

Measuring the impact of investments

In the last decade, the scale of agri-business in the world economy has increased at a considerable pace, given the increasing demand for food due to demographic growth, the change in consumption patterns in emerging economies and the use of crops for green energy. In particular, over the past decade, market demand for sustainable agriculture products has grown at a high rate, including several sectors experiencing growth of 40 per cent per annum over the last five years (e.g. the forestry and coffee sectors).

This market growth offers the possibility of new, higher value and more stable trading relationships for producers' organisations and for small and medium enterprises (SMEs) in developing countries. It represents a potential gateway for poverty reduction and development. In this context, a growing number of investors, international businesses and leading local enterprises are increasingly influencing value chains dynamics and market growth. More and more sustainable agriculture SMEs in developing countries are investment targets. Impact investors see a significant opportunity to invest based on financial returns, a perceived reduced exposure to risk, and the generation of social and environmental benefits. This trend is essential for increasing and expanding agriculture SME finance.

However, as more investors become involved in these high-performing markets, there is a growing demand to answer key questions regarding the financial performance and the impact

of such investments, and how it should be measured and managed through the investment process.

Measuring the impact of investments in agricultural SMEs is therefore a major factor in increasing investment and risk mitigation. Sector information collected through regular reporting, analysis and benchmarks could significantly contribute to a better understanding of the agri-business model, chain dynamics, market performance and how investors might mitigate risks. It could also be a valuable input for the design of better and more tailored financial products and schemes for agricultural SMEs and chain stakeholders.

In 2011, the Finance Alliance for Sustainable Trade (FAST) developed the Shared Impact Assessment and Measurement Toolbox (SIAMT), a common framework for investors, financial institutions and SMEs to monitor and report the social, financial and environmental performance generated from financing activities in sustainable value chains. FAST SIAMT Version 1.0, focusing on agriculture, was developed in partnership with IRIS (Impact Reporting Investment Standards, an initiative from the Global Impact Investment Network) and COSA (Committee on Sustainability Assessment), ensuring alignment with their SME-level metrics and farm/household-level metrics respectively.

FAST SIAMT 1.0 includes 112 indicators for assessing outputs and outcomes of investments in sustainable agriculture, at both SME and farm/household level. It also includes data collection protocols adapted to each indicator and a user-friendly template for data input, available in English and Spanish.

From these, a group of 21 core indicators was prioritised by financial institutions, international investors and industry stakeholders for common use

and universal alignment. Industry players are increasingly using a set of these core indicators in their impact measurement practices with their SMEs clients, and have started reporting data to FAST.

To help improve the effectiveness of reporting practices, FAST is currently involved in sector outreach and supporting financial institutions, investors, SMEs and other stakeholders in the adoption of this framework and its tools.

The reported impact data contributes to FAST Market and Impact Information Services, which include the development of benchmarks, reports and sector-wide analysis on the performance of investments in sustainable agriculture SMEs. By providing greater transparency, FAST is able to promote increased capital flow in the sector, and improve the effectiveness of investments.

About FAST

The Finance Alliance for Sustainable Trade (FAST) is an international, membership-driven, non-profit organisation that aims at increasing the number of sustainable SMEs in developing countries who can successfully access affordable trade finance and related financial risk management tools. FAST strategic services and products include:

- a) providing market and impact information on sustainable agriculture markets and the SME finance industry;
- b) facilitating capital flow in sustainable agriculture value chains through a SME pre-selection and a match-making live process (this process also made virtual as of early 2013);
- c) opening industry networking opportunities at the local and global levels.

For more information, please access: www.fastinternational.org

Cristina Larrea

Project and Business

Development Manager

The Finance Alliance for Sustainable Trade (FAST)

Montreal, Canada

Cristina.larrea@fastinternational.org