or other investors that share GEF's and IADB's social and environmental mission. Therefore, GEF's participation would be an invaluable asset for the formation and success of AgVentures II. Such GEF intervention is crucial to providing continued leadership in investment in agricultural goods and services, which is still an underserved market, languishing for funding despite growth in the impact investment field. The catalytic role of GEF and the IADB/Lab will be accomplished the day when funds do not need their participation in order to attract private participants but rather serve as recipients of the knowledge gathered by such funds.

IADB/IDB Lab plans to commit a \$4-million equity investment into the Fund. This investment has already received eligibility and was approved by the Donors Committee in August of this year. The Fund is expected to reach a capitalization of USD 60 MM and begin operations subject to raising a minimum of USD 20 MM in capital commitments. Another important co-financing component to take into consideration is the amount of money that would be mobilized by co-

investors (other than the Fund) in the Fund's portfolio companies. It is estimated that by year 10th of operations, the Fund would be able to mobilize over \$150 Million in investments by third parties.

As of October 2019, the Fund Manager is in the final rounds of negotiations with the IDB Lab and other two anchor investors to finalize the capitalization of \$20 Million to \$25 Million which would mark the beginning of the operations of the Fund. The closing of this first round of capital (Operational Closing) is expected to take place within the next 3 months. Having the Operational Closing as soon as possible would allow the Fund manager to start reviewing its pipeline, prioritize investments and execute them. The estimated \$20 Million for the first closing is the minimum reasonable amount to start operations and execute investments while continuing to raise capital. It is customary to have additional rounds of capital raise until the estimated capital needed is attained which is \$60 million in this case. The Fund Manager is allowed (as stipulated in the Limited Partnership Agreement) to hold, at its discretion, subsequent closings over a specific time period. Such period is 18 months after the Operational Closing or first closing. Investors in subsequent rounds have the same rights as the those of the investors participating in the first round.

Considering the timing of GEF's approval process, it is estimated that GEF capital could be committed by the third round of capital and by the time the fund may be reaching is target of \$60 Million. It is worth noting that for a Fund Manager is extremely important to close the first round as soon as possible as to keep the momentum of the capital raise and prove to the other potential investors that the Fund's business plan is attractive to investors. The longer a fund takes to start operations the more challenging becomes to raise funds. When the fund manger is successful at raising capital, the fund becomes oversubscribed and the fund manager finishes the capital raise effort earlier than expected leaving potential investors without participating in the fund.

The GEF's capital commitment being proposed is \$5 million.

(6) GLOBAL ENVIRONMENTAL BENEFITS:

The Fund manager is still in the process of raising its first round of capital, hence the Fund has not started its operations nor there are portfolio companies. Given its: (a) investment focus, (b) knowledge of the AgTech sector, (b) knowledge of the region, and (c) previous experience managing similar investment vehicles, the General Partner (also referred as Fund manager), at this early stage, has identified three main areas in which the technologies and/or companies part of the investment portfolio may have a direct or indirect environmental impact. Such areas are, but not limited to, the following:

Chemicals and Waste

Global environmental benefits resulting from the Fund's investments in technologies related to this area may include but would not be limited to:

- Reduced risks on human health and the environment through reducing and eliminating production, use and releases of Persistent Organic Pollutants and their waste;
- Reduced risks on human health and the environment through sound management of chemicals and waste of global concern.

Land Degradation

Global environmental benefits resulting from the Fund's investments in technologies related to this area may include but would not be limited to:

- Improved provision of agro-ecosystem and forest ecosystem goods and services;
- Mitigated/avoided greenhouse gas emissions and increased carbon sequestration in production landscapes;
- Conservation and sustainable use of biodiversity in productive landscapes;

Climate Change Mitigation

Global environmental benefits resulting from the Fund's investments in technologies related to this area may include but would not be limited to:

- Mitigated GHG emissions;
- Increased adoption of innovative technologies and management practices for GHG emission reduction and carbon sequestration;
- Conservation and enhanced carbon stocks in agriculture, forest, and other land use;

The actual areas of environmental impact would be confirmed when the Fund ends its investment period which would be 6 years after starts operations (also referred as the Operational Closing). However, such areas would be gradually identified and reported on as part of the quarterly reports to be produced by the GP for Limited Partners.

Additional Environmental Benefits

In addition to the expected Global Environmental Benefits, described above, it is estimated that the Fund, as an AgTech investor, could have an environmental impact on the following additional areas:

- a) Climate Change Adaptation - Technologies can help farmers adapt to climate change
 - Weather data and information technologies
 - Genetic technologies
 - Biological seed treatments and soil amendments
 - Indoor agriculture
- b) Water: Technologies focusing on conserving and optimizing the use of water
 - Water management technologies
 - Irrigation technologies
- c) Food Waste: Technologies that can help reduce, avoid or repurpose waste
 - Post-harvest technologies
 - Waste repurposing technologies
- d) Farmer Welfare and Smallholder Empowerment
 - Farm Management System
 - Content, Education and Social Media
-

The Methodology for quantifying GEBs

The Fund's methodology would be based on quantitative metrics aimed at three general environmental categories but may be expanded to others as the Fund starts identifying investment opportunities:

- Water efficiency
- Hazardous chemical reduction
- Land Optimization

Establishing quantitative values for GEBs and Fund's Key Performance Indicators (KPIs): During the screening and due diligence process part of the investment decision-making stage, the Fund (based on discussions with the target company) would estimate the impact of each of the target company's product/technology on the established KPIs and related GEB. This would determine the KPIs to be measured and validated on a quarterly basis. On an annual basis, the Fund would revalidate the impact generated by the target firm's product/technology, considering that technological advancements might increase efficiency and/or productivity. The annual aggregation of these KPIs would lead to the quantification of Global Environmental Benefits. The portfolio company would be responsible for gathering, analyzing and reporting KPIs to the Fund which at its own discretion may hire a third party to validate the results and/or the methodology used by the portfolio company.

Having not begun operations, at this point, the Fund cannot quantify (or provide an estimate of) the potential impact on these areas or its indicators since it does not have clarity on the type of portfolio companies it may have in the future. However, the Fund is working on the design of a methodology for identifying, monitoring and calculating some of GEBs and Fund's KPIs (please see Table 1 below). The methodology described here, on a preliminary basis, is for now a work in progress and would be perfected in the next few months.

The GP may not be able to provide specific quantitative number for the GEF indicators until the Fund is in its investment period. However, the GP would have more clarity on the methodology for attaining such indicators after the execution of its first round of capital and once there is a concrete pipeline of investments to be executed. Any lack of specific information related to GEBs (or other sections) during the PIF stage would be identified during preparation phase and presented at CEO Endorsement. The Fund has hired a new team member who will be fully dedicated to the design and monitoring of the Fund's KPIs including GEBs.

Project's Target Contributions to GEF 7 Core Indicators

As indicated above, in order to estimate the project's GEBs, the Fund would use some of its KPIs to provided quantitative estimates for the indicators below. The column "**GEF Impact /KPIs**" shows: (1) Marked with an asterix (*), the areas in which the Fund expects to have an impact, and (b) some of the KPIs from Table 1 to be used to produce the indicators below. As indicated before, these KPIs would be adapted as the Fund Manager has more clarity on the Fund's potential pipeline.

The indicators enumerated below are related to the expected areas of environmental impact to be generated by the Fund as reflected in Table A part of the PIF, namely: CW-1-2, CCM 2-6, and LD 1-1. However, there may be other areas in which the Fund may have additional impacts and that is the reason that **Indicator #7** below has been included to reflect additional benefits although it may not to be in line with areas described in Table A.

| Project Core Indicators | | GEF Impact/KPIs |
|-------------------------|---|--|
| 1 | Terrestrial protected areas created or under improved management for conservation and sustainable use (Hectares) | (*) 1.1 and 1.3 |
| 2 | Marine protected areas created or under improved management for conservation and sustainable use (Hectares) | N/A |
| 3 | Area of land restored (Hectares) | N/A |
| 4 | Area of landscapes under improved practices (excluding protected areas)(Hectares) | (*) 6.1, 6.2, and 6.3 |
| 5 | Area of marine habitat under improved practices (excluding protected areas) (Hectares) | N/A |
| 6 | Greenhouse Gas Emissions Mitigated (metric tons of CO ₂ e) | (*) 7.9, 5.1, and 5.4 |
| 7 | Number of shared water ecosystems (fresh or marine) under new or improved cooperative management | (*) 4.1 and 4.3 |
| 8 | Globally over-exploited marine fisheries moved to more sustainable levels (metric tons) | N/A |
| 9 | Reduction, disposal/destruction, phase out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes, materials and products (metric tons of toxic chemicals reduced) | (*) 7.1, 7.6 |
| 10 | Reduction, avoidance of emissions of POPs to air from point and non-point sources (grams of toxic equivalent gTEQ) | (*) 7.6 |
| 11 | Number of direct beneficiaries disaggregated by gender as co-benefit of GEF investment | 735,000 people In addition, 2.3 and 2.4 |

Table 1 below details the KPIs to be tracked by the Fund. As indicated before, the KPIs may be modified from time to time depending on the Fund's investment portfolio. Some of these KPIs would serve as input to estimate the GEBs related to the areas in which the Fund expects to have an environmental impact.

Table 1

| Area 1 | Impact on Food production deforestation mitigation | Unit |
|--------|---|---|
| 1.1 | Improvement the AgTech solution can bring to food production. | (Tons/ha) |
| 1.2 | Food Waste the AgTech solution can reduce | (Tons/ha) |
| 1.3 | Additional land to be needed to produce the same quantity of food without the AgTech solution, how much the AgTech solution helps to avoid deforestation? | (ha) |
| Area 2 | Impact on Healthy Life and welfare | Unit |
| 2.1 | Time saved the AgTech solution can bring to the user/beneficiary. | (Hours) |
| 2.2 | How the AgTech solution can bring welfare to the users | (Qualitative) |
| 2.3 | Number of Farmers/producers impacted by the AgTech solution | (Total Number, Disaggregated by gender) |
| 2.4 | Number of consumers impacted by the AgTech solution | (Total Number, Disaggregated by gender) |
| Area 3 | Impact on input use and management | Unit |
| 3.1 | Improvement the AgTech solution can bring to the input usage | (Tons/ha) |
| 3.2 | List/name of inputs impacted | (i.e. Fertilizers, Defensives, Seeds, Fuel) |
| Area 4 | Impact on water use and management | Unit |
| 4.1 | Amount of water to be saved or being optimized by the AgTech solution. | (M ³ /ha) |
| 4.2 | AgTech solution brings reuse/treatment of Water? | (Yes/No) |
| 4.3 | Amount of water to be reused/treated | (M ³ /Dollar Invested) |
| Area 5 | Impact on energy use and management | Unit |
| 5.1 | Energy to be saved or being optimized by the AgTech solution | (MJ/ha) |
| 5.2 | The AgTech solution brings renewable sources/production of Energy? | (Yes/No) |
| 5.3 | Type of renewable source the AgTech solution brings | (i.e. Solar, Wind, Biofuel, etc.) |
| 5.4 | Energy to be produced by the AgTech solution | (MJ/Dollar Invested) |

| Area 6 | Impact on Land use and Management | Unit |
|--------|---|--------------------------|
| 6.1 | Area of land under improved practices to benefit biodiversity | (ha) |
| 6.2 | Area of land that meets national or international third-party certification and that incorporates biodiversity considerations | (ha) |
| 6.3 | Area under sustainable land management in production systems | (ha) |
| Area 7 | Impact on chemical use and pollutant emissions (POP's, Green House Gas) | Unit |
| 7.1 | Amount of chemical to be reduced by the AgTech solution | (Tons/ha) |
| 7.2 | List of chemicals avoided/reduced? | (Name, Active compound) |
| 7.3 | Health danger to the farmer/applicator? (Considering the chemical referred in the previous question) | (Qualitative) |
| 7.4 | Health danger to the consumer? (Considering the chemical referred in the previously question) | (Qualitative) |
| 7.5 | Environmental damage potential. (Considering the chemical referred to above) | (Qualitative) |
| 7.6 | POP's emissions to be avoided/reduced by the AgTech solution | (Tons/ha) |
| 7.7 | Name of POP's avoided/reduced | (Name) |
| 7.8 | Environmental damage potential - Considering the POP's listed above | (Qualitative) |
| 7.9 | Green House Gas emissions to be avoided/reduced by the AgTech solution? | (metric tons of CO2e/Ha) |
| 7.10 | List of Green House Gas avoid/reduced | (Name) |
| 7.11 | Environmental damage potential - Considering the Green House Gas listed above | (Qualitative) |

Additional Information

The Fund is committed to measuring, managing, and reporting the environmental and social impact of its investments. EVPA Practical Guide to Measuring and Managing Impact would be adopted by the Fund and such process comprises five steps to be followed:

- 1) Setting objectives
- 2) Analyzing stakeholders
- 3) Measuring results
- 4) Verifying and valuing impact
- 5) Monitoring and reporting

There exist a few guidelines and metrics that investors like the Fund can use to help define and monitor the impact of their investments. SPV will work with IRIS (Impact Reporting and Investment Standards (IRIS) (<https://iris.thegiin.org>) indicators methodology to evaluate the impacts of its portfolio companies. IRIS seems to be the adequate system to integrate social and environmental factors into investment decisions alongside risk and return.

IRIS indicators are based on the components part of Impact Management Project (IMP) (<https://impactmanagementproject.com>). The Impact Management Project is a forum for building global consensus on how to measure, compare, and report ESG risks and positive impacts. The IMP defines the impact of any effect as its performance across five dimensions:

- WHAT: Understanding the outcomes the enterprise is contributing to and how important the outcomes are to stakeholders.
- WHO: Understanding which stakeholders are experiencing the effect and how underserved they were prior to the enterprise's effect
- HOW MUCH: Understanding how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for.
- CONTRIBUTION: Assessing whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
- RISK: Assessing the likelihood that impact will be different than expected.

In terms of environmental and social impact and inclusion, AgVentures Fund II is expected to surpass the impact attained by SPV's previous funds by benefitting from a wider and more qualified deal flow. The Fund's key performance indicators (KPIs) would be closely aligned to UN SDGs and GEF's GEB. In the case of the UN, in particular: Goal 1: "No Poverty", Goal 2: "Zero Hunger", Goal 3: "Good Health and Well Being", Goal 6: "Clean Water and Sanitation", Goal 9: "Industry Innovation and Infrastructure", Goal 12: "Responsible Consumption and Production", Goal 13: "Climate Action", and Goal 15: "Life on Land".

IDB Lab will guide SPV on the incorporation of additional indicators for the effective monitoring and measurement of the social and environmental impact generated by portfolio companies. As part of its investment, the IDB Lab has incorporated in the investment documentation a Results Matrix that includes milestones that the Fund must attain on a specific time and by the end of its operational life. Such matrix includes, but is not limited to, the following items: (i) Number of micro, small and medium-sized farms/producers that adopt solutions provided by portfolio companies that enhance climate resilience and/or other environmental outcomes, (ii) number of micro, small and medium-sized farms/producers that adopt AgTech solutions provided by portfolio companies, (iii) number of people in rural areas estimated to benefit from AgTech solutions provided by portfolio companies, (iv) Number of direct and indirect net jobs created by portfolio companies, and (vi) Share of portfolio companies that provide AgTech solutions that directly improve climate resilience.

(7) INNOVATION, SUSTAINABILITY and POTENTIAL FOR SCALING UP

i) Innovation:

Agventures II will be the first regional venture capital fund specialized in and exclusively focused on agtech. The decision to propose an investment in this Fund is based on the distinguished capacity of the Fund Manager (SPV) to leverage Agtech to generate environmental and social impact while helping develop Agtech-focused enterprises in the region, as detailed below:

- Climate Smart Agriculture: SPV seeks to support innovative Agtech early-stage companies with novel technologies and solid business models. Its investment thesis focuses on the final rural constituencies – specifically SMSFs, often in vulnerable rural communities, and the environment – using innovation and technology as tools to generate positive transformation. As such, SPV's approach has proven to nurture Agtech startups with the potential to: (i) bring lasting change, (ii) contributing towards inclusion, (iii) produce environmental contributions, and (iv) generate sustainability and better economic outcomes.

- Capacity to support entrepreneurs beyond financial investments: SPV's management team unites Agtech-expertise, a multidisciplinary set of business skills and experience in VC investments, a combination that is required to effectively support Agtech entrepreneurs. Besides providing capital, SPV performs hands-on Agtech-specialized mentorship and ongoing strategic guidance, supporting entrepreneurs in multiple dimensions of the business as they grow. Common areas of guidance and support include agronomic and ag-specific technology building, product development to best match the needs of the SMSFs, team building, product placement in the ag sector with specific marketing and sales efforts and scaling up strategies.
- Well-positioned to assume a regional protagonist role in Agtech: SPV has 12 years of experience in Agtech investments and has been a forerunner of the sector in Brazil. It initiated its regionalization two years ago by expanding its ecosystem engagement and investments to Argentina.
- Contribution to the innovation ecosystem: Investing in a less mature vertical such as Agtech requires a VC fund to take an active role in helping develop the entrepreneurship ecosystem. It founded , in collaboration with ag corporates such as Mitsubishi and Raízen , an Agtech accelerator called the 'Pulse', and co-founded the Agtech district in the countryside of São Paulo state in Brazil (known as 'Piracicaba Valley'), which unites universities, tech centers, corporates, accelerators, co-creation spaces and associations of producers as a hub to co-develop Agtech solutions.

(ii) Scalability:

The scalability of the project can be perceived at different levels: (a) At the ecosystem level- by establishing the first Agtech-focused regional VC fund, the project will contribute to the emergence of the VC industry in the field of Agtech and attract other VCs to specialize and invest in the sector and engage in Ag-related ecosystem building initiatives, (b) At the fund level - SP Ventures will be the first Agtech-only regional fund in LAC with the potential to become a leading fund of its kind and to expand operations through successive funds with increasing capitalization and internal capacity, and (c) At the portfolio companies' level - if the Fund is successful, this strategy will translate not only into a number of high-impact disruptive Agtech scaleups which will introduce Agtech solutions that could have widespread and sustained impact, but also act as multiplier trigger for other Agtech entrepreneurs across the region, inspiring them to build Agtech businesses, overcome the "Valley of Death" and reach higher scale.

(iii) Sustainability:

Sustainability of the Fund will depend on the appropriate selection and diversification of investments which in turn would depend on the level of capitalization of the fund, expertise and capabilities of the Fund's investment team, and its ability to execute investments.

1b. Project Map and Coordinates

Please provide geo-referenced information and map where the project interventions will take place.

Latin America is the Fund's geographic focus. The Fund has not begun operations yet but already has an indicative pipeline which includes potential investments in Brasil, Argentina, Paraguay, Peru and Colombia. Once the Fund finishes its investment period six years after beginning operations, the exact location (city, country) of the portfolio companies will be identified. This information will be part of the reports to be produced by the Fund Manager and distributed to the investors on a quarterly basis. Given their nature of its business plan, prior to the end of the investment period, it is not possible for a Fund to provide specific location of its portfolio companies.

2. Stakeholders

Select the stakeholders that have participated in consultations during the project identification phase:

Indigenous Peoples and Local Communities

Civil Society Organizations

Private Sector Entities Yes

If none of the above, please explain why:

In addition, provide indicative information on how stakeholders, including civil society and indigenous peoples, will be engaged in the project preparation, and their respective roles and means of engagement.

Since this is a VC fund, the main stake holders are ; (1) The investors or limited partners, (2) The Portfolio Companies in which the Fund would invest, and (3) the users of the technology to be provided by those portfolio companies. In addition the Fund will have to governing bodies to make sure the Fund Manager is managing the Fund under best practices. For the implementation of the Fund no external stakeholders must be consulted or receive authorization from except for the typical regulatory entities related to these kinds of investments.

| Stakeholder | Description of engagement |
|--|---|
| Limited Partners (Investors) | Limited Partners participate actively in LP meetings that take place on a semi-annual or annual basis depending on the activity of the fund. The Fund will be managed by the General Partner with two main governance bodies: (i) Limited Partner Advisory Committee (LPAC), and (ii) Investment Committee (IC). As a Limited Partner, a representative from IADB/IDB Lab and GEF Trust Appointee would also participate in the LP Advisory Committee and/or Investment Committee. Limited Partners or LPs, aside from the IADB/IDB Lab, would comprise global agricultural corporates, Latin American agricultural corporates, development financial institutions, private companies, individual investors, family offices (private sector investors) from the region, and other organizations that share GEF's and IADB's social and environmental mission. |
| Portfolio Companies | Companies in which the Fund would invest would benefit from the technical, operational and corporate governance guidance to be provided by the Fund. The GP's team would participate actively in the operations and governance of the portfolio companies including as part of their board of directors or advisory committees. |
| Entrepreneurs, farmers, clients of portfolio companies and/or users of technologies produced by portfolio companies. | Local entrepreneurs will benefit directly from the Fund's investment in their companies, allowing them to grow and become local economic leaders, which should have a spill-over effect on their local communities. The interaction between the GP and ultimate beneficiaries would be through the portfolio companies normally during due diligence and periodic visits to assess the progress of the company and impact on their clients. The project is expected to contribute to improving the livelihoods, environmental outcomes and climate resilience of SMSFs across LAC, while also helping develop the agtech entrepreneurial ecosystem. |

3. Gender Equality and Women's Empowerment

Briefly include below any gender dimensions relevant to the project, and any plans to address gender in project design (e.g. gender analysis).

SP Ventures team has been actively involved in supporting gender equality and high-impact female entrepreneurship in Agtech. Through its current fund, SP Ventures has been able to build a diverse investment portfolio, where 30% of the invested companies having women founders. In a highly gender-disbalanced sector, Sp Ventures has been providing continuous mentoring to some successful women entrepreneurs in Agtech. The SP Ventures team includes a female partner which leads non-agriculture related investment funds.

Agtech is a nascent industry or activity, in the LAC region, and as such few people are involved in it and even fewer part of the investment side of it. Out of this reduced number of people, women have little participation for now. As mentioned in the section "(7) INNOVATION, SUSTAINABILITY and POTENTIAL FOR SCALING UP" above, if Fund is successful, it would serve as catalytic component for the scalability or growth of new businesses and technologies in the LAC region which would allow for a much higher participation of women at all levels.

IADB is expected to support SPV to further the gender efforts both at the fund level, with the incorporation of more women in the Agtech investment team, and at the portfolio companies level by: (i) identifying companies eligible for investment with more diverse teams; (ii) promoting the professional development of women in Agtech; and (iii) raising the profiles of female entrepreneurs through widely disseminated media and event. In terms of corporate governance, the Fund would promote the presence of women on the Board of its portfolio companies

As part of the result matrix proposed by the IDB Lab, the Fund aims to have, by the end of its Investment Period, 30% of its portfolio companies being led (as founder, CEO, CFO, COO, etc) by at least one woman. In addition, the Fund has 2 additional indicators related to beneficiaries/gender that once the Fund is in operations it would start reporting on a disaggregated basis by gender. These 2 indicators are: (a) number of people in rural areas estimated to benefit from Agtech solutions provided by portfolio companies (targets: by Year 4 = 84,000 people and by Year 10 = 735,000), and (b) Number of direct and indirect net jobs created by portfolio companies (targets: by Year 4 = 450 jobs, and by Year 10 = 1,050 jobs).

Does the project expect to include any gender-responsive measures to address gender gaps or promote gender equality and women empowerment? TBD

closing gender gaps in access to and control over natural resources;

improving women's participation and decision-making; and/or

generating socio-economic benefits or services for women.

Will the project's results framework or logical framework include gender-sensitive indicators?

TBD

4. Private sector engagement

Will there be private sector engagement in the project?

Yes

Please briefly explain the rationale behind your answer.

GEF's participation, via its NGI, will serve to leverage the participation of the private sector. The participation of, and engagement with, the private sector in this project, directly and indirectly, will be very active. The purpose of this project, aside from the triple bottom line comprising social, environmental, and financial return, is to serve as a catalytic component for the participation of the private sector. The Fund will investment in private companies primarily in small and medium enterprises (SMEs) which would be owned by private companies and/or private individuals. In addition, the private sector will: (i) invest (as limited partners) via private entities in the Fund and would share the investment risks/profits with GEF, and (ii) gain knowledge gathered and shared by the Fund as it operates and invests in its target sector.

5. Risks

Indicate risks, including climate change, potential social and environmental risks that might prevent the Project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the Project design (table format acceptable)

Risks associated to this project are similar to those of other VC funds doing business in the LAC region. These risks include:

(i) Sector Risk: The technology sector can be volatile and subject to dynamic disruptions that may negatively affect the business models of portfolio companies. Considerations: The Fund will strive to diversify its portfolio among different segments within agtech and several different businesses models. The investors (Limited Partners) will receive quarterly and annual reports and full access to the portfolio companies to closely monitor the financial performance.

(ii) Currency Risk: Unlike transactions with debt instruments (i.e. loans) where derivatives (i.e. swaps and/or forwards) can be used to diminish the impact of foreign exchange (forex) risk, equity investments by VC funds are not feasible to be hedged with these instruments. It is worth clarifying that even in the case of loans, the use of forex hedging is not necessarily universal. Some currencies (primarily from smaller economies or countries under political/social turmoil) are not liquid enough hence hedges for these currencies could be non-existent or too expensive.

Investments by Limited Partners (LPs) in the Fund would be in USD and the ultimate flows, during the Fund's divestment period, back to the LPs will be in USD as well. Investments by the Fund into portfolio companies will be done primarily in USD and perhaps in some exceptions in local currency but that would not be the norm.

As indicated in other sections of the PIF, the Fund plans to invest in 20 to 30 early stage Agtech startups across LAC with an expected geographic allocation of 60% of the fund's capital to be allocated in Brazil, Argentina, Paraguay and Uruguay, and 40% in other LAC countries.

The diversification among countries and business models (currency base and periodicity of cash flows) of the portfolio companies would serve, in some degree, as an organic hedge against forex risk. In addition, the Fund would seek diversification between is local currency-driven companies and the ones that may have relevant revenues in US Dollar. As stated before, the Fund has a ten-year life horizon, and would follow a regional strategy that is expected to generate enough financial upside to compensate for any effects derived from moderate exchange rate fluctuations.

(iii) Exit Risk: Exiting investments in early-stage companies remains a challenge in LAC, especially for a less mature tech vertical. Given the early stage profile of companies invested, the Fund may be unable to find suitable exit options to liquidate investments. Considerations: Potential acquirers and subsequent investors of each company will be engaged early in the process in order to secure exit opportunities, leveraging the GP's wide network.

(iv) Financial Risk: The Fund will invest in early stage businesses that may undergo substantial changes at the operational, human resources and governance levels in order to propel growth. The Fund may incur in losses and be unable to realize the expected financial returns or even recover the invested capital. Consideration: The Fund Manager has experience with similar investments through a previous fund and will have 20-30 invested companies as a mechanism of diversifying performance risk. According to the different projection scenarios, even in a pessimistic scenario, the Fund would return the capital invested.

(v) Economic and Political Risk: The Fund may face difficulties operating efficiently in the target countries where its investments are located if there are material negative changes in their economic and/or political environments. This could affect appetite for investment, productivity, prices, logistics, operations, valuations and overall returns. Considerations: The Fund has ten years plus extensions to operate and could withstand moderate fluctuations in the operating environment. On average, and except for a few country situations, the political and economic environment in the countries in Latin America has been stable and countries shall continue to improve their regulatory and legal frameworks to attract and expand the much needed private investments in their respective countries including in sectors part of the Fund's business model.

6. Coordination

Outline the institutional structure of the project including monitoring and evaluation coordination at the project level. Describe possible coordination with other relevant GEF-financed projects and other initiatives.

The IDB Lab, part of the IADB Group, has extensive experience in helping to design , and participate in, investment vehicles. During the last 25 years, the IDB Lab has invested in close to 80 investment funds out of which over 50 are still active and are SME focused investment funds covering Latin America and the Caribbean. In addition, the IDB Lab has been a strong force in developing best practices in the small and growing business investment niche. This experience, together with IDB Lab's collaborative relationship with fund managers gives IADB a comparative advantage over other development agencies in terms of successful oversight and implementation of the proposed investment in the Fund.

The coordination/partnership between the fund and IADB/IDB Lab shall provide many benefits (financial and non-financial) to the Fund on the execution of its business model and for achieving its intended environmental and social objectives, including: (i). will provide equity investment to an asset class that is of limited supply in the target region, (ii) will enhance the credibility of the Fund by helping to bring in other investors during its first and subsequent closings, which tends to be particularly challenging in the region, (iii) will ensure that the Fund is structured according to international best practices and terms, which may help raise additional capital, particularly from institutional investors, (iv) will promote best practices in the Fund's corporate governance and the adoption of environmental and social standards at both the Fund and portfolio company level, (v) will provide additional regional expertise and local connections (other VC funds, accelerators, angel investor networks, etc.) to support its regional operation, investing across the region, engaging in ecosystem development initiatives across LAC (including in less developed ecosystems) and disseminating its expertise, and (vi) would connect portfolio companies to local governments and ag corporates to foster the incorporation of technology and innovation in rural development programs and create alternative scaling up paths to agtech startups.

The Fund will have a similar structure to those of the other VC funds where IADB/IDB Lab and GEF have co-invested. The Fund will be organized and incorporated under Delaware (USA) Laws and managed by SP Ventures Gestão de Recursos Ltda ("SP Ventures" or "SPV", "Fund Manager", "General Partner (GP)"), a company incorporated in Brazil. The Fund will be managed by the General Partner with two main governance bodies: (i) Limited Partner Advisory Committee (LPAC), and (ii) Investment Committee (IC). As a Limited Partner, IADB/IDB Lab will also participate in the LP Advisory Committee and Investment Committee.

The Fund will have a life of 10 years with possibility of 2 additional one-year extensions approved by the 2/3 of the ownership interest of the Limited Partners. The first 6 years represent the Investment Period with the remaining 4 years representing the Divestment Period during which the Fund Manager would seek to exit portfolio companies part of its investment portfolio. The Fund Manager would charge a management fee of 2%. GEF's commitment will be utilized by year 5 (the duration of the GEF project) by the Fund Manager to invest in companies together (and pro-rata) with capital from other investors. After year 6, the GEF

would receive its share allocation of each distribution (i.e. repayments, dividends, profits), in common with all Fund investors. Once each Fund investor has received its invested capital, plus a hurdle rate of 8%, investors would receive 80% of any remaining profits, based on the proportion of their investment in the fund.

- Fund Reporting: On a quarterly basis, the Fund Manager will report to the IADB/IDB Lab and other investors on the progress of the Fund, including descriptive information about the portfolio companies and the Fund's financial statements (unaudited). On an annual basis, the Fund Manager will provide audited financial statements, valuation reports and any other relevant information which investors may request.
- Supervision/Monitoring: IADB/IDB Lab will monitor and supervise the investment by participating in the Investment Committee, conducting field visits and attending Committee meetings, reviewing quarterly and annual reports, managing the transactions of capital calls and reflows generated by the Fund. The project's key financial, social, and environmental indicators will be captured in IDB Lab's reporting system (the annual Project Status Update or PSU).
- Environmental and Social (E&S) monitoring: SPV will develop, assisted by Environmental and Social (E&S) experts, an environmental and social system customized to the agtech sector. The tool will be used to screen and monitor portfolio companies in terms of key compliance indicators and could serve as a benchmark for LAC's agtech VC funds.

Given its sector focus and geographic emphasis, the Fund would be able to interact/coordinate with the other funds where IADB/IDB Lab and GEF have co-invested like EcoEnterprises II - (GEF ID: 4959) and EcoEnterprises III - (GEF ID: 9058) which are still active. The Fund would be able to co-invest with these funds and share knowledge related to the region, sectors, governance, and lessons learned.

7. Consistency with National Priorities

Is the Project consistent with the National Strategies and plans or reports and assessments under relevant conventions

If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc

The Fund will invest in companies that would have (directly or indirectly) positive contributions to the goals of the convention United Nations Convention to Combat Desertification (UNCCD) and the Convention on Biological Diversity (CBD).

At the twelfth Conference of the Parties (COP12) in Ankara,, UNCCD Parties decided that striving to achieve target 15.3 of the Sustainable Development Goals (SDGs) is a strong vehicle for driving implementation of the UNCCD, within the scope of the Convention. Target 15.3 reads as "By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation neutral world." In this context, the UNCCD has recognized Land Degradation Neutrality (LDN) as a tool that can help interested parties more sustainably manage their land and mobilize resources for doing so.

GEF's mandate to invest in global environmental benefits from production landscapes relates directly to its role as a financial mechanism of the UNCCD. The Land Degradation Focal Area provides the opportunity for eligible countries to utilize GEF resources for implementing the Convention and its Strategic Framework 2018-2030.

All the countries part of the geographic scope of the Fund are parties to the Convention on Biological Diversity (CBD). The Fund will seek to invest in portfolio companies whose business model or mission are aligned with the goals of the CBD but primarily related to: (i) the conservation of biological diversity (or biodiversity) and (ii) the sustainable use of its components. In addition, the Fund, via its portfolio companies, would contribute (directly and indirectly) to their countries' goals for achieving some of the Aichi targets part of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising (ABS). In particular, it is expected that the Fund's portfolio companies would have positive contributions to Target #7 (By 2020 areas under agriculture, aquaculture, and forestry are managed sustainably, ensuring conservation of biodiversity), and/or Target #13 (By 2020, the generic diversity of cultivated plants and farmed and domesticated animals and of wild relatives, including other socio-economically as well as culturally valuable species, is maintained, and strategies have been developed and implemented for minimizing genetic erosion and safeguarding their genetic diversity), and/or Target #14 (By 2020, ecosystems that provide essential services, including services related to water and contribute to health, livelihoods and well-being, are restored and safeguarded, taking into account the needs of women, indigenous and local communities, and the poor and vulnerable).

In addition to the alignment between the Fund's investments and the CBD, the Fund would seek to make investments in areas listed in the National Biodiversity Strategies and Action Plans (NBSAPs) of the country part of the geographic scope of the Fund. During the period 2014-2018 all the Fund's target countries submitted their NBSAPs (version 2 or version 3) and their respective National Reports on the status of implementation of the Convention.

8. Knowledge Management

Outline the Knowledge management approach for the Project, including, if any, plans for the Project to learn from other relevant Projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

SP Ventures is an active participant in knowledge creation, elaborating and disseminating educational content to entrepreneurs, and publishing agtech reports in major ag-dedicated channels such as Agfunder News which is a major global portal on innovations in agriculture. It also has partnerships with multiple universities (such as ESALQ Agronomy School a Brazilian agronomy school ranked as the 5th best in the world by US News), agriculture research institutes (such as Embrapa in Brazil), rural extension providers, as well as with major global agtech investors to attract investments to the LAC region. SP Ventures and Embrapa have partnered up in the program 'Ponte para Inovacao' ("Bridge for Innovation") (based in Brazil) to incentivize Embrapa and agtech entrepreneurs to co-develop solutions leveraging Embrapa's vast base of knowledge. SP Ventures now intends to partner with local participants in the region to advance ecosystem building in other countries in the LAC region.

Given SPV's active elaboration and dissemination of agtech-related knowledge products, IADB and would be able to co-develop agtech knowledge agenda focusing on the research topics defined as priority by IADB exploring topics such as: i) different models of tech adoption and scale of agtech solutions by SMSFs; ii) gender and excluded populations approaches in agtech; and iii) convergence of agtech and fintech models. To that end, SP ventures portfolio companies can be used as cases in point and sources of valuable data.

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In addition, as mentioned above, given its sector focus and geographic emphasis, the Fund would be able to interact/coordinate with the other funds in which IADB/IDB Lab and GEF have co-invested like EcoEnterprises II - (GEF ID: 4959) and EcoEnterprises III - (GEF ID: 9058) which are still active. The Fund would be able to not only co-invest with these funds but also share knowledge and lessons learned related to the region, sectors, new technologies, financial instruments among other things.

Part III: Approval/Endorsement By GEF Operational Focal Point(S) And Gef Agency(ies)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter with this template).

Name**Position****Ministry****Date**

ANNEX A:

Instructions. Please submit an indicative termsheet in this section. The NGI Program Call for Proposals provided a template in Annex A that can be used by the Agency. Agencies can use their own termsheets but must add sections on Currency Risk, Co-financing Ratio and Financial Additionality as defined in the template provided in Annex A. Termsheets submitted should include sufficient details to allow a financial expert to understand and judge the financial viability of the proposed investments. Indicative terms and conditions should be used when specific details are not yet available. Please ensure that by copying the termsheet in the section of the PIF/PFD, the format allows reviewers to read the content.

SP Ventures Regional Fund (Agventures II)

**INDICATIVE FINANCIAL TERM SHEET
SUMMARY OF MAIN TERMS AND CONDITIONS**

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| Project Title | <i>Agtech for inclusion and sustainability: Agventures II Investment Fund LP (the Fund)</i> |
| Project Number | |
| Project Objective | Support the consolidation and scaling up of innovative agtech SMEs and startups that offer productivity, market, and/or environmental solutions for the agricultural sector. |
| Countries | Regional: Latin America and the Caribbean (LAC). The fund manager expects 60% of the fund's capital to be allocated in Brazil, Argentina, Paraguay and Uruguay, and at least 40% in other LAC countries. |
| Agency Presenting Project | Inter-American Development Bank |
| Financing/Investment Type | Equity investment into the Fund |
| Project Financing | GEF Agency - IADB: \$4 MM - Equity Private Sector – SP Ventures (Fund Manager) – \$600,000 - Equity Private Sector – Various Investors - \$50.40 MM |
| GEF Proposed Investment Amount | USD\$ 5 MM |
| Currency | US Dollar |

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| Currency Risk | The Fund will invest USD Dollar in companies that may have many of their operations/revenues in local currencies. This may negatively affect dollar denominated returns in case of significant exchange rate fluctuations. Considerations: The Fund has a ten-year horizon, would follow a regional strategy and is expected to generate enough financial upside to compensate for any effects derived from moderate exchange rate fluctuations. In addition, the Fund would seek diversification between local currency-driven companies and the ones that may have relevant revenues in US Dollar. |
| Size of the Fund | The Fund targets a total capitalization of USD 60M. |
| Co-Financing and Co-Financing Ratio | <p>The Fund's investors (Limited Partners or LPs), aside from the IADB/IDB Lab, would comprise global agricultural corporates, Latin American agricultural corporates, development financial institutions, private companies, individual investors, and family offices (managers of high-net-worth individuals) from the region among others.</p> <p>On average, throughout the VC industry, around 85% of LP capital is institutional (e.g. pension funds, endowment funds, corporates, funds of funds, banks, etc.), and around 15% coming from individuals mostly being high net worth individuals.</p> <p>An Accredited or Sophisticated Investor is an investor with a special status under financial regulation laws. The definition of an accredited investor, and the consequences of being classified as such, vary between countries. Generally, accredited investors include high-net-worth individuals, banks, investment funds, financial institutions and corporations, who have access to complex and higher-risk investments instruments/vehicles such as venture capital, hedge funds and angel investments.</p> <p>In the United States, to be considered an accredited investor, one must have a net worth of at least \$1,000,000, excluding the value of one's primary residence, or have income at least \$200,000 each year for the last two years (or \$300,000 combined income if married) and have the expectation to make the same amount this year. The term "accredited investor" is defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission (SEC).</p> <p>GEF: \$5 MM IADB: \$4 MM Private Sector: \$51 MM</p> <p>Co-Financing to all Fund: 12X GEF to private funds: 10.20X</p> |
| | The Fund will invest in 20-30 early stage agtech startups across LAC. The Fund will be investing from early seed (pre-operational companies) stage to late seed / series-A, typically with a USD 750,000 ticket at early seed stage to a USD 1-2 million initial ticket for late seed/series-A companies. The Fund will continue investing in s |

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| Fund Strategy | <p>ubsequent rounds to fund the scaling up of the most promising companies of the portfolio. Opportunistically, the Fund will also start investing in series-B rounds for selected companies (typically USD 4 million tickets). The Fund Manager expects a t least 25% of the capital to be invested in early seed, and the remainder in Late-Se ed/Series-A and Series-B rounds.</p> <p>Yes, the investment policy would include, among other matters, limitations on type s of investments, limits on capital allocated per investment, and geographic alloca tion of capital. Yes, the investment policy would include integrity review of underlyi ng investments. Yes, there would activities/types of business in which the GP will not be allowed to invest in. These three issues/matters are always part of require ments demanded by the IDB Lab when investing in VC funds and have also been p art of the LPAs of the funds in which GEF and IDB Lab have co-invested.</p> <p>An Investment Policy is part of any LPA of a venture capital fund. This Fund and t he funds in which IDB Lab and GEF have co-invested are not exceptions to it. The Fund manager is still in the process of raising capital hence the LPA has not been finalized yet including its investment policy. It is important to mention that the LPA is not executed by a LP unless such LP agrees to the terms and conditions part of the LPA. The LPA would state that the General Partner will abide by the Investmen t Policy, including any investment limitations contained therein.</p> <p>For now, the limitations to be part of the Investment Policy include: (i) expected ge ographic allocation of 60% of the fund's capital to be allocated in Brazil, Argentina, Paraguay and Uruguay, and 40% in other LAC countries, and (ii) no more than 20% of the Fund's capital in one single investment.</p> <p>Related to the Investment Policy there would be an: (i) Exclusion List describing th e types of companies the Fund would not be allowed to invest, and (ii) Environmen tal and Social ("E&S") Risk Management Guidelines which provides a set of guideli nes to guide the assessment, categorization and reporting of E&S risks associate d with Portfolio Investments.</p> |
| Life of the fund | <p>The Fund will have a ten-year life, with two possible one-year extensions if approv ed by the majority of the ownership interest of the LPs. The Fund will have a six-ye ar Investment Period since inception. Since this is a close-ended fund, all investor s, including IDB Lab, will exit at the same time at liquidation.</p> |
| Fund Capital Structur e | <p>100% equity investments from the fund's investors (Limited Partners).</p> |
| Fund's Investment in struments | <p>Equity or quasi-equity to be used for investments</p> |

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| Exposure Limits | No more than 20% of the Fund's capital will be allocated in one single investment. |
| Management Fees | The Management Company will receive an annual management fee equal to 2% of Fund's committed capital during the investment period, and 2% of invested capital net of write-offs and divestments thereafter. |
| Distribution of proceeds to Limited Partners | <p>The net proceeds attributed to the exit of an investment in a portfolio company, together with any dividends and interest (and any other receivables) gathered from the investment, will be distributed to the Limited Partners of the Fund in the following priority:</p> <p>§ 100% to all Limited Partners in proportion to their capital contributions until they have received distributions equal to their aggregate contributed capital.</p> <p>§ 100% to the Limited Partners in proportion to their capital contributions until the cumulative distributions to each Limited Partner equal a preferred return of 8% in United States Dollars.</p> <p>§ Thereafter, distributions will be made 80% to Limited Partners in proportion to their capital contributions and 20% to the Fund Manager as carried interest.</p> |
| Fund's Return | Assuming a Fund capitalization of USD 60M and under a base-case scenario, the projected net IRR(in USD) is estimated around 20%. The Fund will invest in early stage businesses that may undergo substantial changes at the operational, human resources and governance levels in order to propel growth. The Fund may incur in losses and be unable to realize the expected financial returns or even recover the invested capital. |
| Pre-operating expenses | Not to exceed 1% of the Fund's total committed capital. It is customary, in the VC industry, for these expenses to be covered, up to a limit, by the capital Commitments from the Limited Partners. In the case of this Fund the limit is 1%. |
| Operating expenses | Fund operational expenses, such as transaction costs related to acquisition or exit of investments; taxes and other government fees; preparation of financial statements, capital calls, tax reports and returns, insurance; audits, counsels, or professional advisors; litigation; etc., will be covered by the contributions to the Fund made by investors, as per approved annual budget. Custodian, administrator fees and costs directly related to the attributions of the GP will be paid out of the management fee. |
| Reporting | The GP will provide unaudited financial statements and performance information for each of the Fund's investees on a semiannual basis, as well as audited financial |

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| | statements and valuation reports on an annual basis. The GP will also provide any other report or information reasonably requested by LPs. |
| General Partner Commitment | The Management Company will commit to 1% of total capital commitments in the Fund. GPs' contribution would be in cash. |
| Fund liquidation | The Fund will be terminated upon: (i) expiry of the agreed duration of the Fund; or (ii) by approval of the LP Assembly's Extraordinary meeting, with approval of at least 75% of the voting shares. In either case, the Fund Manager or a liquidator elected by the LPs will oversee liquidation of the Fund. |
| Capital Calls | Disbursements to the Fund will be made according to each of the Limited Partner's percentage of the Fund's total capital commitments and <i>pari passu</i> among all, including GEF. Capital calls will be made over time in tranches to cover the Fund's expenses and new investments. |
| Fund Organizational Structure and Governance | The Fund will be managed by the General Partner with two main governance bodies: (i) Limited Partner Advisory Committee (LPAC), and (ii) an Investment Committee (IC). |
| Investment Committee (IC) | The Investment Committee will be responsible for making investment decisions and shall be constituted by four partners of the Fund Manager and one independent member. The IADB/IDB Lab/GEF will be granted an observer seat in the Fund's IC with the same information rights of a voting member. |
| Limited Partners Advisory Committee (LPAC) | It will be the deliberative body responsible for approving the members of the Investment Committee proposed by the General Partner, overseeing the performance of the Fund Manager, dealing with any conflict of interests, and approving any extensions and changes in the Fund's bylaws (with limited partners' approval, when required). IADB/IDB Lab/GEF will be granted a voting seat in the Fund's Limited Partners Advisory Committee (LPAC). |
| Pipeline of Investments | The Fund Manager (SP Ventures) has already built a preliminary pipeline of more than 100 potential investment opportunities. |

ANNEX B:

Instructions. Please submit a reflows table as provided in Annex B of the NGI Program Call for Proposals. Any financial returns/gains/interests earned on non-grant instruments, will be transferred to the GEF Trust Fund as noted in the Guidelines on the Project and Program Cycle Policy. Partner Agencies will be required to comply with the reflows procedures established in their respective Financial Procedures Agreement with the GEF Trustee.

SP Ventures Regional Fund (Agventures II) (the Fund)

REFLOWS TABLE

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| GEF Project Number | |
| Estimated Agency Board Approval Date | SP Ventures Regional Fund (Agventures II) has already received eligibility from the IADB/IDB Lab and approval from the IADB Donors Committee for an equity investment of USD\$ 4 Million is expected by the end of August 2019. |
| Investment Type Description | Equity investment into the Fund |
| Expected date of Start of Investment | 3Q2020 |
| Amount of GEF Investment | USD\$ 5 MM |
| Amount of GEF Investment (Co-Financing) | USD\$55 MM |
| Estimated Return | Assuming a Fund capitalization of USD 60M and under a base-case scenario, the projected net IRR(in USD) is estimated around 20%. The Fund will invest in early stage businesses that may undergo substantial changes at the operational, human resources and governance levels in order to propel growth. The Fund may incur in losses and be unable to realize the expected financial returns or even recover the invested capital. |
| Maturity | Ten years from the closing (initial operations) of the fund |
| Estimated Reflow Schedule | At the end of the Investment Period -6 years from the closing (initial operations) of the fund |
| Repayment Method Description | <p>The net proceeds attributed to the exit of an investment in a portfolio company, together with any dividends and interest (and any other receivables) gathered from the investment, will be distributed to the Limited Partners of the Fund in the following priority:</p> <ul style="list-style-type: none"> 100% to all Limited Partners in proportion to their capital contributions until they have received distributions equal to their aggregate contributed capital. 100% to the Limited Partners in proportion to their capital contributions until the cumulative distributions to each Limited Partner equal a preferred return of 8% in United States Dollars. Thereafter, distributions will be made 80% to Limited Partners in proportion to their capital contributions and 20% to the Fund Manager as carried interest. |

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| Frequency of reflows payments | Reflows will take place as the Fund exits investment positions – would not follow any fixed schedule. |
| First repayment date | Not earlier than 6 years from the closing (initial operations) of the fund |
| First repayment amount | Not possible to predict |
| Final repayment date | At the end of the Divestment Period -10 years from the closing (initial operations) of the fund |
| Final repayment amount | Not possible to predict |
| Total principal amount to be paid – reflowed to the GEF Trust Fund | USD\$5 MM |
| Total Interest/earnings amount to be paid-reflowed to the GEF Trust Fund | Assuming a 20% return then an estimated \$1 MM in earnings. The Fund may incur in losses and be unable to realize the expected financial returns or even recover the invested capital. |

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ANNEX C:

The GEF Agency submitting the PIF or PFD is required to respond to the questions in Annex C of the NGI Program Call for proposals in order to demonstrate its capacity and eligibility to administer NGI resources as established in the Guidelines on the Project and Program Cycle Policy, GEF/C.52/Inf.06/Rev.01, June 9, 2017 (Annex 5).

Annex C: Partner Agency Eligibility to administer Concessional Finance

The GEF Agency submitting the PIF or PFD will demonstrate its capacity and eligibility to administer NGI resources as described below:

a) Ability to accept financial returns and transfer from the GEF Agency to the GEF Trust Fund

The IDB Group, as a Multilateral Development Bank with a strong private sector arm, not only has the ability to accept financial returns and manage reflow to the GEF Trust Fund, it has already transferred over U\$ 2.5 Million in reflows to the GEF Trust Fund (corresponding to the first divestments from VC equity funds seeded with GEF NGI resources).

b) Ability to monitor compliance with non-grant instrument repayment terms

Within the IDB Group, the GEF-NGI projects are supervised and monitored by specialists with ample experience in private sector projects, including projects leveraging Venture Capital funds, guarantees and concessional loans/blended finance to promote private sector investments that generate positive environmental and social impacts. In the case of VC funds with GEF-NGI investments, IDBG as the GEF Agency participates actively in the Fund's Limited Partner Advisory Committee and monitors the activities and progress of the Fund, including investments, divestments and the timing and amounts of reflows, through regular contact with the respective Fund Manager. In the case of concessional loans/ blended finance and guarantees, IDBG has a direct contractual relationship with the private sector entity and the assigned portfolio manager/ private sector specialist monitors compliance with repayment terms and all other contractual conditions as part of regular supervision.

c) Capacity to track financial returns (semester billing and receiving) not only within its normal lending operations, but also for transactions across trust funds

The IDB Group has a Grants and Cofinancing Management Unit (GCM) that is exclusively dedicated to the management of all transactions related to trust funds, including transactions related to financial returns from trust fund-support projects aimed at private sector entities. The Fund Coordinator responsible for fiduciary matters related to GEF has a strong background in multilateral and bilateral donor funding of non-grant instruments. Moreover, to comply with all applicable fiduciary responsibilities, GCM coordinates with the responsible technical areas (in the case of GEF-NGI projects, the divisions leading private sector projects), the IDB's Finance department and the IDBG-GEF Technical Coordination team. As such, IDBG has a strong capacity to track financial returns from GEF-NGI projects.

d) Commitment to transfer reflows twice a year to the GEF Trust Fund

IDBG is fully committed to providing regular reflows and complying with the reflows indicated in the NGI proposals once the project enters execution. Due to the nature of the NGI projects IDBG manages, it is not possible to guarantee twice-yearly reflows for every year in execution. Specifically, for VC funds, reflows tend to materialize once the divestment period commences (generally 6th year of operations). For concessional loans, reflows depend on the financial terms, including tenure, of the loans, and guarantees add the further element of uncertainty as to whether they will be 'called' or not.

And, in case of NGI for private sector beneficiaries:

e) Track-record of repaid principal and financial returns from private sector beneficiaries to the GEF Agency.

Given the maturity of GEF-NGI projects managed by IDBG as the Partner Agency, most have not yet reached the stage during execution where reflows are generated. However, GEF has already received over \$2.5 million in reflows from the EcoEnterprises II VC fund, which only recently entered its divestment phase (compared to an invested capital of U\$ 5 million). Likewise, the Clean Tech Fund and the Sustainable Energy Fund have entered their divestment phases and are expected to generate positive returns on investment (with reflows being transferred to the GEF Fund, and reported in the IDBG-GEF Quarterly Reports, as they materialize).

