Africa Agriculture and Trade Investment Fund

Development Impact Statement

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Content

A. Background

Since its establishment in 2011, the African Agriculture Trade and Investment Fund (AATIF) has undergone significant evolution. Initially guided by its majority shareholder, the German government, the Fund has since diversified its shareholder base to include a mix of public and private investors. This growth has been accompanied by valuable insights gained from financing businesses across the agri-food sector throughout Africa.

Simultaneously, pivotal global frameworks such as the United Nations' Agenda 2030, the African Union's Agenda 2063, the Operating Principles for Impact Management, and the Global Impact Investing Network's impact metrics have shaped the Fund's development impact approach and refined AATIF's impact thesis and measurement strategies.

In response, AATIF has continuously updated its original Development Impact Statement to align with these frameworks, ensuring its mission remains relevant and effective. This renewal strengthens the Fund's capacity to deliver measurable and meaningful impact where it is most needed: the agricultural value chains of Africa.

Agriculture serves as the backbone of Africa's economy, with over 60% of the economically active population engaged in the sector and contributing over 15% to the continent's GDP. However, the sector is under mounting pressure due to a convergence of factors. Increasing food demand driven by rapid population growth and urbanization, is reshaping consumption patterns toward horticultural and livestock products, as well as processed and pre-cooked foods, many of which are imported. As a result, net food imports, which totalled USD 100 billion in 2021, are projected to rise further, with food demand in Africa expected to double by 2050. This growing reliance on imports poses significant risks to food security, particularly for vulnerable populations already struggling with malnutrition.

At the same time, significant socioeconomic challenges persist, compounding the difficulties faced by communities across Africa. Underemployment and unemployment remain critical issues; the ILO estimated that in 2019, 61% of workers in Sub-Saharan Africa were living in working poverty – earning less than USD 3.20 per day. Additionally, the region's labour force is expanding at 3% annually, with 375 million young people projected to enter the workforce by 2035. These structural labour market challenges impact income stability, economic mobility, and the livelihoods of millions, further driving migration, political instability, and household financial strain.

The accelerating impacts of climate change further exacerbate these socioeconomic pressures, threatening agricultural productivity and resilience. Rising temperatures, unpredictable rainfall patterns, soil erosion, desertification, and environmental degradation increasingly affect crop yields and livestock production across the continent. These climatic shifts disproportionately impact smallholder farmers – who form the backbone of Africa's agricultural economy – leaving them more vulnerable to poverty and food insecurity. Without urgent action, these environmental stresses, combined with worsening land degradation, are projected to significantly reduce Africa's agricultural output.

Addressing Africa's complex challenges requires substantial and sustainable investment throughout the agricultural value chain. The UN estimates an annual investment gap of USD 260 billion in agriculture and rural development. Public funding is essential but insufficient; private sector investment is crucial to bridge this gap. Such investments must prioritize sustainability, focusing on climate resilience and adaptation while creating decent jobs, boosting productivity, enhancing market access, and improving environmental and social practices.

Despite the urgency, recent UNCTAD data suggests that foreign direct investment (FDI) in food and agriculture in developing countries has declined significantly in recent years, with a drop of 60% in announced good and agricultural project finance deals from 2021 to 2023. This alarming trend highlights the need for targeted efforts to mobilize resources and stimulate growth. In this context, AATIF plays a vital role by channelling sustainable investments into Africa's agri-food sector. By tackling challenges related to food security, employment, climate resilience, and economic growth, AATIF supports transformative change, ensuring long-term impact and resilience for the continent's agricultural economy.

B. Purpose of the Development Impact Statement

The Development Impact Statement defines the Fund's developmental objectives aimed at unlocking the potential of African agriculture through investments across the value chain. It articulates the Fund's development impact thesis, theory of change, and impact measurement framework, detailing key performance indicators (KPIs) and methodologies for assessing developmental impact.

The statement also specifies the roles and responsibilities of the Fund's governing bodies to ensure a unified and comprehensive review of the development impact of investments. This process is conducted prior to entering agreements and throughout the lifecycle of activities.

The Fund remains committed to continuously improving its policies to maximize positive development and climate outcomes. As such, the Development Impact Statement undergoes an annual review and is updated as necessary.

The statement aligns with the Fund's Investment Guidelines, as outlined in its Issue Document.

C. Definitions

The terms defined herein shall be understood as follows[1]:

Partner Institution (PI): Entities receiving financing from the Fund, including:

- **Financial Institutions (FIs):** Commercial banks and other financial entities operating in target countries and financing or committed to financing Final Beneficiaries.
- **Intermediary Investee Companies (IICs):** Entities such as agribusiness companies, off-takers, and traders operating in target countries and functioning as intermediaries in the value chain.
- **Direct Investee Companies (DICs):** Individuals or legal entities in target countries, including agribusiness firms, cooperatives, small to large-scale farmers, and export-oriented producers in agriculture and related sectors.

Final Beneficiaries: Individuals or entities within the agricultural sector and its related industries, including entrepreneurs, agribusinesses, cooperatives, local processors, farmers of all scales, traders, and their employees.

D. AATIF's Sustainable Investment Objective

The Fund's Sustainable Investment Objective is to unlock Africa's agricultural production potential and associated manufacturing, services, and trade by financing sustainable investments across the entire value chain. This mission focuses on:

(i) Promoting inclusive growth.

(ii) Increasing decent employment and income opportunities to farmers, and entrepreneurs in Africa's agri-food sector.

(iii) Support climate action.

Through targeted financing, the Fund seeks to enhance productivity, primary production, local processing, trade, employment, local value creation, knowledge transfer, and resilience. These efforts benefit farmers, entrepreneurs, and workers across genders, while addressing the growing challenges posed by climate change. By prioritizing climate-smart agricultural practices and sustainable resource management, the Fund aims to foster long-term sustainability and adaptation in the face of environmental pressures.

[1] Note: Terms not explicitly defined in this document have the meanings assigned in the Fund's Issue Document.

The Fund's objectives align with global frameworks such as the Sustainable Development Goals (SDGs). Initially established within the Millennium Development Goals framework, its mission remains vital under the SDGs, addressing:

- SDG 1: No poverty.
- SDG 2: Zero hunger.
- SDG 8: Decent work and economic growth.
- SDG 10: Reduced inequalities.
- SDG 13: Climate action.

Additionally, the Fund contributes to other SDGs focused on gender, sustainable water management, production patterns, ecosystem use, and fostering partnerships.

By supporting agricultural enterprises, connecting farmers with inputs and markets, and driving local value creation, the Fund directly addresses poverty reduction, food security, and economic growth. Furthermore, the Fund prioritizes investments that consider climate adaptation and mitigation strategies, ensuring that agri-food systems are resilient against the increasing risks posed by climate change. These strategies safeguard livelihoods, improve productivity, and create sustainable opportunities for communities across Africa.

E. Approach

The Fund provides essential capital, primarily through debt instruments, in alignment with sustainable finance principles as outlined in its Social and Environmental Policy (S&E Policy). This financing is directed to PIs engaged in Africa's agri-food sector, and associated manufacturing and services. These PIs play a critical role in enhancing value chains, directly or indirectly benefiting farmers, including smallholders, entrepreneurs, and workers, while maintaining environmental sustainability.

By channelling private and public capital into African agriculture, the Fund aims to address market distortions and failures while creating additionality. This encompasses:

- **Financial additionality:** Providing access to financing that would otherwise be unavailable to the agricultural sector.
- **Development additionality**: Driving developmental outcomes that would not have been achieved otherwise (as per the OECD definition).

The financial flows supported by the Fund stimulate private sector growth, enhance local capacities and skill development, increase tax revenues, and boost foreign currency inflows. Moreover, by improving S&E practices, PIs are better equipped to manage risks (including those from climate change) and to generate positive impacts, ultimately facilitating access to diverse funding sources and maximizing their developmental contributions.

Recognizing that many PIs may lack the resources or expertise to establish robust Social and Environmental Management Systems (SEMS), the Fund employs a Technical Assistance Facility (TAF). This facility builds the capacity of PIs to contribute effectively to the Fund's impact objectives.

The Fund's sustainable finance approach, guided by its S&E Policy, evaluates investments based on their developmental, social and environmental impact alongside financial considerations. While considering climate change adaptation and mitigation strategies, this methodology seeks to foster improved social and environmental outcomes, while avoiding, minimizing, or mitigating potential adverse effects on workers, communities, and the environment. The implementation of AATIF's sustainable finance approach is strengthened by a dedicated and independent Sustainability Advisor (SA). The SA plays a crucial role in aligning investments with the Fund's impact objectives by providing guidance on managing developmental, social and environmental risks and opportunities. The SA is involved from due diligence to exit, ensuring that the Fund's sustainable finance principles are integrated into decision-making throughout the full investment development.

Investments supported by the Fund aim to directly and indirectly benefit businesses and households in the agri-food sector. These benefits include enhanced access to inputs, financing, technology, markets, and skills development, as well as fostering innovation and transformation in production practices. Additionally, the Fund supports investments that consider climate-resilient practices, such as climate-smart agriculture, sustainable water management, and adaptive technologies, to mitigate the adverse effects of climate change on agricultural systems. The overarching goals are to reduce poverty and vulnerability, increase food security, improve incomes, enhance resilience, and promote decent employment. By addressing socioeconomic, environmental and climate change related challenges, the Fund ensures that its investments contribute not only to immediate development goals but also to the long-term sustainability and adaptability of Africa's agri-food sector. The Fund's Theory of Change, outlined in Table 1, details its comprehensive approach to sustainable development and its contributions to the SDGs.

Table 1. AATIF Theory of Change

Inputs	Public and private sector investors provide capital (shares and notes) to AATIF	Public and private sector investors make grant commitments to the AATIF TA Facility
Activities	Debt, and in special circumstances equity, provided to FIs, DICs and IICs along the agricultural value chain.	(Matched) grant funding from AATIF TA Facility for core business development and inclusive business development services.
Outputs	AATIF debt/ equity financing for: • Acquisition/building of processing, warehousing and storage facilities. • Direct purchase and marketing of key crops from farmers, including smallholders. • Supply of inputs, capital, training and essential services to farmers (inputs, farm equipment, farming technologies, sustainable practices).	AATIF Technical Assistance financing for: • Investment-readiness • Value chain analyses and market assessments • Capacity building to develop core business functions • Sustainability management capacities • Smallholder farmer outreach and climate-smart agricultural practices • Mapping of GHG emissions and assessment of climate risks
Outcomes and Impact Dimensions	All AATIF activities contribute to a combination of core impact dimensions. These are assessed and monitored by the Fund throughout the investment cycle to measure the development impact of each investment. **DIC/IICs** • Employment • Primary agricultural production • Local Processing • Trade • Outreach to Producers • Environment • Social and Environmental Management System	**FIs** • Human Capital • Agribusiness Portfolio • Agri Financial and non-financial services • Environment • Social and Environmental Management system
Cross-cutting themes	All AATIF activities consider cross-cutting themes that are integrated into the AATIF impact dimensions and assessed and monitored by the Fund throughout the investment cycle to measure the development impact of each investment. • Climate Change • Human Rights • Gender • Disadvantaged and Vulnerable groups	

The Fund invests across all African countries, with a particular focus on Least Developed Countries (LDCs) as defined by the United Nations, whenever feasible. Additionally, the Fund adheres to strict ethical standards, refraining from engaging with parties or in business areas subject to United Nations or European Union embargoes at the time of investment.

F. Impact Measurement Framework

The Fund has established a comprehensive impact measurement and monitoring framework, which includes methodologies and key performance indicators (KPIs) (refer to Table 2). Periodic assessments of the Fund's investments are conducted by independent, qualified professionals or organizations. These assessments ensure transparency as impact briefs summarizing their findings are made publicly available through the Fund's website.

The framework measures progress at three levels:

- Self-reported data from Partner Institutions (PIs),
- Rapid appraisals performed by independent qualified consultants,
- Thematic studies

Table 2. Impact measurement framework

Method	Description	Scope
Monitoring/ reporting of investments	Standardized set of indicators (self-reported) that can be aggregated on the Fund level	All investments Annual submission
Rapid appraisal	Quick data collection method, including both quantitative and qualitative data. When smallholder farmers involved, a light version of control group assessment is applied.	All investments For DIC/IICs: baseline and ex-post appraisals. For FI investments: only ex-post analysis. For short-term (under 8 months) investments: one rapid appraisal (ex-post analysis). For renewed short-term investments: previous ex-post analysis becomes the baseline for the renewed transaction. Final ex-post appraisal to be conducted at the final end of investment period.
Thematic studies	Identification and analysis of recurring patterns across investments.	Selected few investments

G. Current Reporting Requirements

The Fund's key reporting requirements for developmental impact are aligned with shareholder expectations. These requirements are systematically collected at both the Fund level and the level of its investments, including direct investments and indirect investments through FIs and IICs (refer to Table 3).

H. Governance Structure and Procedure

To ensure the effective execution of the Development Impact Statement, specific responsibilities are allocated across all functions involved in the management of the Fund. These roles and responsibilities are detailed in Table 4.

During the investment screening process, the Investment Advisor (IA) and Sustainability Adviser (SA) evaluate the actual and potential developmental impacts of prospective investments. If an investment aligns with the Fund's Development Impact Statement and is deemed viable, the IA and SA, with approval from the Investment Committee (IC), proceed to conduct a thorough due diligence assessment.

Table 3. Reporting and Requirements

Level	Reporting requirements
Fund	• Access to finance: Number/amount of loans and investments and new investments per year • Leverage effect: Mobilization of A, B and C-share capital, diversification, leverage of private capital through public resources • Profitability • Investments in LDCs
DIC/IIC	• Production, area under cultivation and productivity • Import and export volumes (within Africa/Rest of the World disaggregated) • Quality employment created/maintained (gender disaggregated) • Outreach to producers (gender disaggregated) • Outreach to Final Beneficiaries • Additional value created • Added value for farmers • Farm and household income increases for Final Beneficiaries • Living and working conditions • Increase in climate-smart and resource efficient practices and products • Compliance with S&E Policy
FI	• Access to finance: Number/amount of loans and investments and new investments per year • Repayment rate • Production, area under cultivation and productivity (for large investments) • Outreach to Final Beneficiaries • Quality employment created/maintained (agricultural desk) (gender disaggregated) • Increase in agricultural and related green finance products and services • Compliance with S&E Policy

Table 4. Main responsibilities of AATIF Stakeholders

AATIF Stakeholders	Responsibilities
Shareholders	• The founding C-Shareholder KfW shaped the Fund's original development impact thesis. By nominating Directors with sufficient development impact capacity to the level of the Fund's Board of Directors, shareholders ensure continuous supervision of the fund's development impact.
Board of Directors	• Consults stakeholders regarding status and improvement of the Fund's development Impact • Develop, review and approve the Fund's Development Impact Statement and Impact Measurement Framework • Oversee the contribution of the Fund's portfolio to the Development Impact Statement • Approve extensive impact evaluations on selected investments
Investment Committee	• Ensure high quality of investments from a developmental perspective in accordance with the Issue Document and Development Impact Statement • Monitor investment performance with regards to contributing to the Fund's development objectives
Investment Advisor	• Support the development and revision of the Fund's Development Impact Statement • Identify, structure and assess development impact potential of investments to ensure alignment with the Development Impact Statement • Support the development of TA measures that aim at increasing the development impact of investments • Monitor and report on investments' performance with regards to development objectives
Sustainability Advisor	• Support the development and revision of the Fund's Development Impact Statement and Impact Measurement Framework • Provide an opinion to the IA and the IC whether a proposed investment is aligned with the Fund's Development Impact Statement • Support the development of TA measures that aim at increasing the development impact of investments • Technically lead implementation of Impact Measurement Framework • Monitor and report on investments' impact with regards to development objectives and regularly compare against development impact potential • Identify investments that could be eligible for extensive impact evaluations
Technical Assistance Facility Manager	• Support investments to realize their development potential (core TAF mandate) • Develop, monitor and report on TA measures to support the implementation of Development Impact Statement • Under the technical responsibility of the SA, prepare and administer TA measures to support the implementation of the Impact Measurement Framework
Technical Assistance Facility Committee	• Monitor the work and performance of the TA Facility Manager with regards to contributing to the Fund's development objectives

The SA provides the IA and the IC with an evaluation of the potential developmental contributions of a proposed investment. This includes specific requirements and recommendations to ensure the investment achieves positive development impact. The IC considers the investment's alignment with the Development Impact Statement as a key factor in its decision-making process.

Once an investment is approved by the IC, the IA requires that the potential PI addresses any identified gaps and risks. Additionally, the PI is required to report on impact in accordance with the Fund's Development Impact Statement and Impact Measurement Framework, as stipulated in the Facility Agreement.

The TAF Manager collaborates with the IA, SA, and PI to implement the Fund's Development Impact Statement. This includes identifying areas where technical assistance is needed to ensure or enhance positive development impact.

The IA, TA Facility Manager, and SA are responsible for reporting to the Board of Directors (BOD) on the processes and outcomes related to the implementation of the Development Impact Statement.