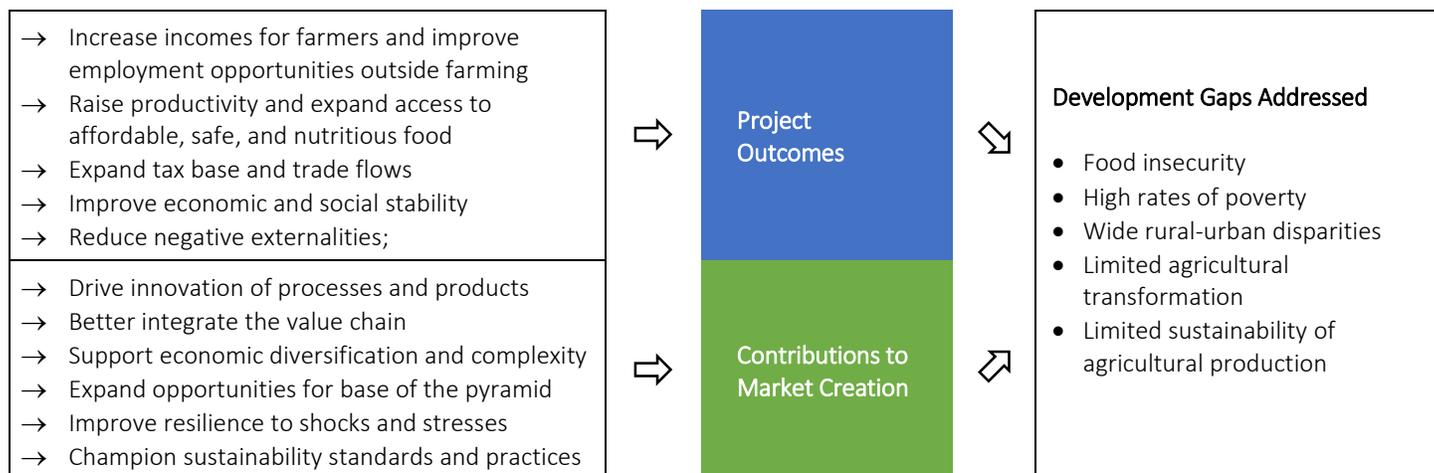


Development Impact Thesis – Agriculture is important to development because (i) most people in emerging markets (EMs) derive their livelihoods from agriculture, forestry or related activities in rural areas, and (ii) a significant share of the global population has limited access to affordable and nutritious foods. Agriculture is also intricately linked to climate change, both as a cause and victim of increasing pressures on the environment. IFC provides financing and advisory services to agribusiness companies to:



Rating Construct – All AIMM sector frameworks include detailed guidance notes that help define project outcomes and contributions to market creation, aggregating to an overall assessment of development impact.

- For project outcomes, stakeholder effects are the key components for which industry-specific benchmarks define the context in which an IFC operation seeks to drive changes. This gap analysis is combined with a separate set of impact intensity estimates that specify the expected results using predefined indicators.
- For contributions to market creation, industry-specific market typologies define stages of development for five market attributes (or objectives): competitiveness, resilience, integration, inclusiveness and sustainability. These market typologies, when combined with estimates of how much an intervention affects the development of a market attribute, provide the foundation for IFC’s assessment of an intervention’s market-level potential for delivering systemic changes.

PROJECT OUTCOME INDICATORS		CONTRIBUTION TO MARKET CREATION INDICATORS	
Stakeholders	<p><u>Consumers</u></p> <ul style="list-style-type: none"> • Improved access for underserved consumers • Relevant food safety/quality assurance • Nutritional qualities of the food (+/-) • Number of people fed <p><u>Distributors and retailers</u></p> <ul style="list-style-type: none"> • Distributors/retailers reached (of which % underserved, by gender) • Provision of technical assistance and/or financing <p><u>Suppliers (farmers)</u></p> <ul style="list-style-type: none"> • Farmers reached (of which % underserved, by gender) • Productivity increases • Production cost decreases • Farmer revenues • Provision of training and extension services • Provision of pre-harvest financing/risk management • Contractual arrangements <p><u>Employees</u></p> <ul style="list-style-type: none"> • Formal jobs (created or safeguarded) • Opportunities for female employment • Provision of training • Employment benefits and wage premiums • Occupational Health & Safety and relevant Performance Standards <p><u>Government</u></p> <ul style="list-style-type: none"> • Scale and direction of net economic transfers <p><u>Environment</u></p> <ul style="list-style-type: none"> • GHG Emission Reduction Hectares under improved practices; sustainable management Productivity, Efficiency of input use Energy and water use efficiency Reduction in food losses 	Competitiveness	<p><u>Adoption of new production practices or technology</u></p> <ul style="list-style-type: none"> • Adoption of competitiveness-enhancing measures <p><u>Changes in market structure</u></p> <ul style="list-style-type: none"> • Change in competitive market structure and behaviors <p><u>New products or greater value addition (first movers)</u></p> <ul style="list-style-type: none"> • Addition of new product offerings or support for greater domestic value addition/economic complexity
	Integration	<p><u>Spatial integration</u></p> <ul style="list-style-type: none"> • Facilitation of access to market through the introduction of soft and hard infrastructure <p><u>Financial integration</u></p> <ul style="list-style-type: none"> • Access to finance through traditional instruments or the introduction of new financial instruments to various agents along the relevant value chain <p><u>Value chain integration</u></p> <ul style="list-style-type: none"> • Induce the market to enable more market participants to get integrated into the relevant local or global value chain <p><u>Trade diversification</u></p> <ul style="list-style-type: none"> • Facilitate exports of new products or exports to new markets through proof of concept and establishment of country reputation as a reliable supplier <p><u>Economic complexity</u></p> <ul style="list-style-type: none"> • Trigger market-wide building of capacity and skills to support emerging industrial clusters 	
	Inclusiveness	<p><u>Inclusion</u></p> <ul style="list-style-type: none"> • Improving access to goods and services to underserved groups or communities • Improving access to markets (among others) for underserved supplier groups • Improving the representation of marginalized groups in employment or other market activities. • Adopt models/products/processes to reach un(der)served (vulnerable) groups 	

IFC’s Environmental and Social Performance Standards define IFC clients’ responsibilities for managing their environmental and social risks. While for most IFC investments, meeting Performance Standards reflects improved environmental and social performance, effects from implementation of the standards are only claimed in the AIMM framework where a clear counterfactual can be established and where the investment intent is to improve environmental or social outcomes.

Sector Specific Principles or Issues – The following principles will be applied for projects rated under this framework:

Principle or Issue	Treatment Under Framework
Diversity of sub-sectors	The agribusiness framework spans a number of sub-sectors (currently about 45), which vary by crop, stage of production, and end use. The unifying characteristic of all agribusiness projects is that they have plant or animal origins. While some commonalities are in place to help systematize the analysis, more projects have differences from the rest of the portfolio than things in common, and some may even have more in common with manufacturing, infrastructure or financial markets projects. To that end, the sector framework proposes a broad set of core effects that seek to cover a diverse range of projects.
Treatment of certain types of financing	The bulk of AIMM guidelines are based on the assumptions that the project being assessed represents an expansion or growth, either greenfield or brownfield. In this case, the counterfactual is straightforward as the company’s current operations represent the natural baseline describing the status quo. To a lesser degree, the guidelines accommodate capital expenditures meant to save costs and increase efficiency. In agribusiness, maintenance or replanting capex is a key requirement for maintaining ongoing agricultural production. Without it, production stalls when plants reach the end of their useful life, triggering job losses and other negative effects throughout the value chain. Similarly, the volatility and seasonality of agricultural production make working capital the lifeblood of any business. Shortages in working capital or lack of predictability in accessing it can stifle business growth. These types of financing represent an important subset of overall IFC investments and necessitate an explicit approach to how the counterfactual and incremental impacts should be treated.
Treatment of negative effects	Agribusiness projects may generate negative effects at the project level and these must be included in the assessment when relevant. In certain circumstances the overall AIMM rating may be affected. These may relate to distortions related to subsidies and trade barriers (generating economic losses for certain categories of stakeholders), nutritional quality of food, GHG emissions , or adverse environmental or social effects.

Project Outcomes – The AIMM system considers the extent of the development gap and uses a gap analysis to classify project contexts according to the size of the deficit/gap being addressed. For each indicator, the size of the gap is measured in relation to development goals associated with the sector. Contexts are classified into very large, large, medium or low gap, for each performance dimension. Development gaps are defined using a combination of qualitative and quantitative benchmarks, which leaves room to consider context-specific attributes that drive investments in the sector.

The central issue to IFC’s investments in agribusiness is how to improve the living standards for people who depend on farming and its supply chain as their main source of livelihood. In the majority of agribusiness projects, gaps are nuanced and location-specific with limited data to illustrate (e.g., quality of food at product level). Establishing a development gap also requires a combination of national-level data (e.g., rural poverty rates by country) and a range of additional factors that are not universally defined or tracked (e.g., focus on specific crops, having better or worse resource endowments, access to inputs, expertise, credit, and reliable markets). In addition, only a modest proportion of farmers deriving their livelihoods from agriculture will turn it into a full-fledged commercial activity, most others either need better support through social safety nets or alternative income opportunities outside agriculture. AIMM assessments therefore analyze the specific circumstances of the farmers within the focus country and try to articulate their existing challenges. A project’s aspiration is typically to help reduce intra-country income and opportunity disparities.

CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Consumers	<ul style="list-style-type: none"> – Predominantly upper middle income consumers with good access to safe food through formal retail chains with advanced food safety standards. – The share of BOP consumers is below 25%. 	<ul style="list-style-type: none"> – Predominantly lower and middle income consumers with access to safe food through formal retail chains with adequate food safety standards. – The share of BOP consumers ranges from 25-50%. 	<ul style="list-style-type: none"> – Primarily BOP and lower middle income consumers with mixed access to safe food through a combination of formal retail chains and wet markets. – Food safety standards are mixed. – The share of BoP customers ranges from 50-75 percent. 	<ul style="list-style-type: none"> – BOP consumers dominate in the market, especially outside of urban areas. – The share of BOP customers above 75 percent. – These consumers are spending disproportionately more on food.

CONTEXT	Low Gap	Medium Gap	Large Gap	Very Large Gap
Suppliers - Farmer livelihood	<ul style="list-style-type: none"> – Large-scale commercial farming is prevalent with high degree of mechanization. – Smallholder producers specialize in high value productions and are globally competitive. – Access to inputs, finance, markets, and storage are readily available. – Efficient and updated production practices are disseminated, and post-harvest losses are minimal. 	<ul style="list-style-type: none"> – Smallholder producers focus on high value, export-oriented crops, and large-scale commercial farming is common with some mechanization. – Farmers have some options when it comes to sources of livelihoods. – Access to inputs, finance, markets, and storage are selectively available. – Production practices are relatively efficient and post-harvest losses relatively low. 	<ul style="list-style-type: none"> – The sector is dominated by smallholder suppliers who have some options in contractual arrangements. – Access to inputs, finance, markets, and storage is mixed. – Production practices are inefficient and post-harvest losses prevalent. 	<ul style="list-style-type: none"> – The sector is dominated by BOP suppliers with limited capacity, access to inputs, finance, markets, and storage. – Capacity and access may differ by gender, race, age, or other characteristic. – Farmers are not organized, do not have choices in their off-take arrangements, and prices are unpredictable. – Significant reliance on outdated and inefficient production practices; significant post-harvest losses.

While agribusiness projects benefit a wide range of stakeholders, the key beneficiaries tend to be farmers, employees, and/or consumers. The core outcomes of agribusiness projects vary depending on where in the value chain the project is being undertaken but are likely to primarily affect one of these three stakeholder categories and/or the environment. The closer the project is to the production of raw materials, the more significant the effects will be on the farmers, while links to consumers may be more difficult to identify. Conversely, projects farther along the value chain tend to generate non-farm employment and have much clearer effects on consumers. There are exceptions in each case. Environmental effects are likely all along the value chain, but these can take different forms in different projects.

- Provision of agricultural inputs and primary production – In these projects, farmers are the primary beneficiaries, either as consumers of the agricultural inputs or the suppliers/producers of raw materials. Those involved in agricultural operations are defined as farmers whose core benefits are improved income opportunities. Core effects also relate to the environmental footprint of primary agricultural production. Core consumer effects are improved food security and access to core staples.
- Trading and primary processing – The projects in this category tend to also be closely linked to farmers. These can frequently be smallholder producers of crops such as cocoa, coffee tea, and spices. In middle-income countries, trading and primary processing tends to be organized around large-scale commercial farms, at times integrated with primary production directly. Core farmer benefits are also improved income opportunities, often accompanied by infrastructure improvements. Employment creation is another core effect, though labor intensity is likely to vary widely by crop and region.
- Secondary food processing and fast-moving consumer goods (FMCG) – In this category, links to the origins of raw materials used in food and beverage production often become more tenuous and difficult to track. Ingredients used in the production of food, beverages, and fiber products are typically purchased from processors and traders several times removed from farmers. These projects are similar to manufacturing projects that focus on consumer goods, though most agribusiness deals focus on edible products that have nutritional implications. Employees and consumers are typically affected most.
- Vertically-integrated operations – Projects in this category often span primary production, primary processing, and secondary (higher value added) processing, all within the same company (e.g., poultry or even dairy). Primary production is carried out at own facilities or through outgrower schemes. The operations often involve in-house production of key inputs, such as feed or day-old chicks. Primary processing can be followed by more advanced processing for the domestic market. Projects can reach the broadest range of stakeholders and the determination of which are the most meaningful effects will vary.

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
<u>Employees</u> <ul style="list-style-type: none"> • Direct jobs created per million USD of project • 	– < 3 new or safe-guarded formal jobs (including seasonal)	– 3 - 16 new or safe-guarded formal jobs (including seasonal)	– 16 - 60 new or safe-guarded formal jobs (including seasonal)	– > 60 new or safe-guarded formal jobs (including seasonal)

PROJECT INTENSITY	Below Average	Average	Above Average	Significantly Above Average
<u>Suppliers: farmers</u> • Number of new suppliers (farmers) reached per USD of project size	– < 15 new suppliers (farmers) reached	– 15 -140 new suppliers (farmers) reached	– 140 - 533 new suppliers (farmers) reached	– > 533 new suppliers (farmers) reached

The AIMM methodology considers the uncertainty around the realization of the potential development impact being claimed, making a distinction between the potential outcomes that a project could deliver and what could be realistically achievable in the project’s development context. The table below presents the key types of risk factors for agribusiness operations.

PROJECT LIKELIHOOD	Operational Factors	Sector Factors
Assessment Considerations	<ul style="list-style-type: none"> Track record in the current market or execution record in similar markets Financial strength of sponsor or executing entity Use of proven technology or process Coordination and execution risks Capability to meet IFC Performance Standards 	<ul style="list-style-type: none"> Macroeconomic environment as evidenced by country spreads Likelihood and track record of government interventions Disruptions in international trade Volatility of commodity prices Climatic risks

Contribution to Market Creation – For agribusiness projects, the market is generally the product sub-sector in the national economy, or part of the national economy if there is a geographic focus in a large and/or very diverse country. Where the product is traded globally or regionally, the appropriate market boundaries would be expanded accordingly. In general, the relevant market is the national market in which the project is located. Importantly, if a significant effect is concentrated in a segment of the market that constitutes a minority of sales, it should still be highlighted. Market typologies provide the building blocks in the AIMM system to construct a narrative for how much an IFC intervention is advancing a market objective. These typologies provide a description of the market gap based on various stages of development for a given sector from least developed to most advanced and enable the location of the market before and after IFC’s intervention.

Agribusiness projects in secondary processing or FMCG can be organized into market typologies if the process is far removed from primary production of raw materials. This is not the case for primary agriculture or the primary processing that is directly linked to it. Because natural resource endowments, the level of innovation and skills, and the quality of institutions and policies determine how efficiently a country uses its resources, fundamental capabilities for agriculture and agribusiness will vary by the amount of land and water available, climate, and land allocation, among others. In most cases, these cannot be altered while best practices with regard to other factors, such as technological sophistication and the quality of institutions, can be transferred and standardized. Thus, a highly developed market achievable for one country may be different from another, circumscribed by sector fundamentals.

Reaching the level of performance by existing market leaders may not be possible in each aspiring country. Different countries may also go about reaching a developed market status differently, making the most of their endowments, which especially relates to differences in the degree of vertical integration or fragmentation of crop production in a market. As with project-level analysis, the assessment of what is feasible for a given country should be informed by best global benchmarks, where applicable, but tempered by local context as much as necessary. The table below summarizes the characterizations of the market attributes.

MARKET TYPOLOGY	Highly Developed	Moderately Developed	Underdeveloped	Highly Underdeveloped
Competitiveness	<ul style="list-style-type: none"> – Modest need to improve market sophistication – Technologically advanced and continuing to innovate – Modern infrastructure in place and upgraded regularly, no bottlenecks – Enabling policy environment with institutions functioning well – Multiple private sector players, no clear market leader holding more than 10% share; narrow margins, competitive pricing – Market competition supports downward pressure on price increases – Multiple domestic companies are producing the product competitively 	<ul style="list-style-type: none"> – Average need to improve market sophistication – Mix of the two extremes, some sophistication but scope for improvement – Moderate concentration with several key players dominating the sector, scope for improvement through greater competitiveness and innovation – Market competition supports maintaining the status quo of price increases 	<ul style="list-style-type: none"> – Significant need to improve market sophistication – Limited use of technology, reliance on outdated and inefficient production – Lack of reliable hard infrastructure, significant post-harvest losses, expensive trade logistics – Policy environment not conducive to development, institutions absent or immature, limited capacity – State-dominated with limited or no private sector and/or monopolistic (monopsonistic) or oligopolistic structure – Competition is insufficient to prevent upward pressure on price increases 	<ul style="list-style-type: none"> – The sector does not currently exist in the market – No similar products are available in the market or none are domestically produced in a competitive manner
Integration	<ul style="list-style-type: none"> – Technologically advanced and continuing to innovate – Modern infrastructure in place and upgraded regularly, no bottlenecks – Enabling policy environment, institutions functioning well – Well-developed capital markets with full suite of specialized financing, including: working capital, risk management, and long-term capex financing – Sophisticated arrangements between value chain links – Common use of contract farming arrangements and competition between off takers expanding options – Strong and competent producers' associations – For a product, country is a net exporter and domestic prices are at export parity or country is an importer and domestic prices are at economic import parity 	<ul style="list-style-type: none"> – Existing policy environment and institutions in place and but lacking capacity – Some specialized instruments exist but unable to mobilize funds at scale – Financing through few local investors with high capital costs or unsuitable tenors – Some availability of donor funding for farmers, processors, and traders and only basic credit lines for agribusiness – Some use of contract farming with need for improvement – Producers associations in place but with low capacity – Market trades with the rest of the world and its export and import are roughly in balance 	<ul style="list-style-type: none"> – Lack of reliable hard infrastructure, significant post-harvest losses, expensive trade logistics – Policy environment not conducive to development, institutions absent or immature, limited capacity – Underdeveloped capital markets, expensive financing, only short tenors are available, absence of warehouse financing, lack of risk mitigating instruments – Poor land tenure policies restricting availability of collateral – No pre-harvest financing – Significant need to improve market sophistication – Sourcing of raw materials done on an opportunistic manner – A single off-taker dominates – Market does not satisfy domestic demand and some imports are needed 	<ul style="list-style-type: none"> – Market does not exist, or country is a net importer
Inclusiveness	<ul style="list-style-type: none"> – All underserved consumers have good access to markets and to quality goods and services – Markets characterized by formal retail chains, advanced food safety standards, and a variety of choices, and price points – Value chains inclusive, participants commercialized with good standards and market access – Best practices on inclusion and diversity adopted by most market players 	<ul style="list-style-type: none"> – Pockets of underserved consumers that require explicit targeted efforts to reach. – Mix of producer categories with pockets of underserved groups – Underserved groups have some degree of capacity and market access – Emerging standard of practices related to inclusion and diversity increasingly adopted by numerous market players 	<ul style="list-style-type: none"> – Consumers predominantly underserved, relying on low quality goods and services, especially non-urban areas – Wet markets and small shops are prevalent, as are low food safety standards – Underserved groups have low productivity capacity and limited access to inputs, finance, markets – Low yields and low incomes – Few players adopt inclusive practices (e.g., recruitment, promotion, retention of diverse workforce) 	<ul style="list-style-type: none"> – Goods and services not available – Underserved groups have no access to markets – Practices non-existent regarding diversity in the workforce

The market component rating is based on the current market stage and movement along the market typologies. For each relevant market outcome, the individual market creation assessment will identify where the magnitude of the movement falls in the movement spectrum and will support one of the following movement options: “Marginal”, “Meaningful”, “Significant” or “Highly Significant”. In general, most individual projects are not expected to make a significant and immediate systemic market change, unless the project is a pioneer in a non-existent or nascent market. Instead, most projects are expected to have incremental effects on the market. In other words, it takes more than one intervention to move a market to the next stage. This means that integrated and concerted efforts are often needed to generate substantial market effects. For example, cumulative World Bank Group efforts over time will have a stronger effect on markets than non-integrated and non-concerted interventions. Where a project is explicitly part of a programmatic approach, the expected movement induced by the program should be the basis for the assessment where timebound movements, market effects, and indicators are available. Examples of market movements include:

MARKET MOVEMENT	Marginal	Meaningful	Significant	Highly Significant
Competitiveness	<ul style="list-style-type: none"> – Promoting a change in market structure by taking actions that contribute to promoting competition and trigger other market players to up their game – Triggering new product offerings or support greater domestic value addition/economic complexity by taking by taking actions that contribute to promoting competition – Demonstration and replication through innovation; improved management and efficiencies, or by building capacity and skills 			
Integration	<ul style="list-style-type: none"> – Facilitating greater availability of finance for farmers, traders and processors, through demonstration and replication effects – Building capacity and skills that open the market to new opportunities and potentially transform a country from a net importer to a net exporter for a product, by enhancing vertical integration – Facilitating greater trade diversification by demonstrating proof of concept, building country reputation and encouraging other companies to increase their exports of previously un-exported product 			
Inclusiveness	<ul style="list-style-type: none"> – Adoption of business models, practices, or products & technologies that expand or improve reach to the underserved – Enhancement of skills to enable underserved groups to participate in markets and increase incomes – Reduction of barriers (physical, information, etc.) in underserved areas or for underserved groups – Changes to the legal/regulatory environment or introduction of industry standards to support inclusiveness – Innovations in capital mobilization and investment to support inclusiveness – Systemic improvements in workforce diversity (gender, age, ability, etc.) 			

The market likelihood adjustment follows the principles for the likelihood adjustment for project outcome potential. In general, the likelihood assessment includes sector-specific, as well as broad country risks that may prevent potential catalytic effects from occurring, plus political economy or policy/regulatory risks that may constrain market systemic change. Due to the diversity of market creation attributes and channels, most of the likelihood factors are expected to be sector, or intervention specific.

MARKET LIKELIHOOD	Sector Factors	Political / Regulatory / Policy Factors
Assessment Considerations	<ul style="list-style-type: none"> • Capacity (skills and access to finance) of other market players to replicate innovations introduced by the project (for example, the ability of farmers to finance and effectively replicate good agronomic practices); • Time to build appropriate skills and/or to replicate new business models; • Visibility of the projects financed vis-à-vis market players who would potentially copy them (given many agribusiness projects take place in rural or semi-rural settings). • Sector-specific threats, such as commodity-price fluctuations, the prevalence of disease, policy and regulatory changes (including on tariffs), etc. 	<ul style="list-style-type: none"> • Presence or absence of barriers to entry in the relevant market where there exists a monopoly or an oligopoly or monopsony • Barriers to formality and consolidation for highly fragmented market • Presence of government protection