



# 2021

AFRICA FINANCE  
CORPORATION  
DEVELOPMENT  
IMPACT (DI)  
REPORT

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# Africa Finance Corporation 2021 Development Impact (DI) Report

AFC, Africa's leading infrastructure solutions provider, invests in the power, transportation, logistics, heavy industries, natural resources, technology, and telecommunications sectors. Our investment process appraises (among other criteria) economic viability, social acceptability, and environmental consequence to maximise the developmental impact of our portfolio.

AFC has been reporting its developmental impact since 2019 using a framework that provides a systematic approach to generate positive, measurable, and specific indicators that assess the alignment of the Corporation's portfolio with the United Nations Sustainable Development Goals (UNSDG).

AFC uses the Joint Impact Model (JIM) for measuring desired quantitative indicators. The JIM is the methodology most widely used by Development Finance Institutions (DFIs) and Multilateral Development Banks (MDBs)<sup>1</sup>. More information is available on the JIM website.

UNSDG underpins AFC's DI framework because it encapsulates AFC's sustainable investment ambitions.

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## 2021 Developmental Impact Results

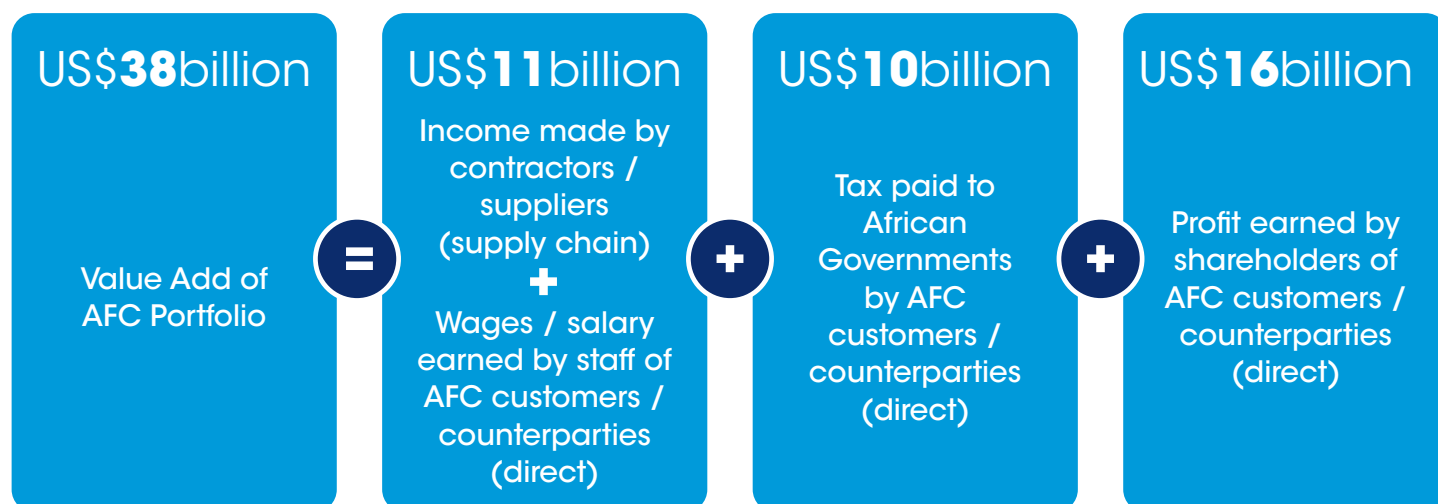
### Creating Value for All Stakeholders

Value added is the aggregate of income earned by suppliers / contractors, taxes paid to African governments, and profit earned by investors (shareholders).

In 2021, AFC's portfolio contributed approximately US\$ 38 billion to the Gross Domestic Product of Africa and supported the creation of 5,148,430 jobs.



# 2020 DI Report

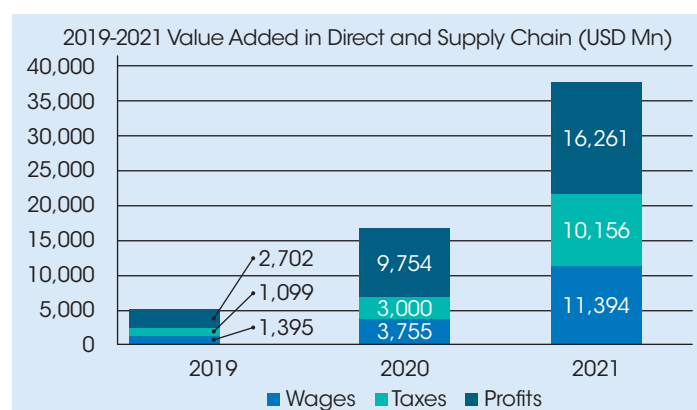
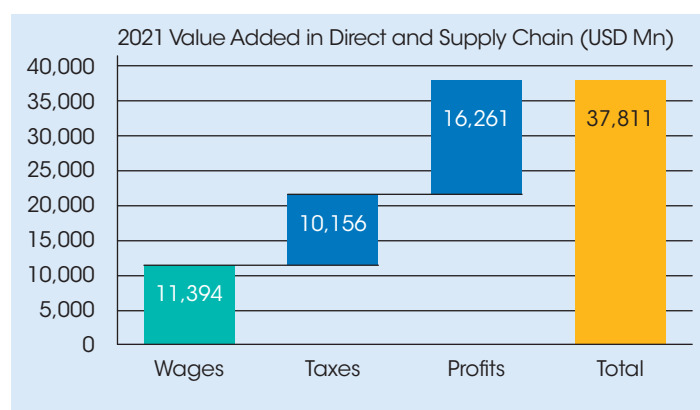


Value Add (VA) is the contribution of borrowers and investee companies in AFC's portfolio to Gross Domestic Product (GDP). In 2021, the VA of the AFC portfolio was US\$ 38 billion, an increase of 124% from the 2020 VA of US\$ 17 billion. Increase is attributed mostly to better reporting of AFC's DI impact, rather than investments being more impactful. This is evidenced by 42% more counterparties / investee companies responding to AFC's DI questionnaire<sup>1</sup>.

The 2021 VA of US\$ 38 billion is made up of US\$ 11.4 billion of salaries and supply chain value transfer, US\$ 10.2 billion in taxes to African governments and US\$ 16 billion profit to investors.<sup>2</sup> This implies that for US\$ 1 in profit made by AFC portfolio borrowers and sponsors, they pay US\$ 0.385 in taxes.

The size of the supply chain is assessed by tracing how much each company spends on suppliers and consultants. Subsequently, it traces how much these suppliers and consultants spend on their own suppliers and consultants, until the JIM model runs out of locally generated revenues.

Total Direct & Supply Chain Value Added (USD Mn)				
	Wages	Taxes	Profits	Total
2019	1,395	1,099	2,702	5,196
2020	3,755	26%	9,754	16,509
2021	11,394	10,156	16,261	37,811



## Enhancing Socioeconomic Prosperity through Job Creation

Creating jobs is necessary for reducing poverty in Africa. In 2021, borrowers and investee companies in AFC's portfolio supported 5,148,430 jobs. This is a 547% increase in comparison to the 796,068 jobs supported in 2020. Increase is attributed to better reporting of AFC's DI impact, rather than investments being more impactful. This is evidenced by 42% more counterparties / investee companies responding to AFC's DI questionnaire.<sup>4</sup>

The 5,148,430 jobs supported by AFC in 2021, comprises of 759,710 direct jobs, 4,107,907 supply chain and induced jobs and 280,813 power enabled jobs.

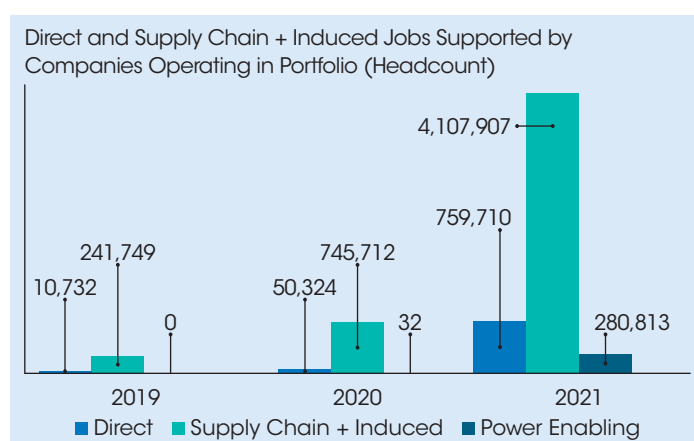
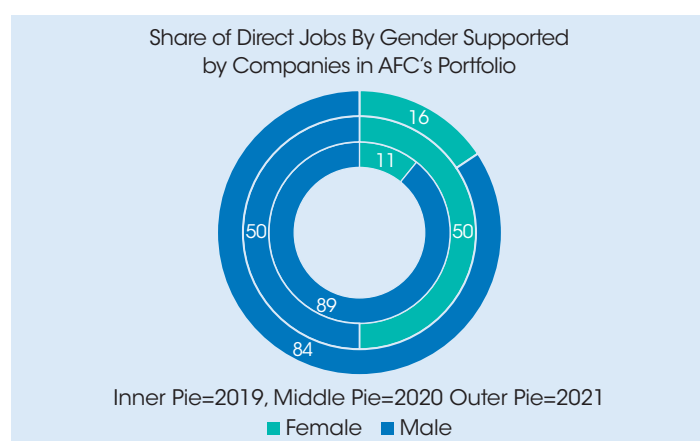
Jobs Supported by Companies in AFC's Portfolio (headcount)			
	2019	2020	2021
Direct	10,732	50,324	759,710
Supply Chain + Induced	241,749	745,712	4,107,907
Power Enabling	-	32	280,813
<b>Total</b>	<b>252,481</b>	<b>796,068</b>	<b>5,148,430</b>

The 759,710 direct jobs are actual figures reported by borrowers / sponsors in AFC's portfolio. 4,107,907 supply chain and induced jobs are due to AFC portfolio companies and their staff purchasing goods and services worth US\$ 26 billion<sup>5</sup>. This implies that 1 direct job supports the creation of an additional 5.4 jobs in the supply chain.

The 280,813 power enabled jobs is not the number of workers that produced the 3559 GWh of electricity produced by AFC power assets and borrowers in 2021, but the number of jobs created across African economies by the generation of 3559 GWh of electricity.

AFC portfolio companies reported that 16% (121,553 direct jobs) of their work force in 2021 were women. While this is lower than the 50% (25,117 direct jobs) reported in 2020, in absolute terms it is almost 4.8x the number of female jobs reported in 2020. This is attributable to more projects in the portfolio that provided data for 2021 compared to 2020.

Share of Direct Jobs by Gender (headcount)						
	2019	2020	2021	2020(%)	2020(%)	2021(%)
Female	1,185	25,409	121,258	11%	50%	16%
Male	9,547	24,915	638,452	89%	50%	84%
<b>Total</b>	<b>10,732</b>	<b>50,324</b>	<b>759,710</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Emissions

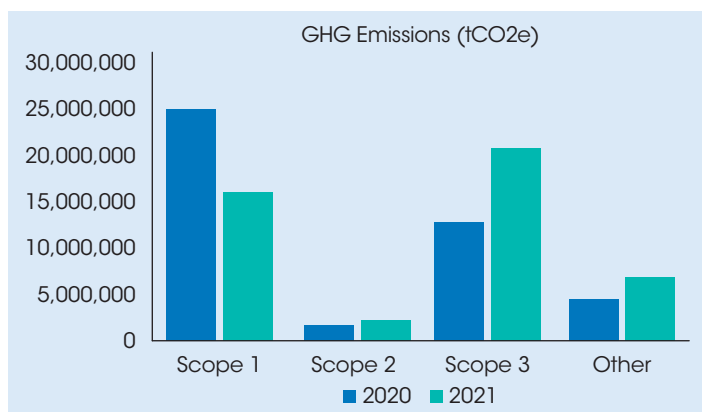
In 2021, the AFC portfolio's Scope 1 and Scope 2 emissions fell by 32% from 26,748,091 tCO<sub>2</sub>e (2020) to 18,252,925 tCO<sub>2</sub>e (2021)<sup>1</sup>. There were three main reasons for these reductions in emissions:

- (1) A loan facility to a thermal power plant with an installed capacity of 900 MW was fully repaid in 2020, and the borrower exited the portfolio.
- (2) A 650,000 barrels a day refinery was reclassified from operational to under construction. Emissions for a refinery are lower during construction.
- (3) More borrowers and sponsors have responded to AFC's emissions questionnaire providing additional data, or measured data. To calculate absolute emissions financed, the JIM model prioritises measured data, then additional data. For counterparties that have provided measured data, absolute emissions financed is precise. While for other counterparties the accuracy of the absolute financed emissions is dependent on the quality of data provided.

This represents 3,609 tCO<sub>2</sub>e per million of outstanding exposure in 2021, compared to 9,435 tCO<sub>2</sub>e per million outstanding in 2020.

## GHG Emissions (tCO<sub>2</sub>e)

	Scope 1	Scope 2	Scope 1 & 2	Outstanding (USDm)	Emissions per USDm
2020	25,018,976	1,729,115	<b>26,748,091</b>	2,835	9,435
2021	16,017,826	2,235,099	<b>18,252,925</b>	5,057	3,609



## Absolute Emissions Financed

While AFC's financing supports creation of jobs, unavoidably it also creates greenhouse gas (GHG) emissions. The absolute emissions financed is prorated to the proportion of AFC's financing within the total capital structure of a counterparty. This contrasts with the jobs supported and financial impacts which are not prorated to AFC's contribution. By not prorating AFC's contribution to jobs supported and financial impacts, it undervalues the catalysing role of AFC in crowding in other investor

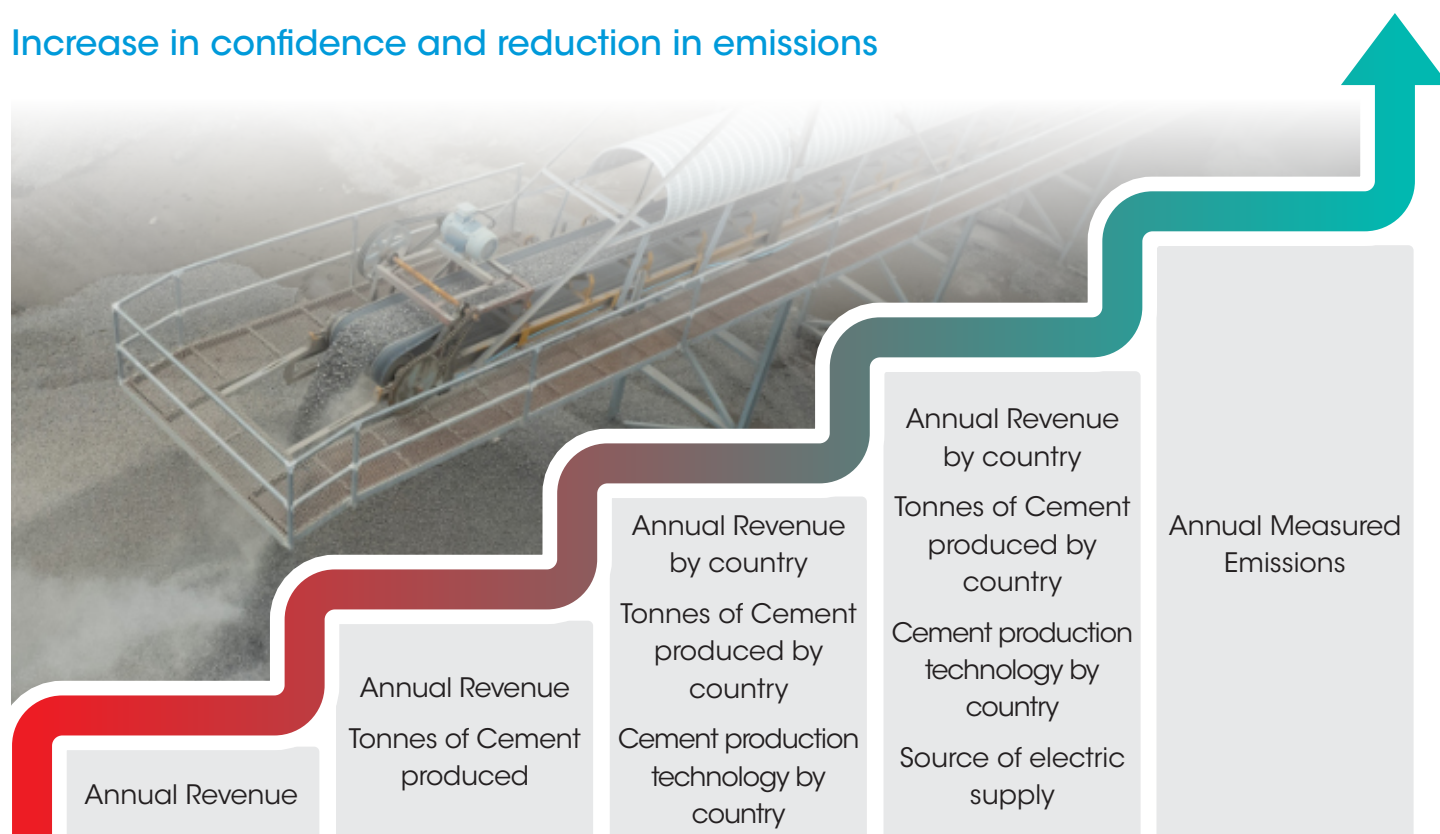
GHG Emissions (tCO <sub>2</sub> e)			
	Scope 1	Scope 2	Scope 1 & 2
2021 Emissions	16,017,826	2,235,099	<b>18,252,925</b>
2021 Absolute Emissions Financed	465,500	77,096	<b>542,596</b>

AFC is actively working with its portfolio companies to streamline their greenhouse gas (GHG) emissions.

## Accuracy of Emissions

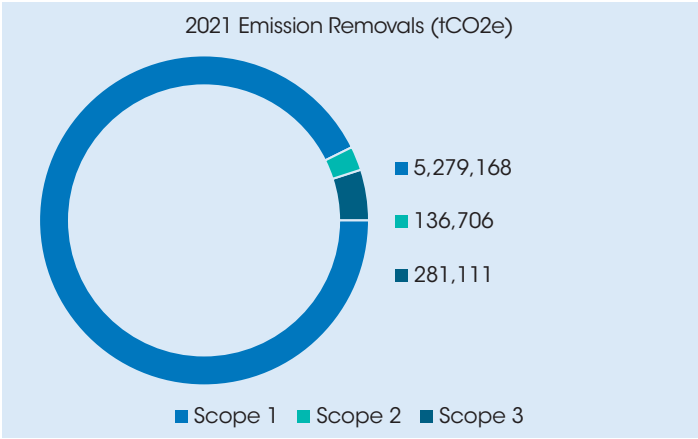
Modelled emissions are generally higher and less accurate than measured emissions. The accuracy of modelled emissions can be improved by inputting additional data into JIM.

## Increase in confidence and reduction in emissions



Emission Avoidance

In 2021, AFC’s renewable energy investments avoided 5,696,985 tCO2e of emissions. AFC’s portfolio of renewable energy projects will continue to grow in line with the Corporations strategy to build a 3GW renewable energy platform.



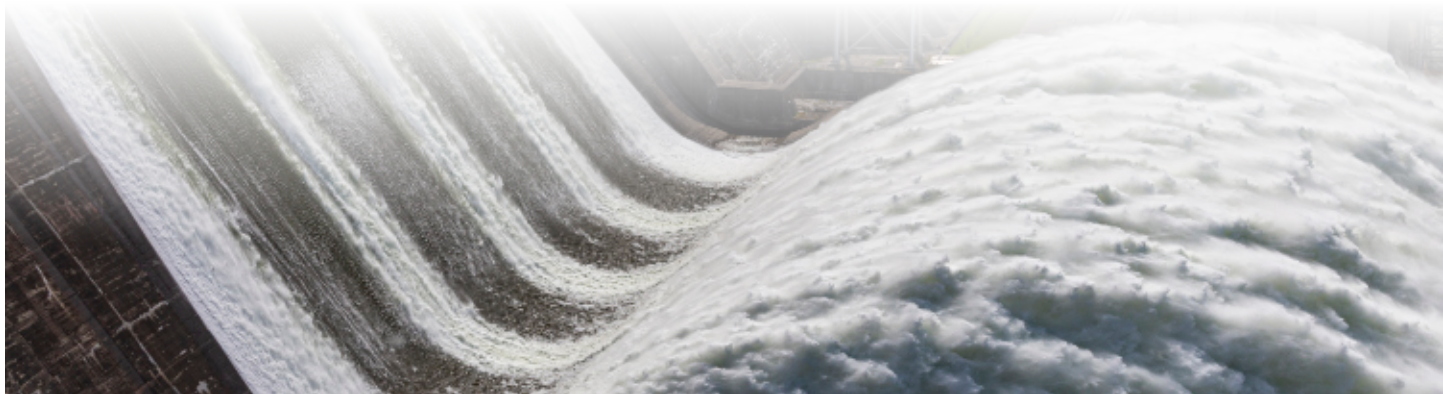
Emission Removals (tCO2e)					
	Scope 1	Scope 2	Scope 3	Other	Total
2021	5,279,168	136,706	281,111	-	5,696,985

Access to Electricity

Electricity is widely recognised as a catalyst for socioeconomic development: countries would literally be in the dark without electricity. Many African countries face an acute shortage of electric power supply. Frequent outages significantly hamper the growth prospects for most businesses. AFC’s investments in power projects across the continent enhance the supply of power, reduce outages, and enable positive impact.

Power-enabling impact of the electricity generated by AFC borrowers / investee companies is the additional output created by users of the generated power and their supply chain. Research has shown that an additional 1 MW of electricity has much greater impact on less developed economies than developed economies.

AFC’s investee companies generated 3559 GWh in 2021. AFC is on a journey to build a 3GW renewable energy platform. This will reduce Africa’s massive energy deficit using the various energy sources available throughout the continent.







## Notes on AFC's DI Measurement

- AFC has calculated its development impact using the Joint Impact Model (JIM). This input-output economic model was jointly developed by Steward Redqueen, CDC (Commonwealth Development Corporation), FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.), BIO (Belgium Investment Company for Developing Countries), Proparco (Société de Promotion et de Participation pour la Coopération Economique), AfDB (African Development Bank), and FinDev Canada (Development Finance Institute Canada). The development impact output from the JIM is a combination of direct results (which requires no economic modelling, and given the highest confidence level of 5), and modelled results. Accuracy (confidence level) of modelled results is on scale that ranges from 1 to 4.
- AFC often invests alongside other investors, therefore, AFC is not the sole contributor to jobs and income creation, hence the use of the phrase 'jobs and economic impact supported'. In addition, the model does not differentiate between equity or debt investments; this underestimates the crowding in of other investors that AFC achieves by being an equity investor.
- AFC implemented its DI Framework in 2019 using 14 active projects in its portfolio. Quantified DI results were publicly reported for the first time in AFC's 2019 Annual Report. DI calculation for 2020 was based on input data collected from 45 active projects in AFC's portfolio. DI measurement and reporting for 2021 is based on 64 active projects. Therefore, the increase in the number of projects also contributed to the improvement in AFC's year-on-year DI results.

In 2021, total investments in AFC's Board approved sectors increased by 20.3% from US\$3,426,212million in 2020 to US\$4,120,545 million in 2021.<sup>7</sup>

## Mapping of AFC Development Impact with the Sustainable Development Goals (SDG)

The 2021 report shows considerable progress made in the expansion of SDG alignments from 7 Goals in 2020 to 10 Goals in 2021. The latest alignment Goals achieved are SDG 2 (Zero hunger), SDG 3 (Good Health & Well-Being) and SDG 4 (Quality Education). The additional goals have been achieved because 42% more counterparties / investee companies responded to AFC's DI questionnaire in 2021.

10 of the 17 SDGs, achieved by AFC are in the table below.

SDGs	SDG Target	AFC DI Indicator	AFC DI Action
1	Eliminate all forms of poverty	<ul style="list-style-type: none"> <li>Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Majority of the jobs created by AFC counterparties pay above US\$ 1.25 per day, a global measure of poverty</li> <li>AFC counterparties paid US\$ 11.4 billion in direct and supply chain remuneration</li> </ul>
2	End hunger, achieve food security & improved nutrition and pro sustainable agriculture.	<ul style="list-style-type: none"> <li>Value Creation</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture is not an official AFC sector. AFC is contributing towards doubling the agricultural productivity of food producers by 2030:</li> <li>When the resettlement action plan of a project involves resettling farmers, AFC's environmental and social risk management practice is to provide land, agronomists and agricultural productivity enhancing inputs</li> <li>AFC finances commodity trade finance transaction These counterparties (and their supply chain) adhere to AFC environmental and social policies</li> </ul>
3	Ensure quality, adequate, affordable, accessible, and comprehensive health services for all	<ul style="list-style-type: none"> <li>Access to quality essential healthcare services and access to safe, effective, and quality and affordable essential medicines and vaccines for all.</li> </ul>	<p>Portfolio companies generally have healthcare facilities on site for their staff. And conduct awareness campaigns to prevent Aids</p> <p>They also construct clinics and healthcare facilities as part of the corporate social responsibility (CSR) to their host communities</p>
4	Achieve universal access to affordable and quality education at all levels	<ul style="list-style-type: none"> <li>By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship</li> </ul>	<p>Investee companies have built schools and training centres (vocational and technical), and donated buses for education services</p> <p>These contribute to promoting social cohesion</p>
5	Achieve gender equality, protect, and empower all women and girls	<ul style="list-style-type: none"> <li>Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic, and public life</li> <li>Percentage of Women in Executive and Board level positions</li> </ul>	<ul style="list-style-type: none"> <li>Female jobs supported: 121,258 (2021), 25,409 (2020).</li> <li>Portfolio mining company with female led board of directors and management team, represents gender inclusion</li> </ul>

SDGs	SDG Target	AFC DI Indicator	AFC DI Action
7	Ensure access to affordable, reliable, sustainable, and modern energy for all	<ul style="list-style-type: none"> <li>By 2030, increase substantially the share of renewable energy in the Africa energy mix</li> </ul>	<ul style="list-style-type: none"> <li>AFC is actively building a 3GW renewable energy portfolio and promoting efficient energy retrofitting</li> <li>AFC is an anchor investor in Lekela, the largest Renewable Energy company in Africa</li> </ul>
8	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	<ul style="list-style-type: none"> <li>Protect labour rights and promote safe and secure working environments for all workers and those in precarious employment</li> </ul>	<ul style="list-style-type: none"> <li>Number of jobs supported: 5,148,430 (2021)</li> <li>Taxes to African Governments: US\$ 10.2 billion (2021).</li> <li>Our projects prioritise local resources and suppliers</li> <li>AFC environmental and risk management policy compels our counterparties to adhere to International Labor Organisation (ILO) conventions and recommendations</li> </ul>
9	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	<ul style="list-style-type: none"> <li>Develop quality, reliable, sustainable, and resilient infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>From 2020 and 2021, AFC increased the size of its infrastructure portfolio by 20.3%.</li> <li>US\$4.1 billion (2021), US\$3.4 billion (2020)</li> </ul>
13	Take urgent action to combat climate change and its impacts	Promote mechanisms for raising capacity for effective climate change related planning and management	<ul style="list-style-type: none"> <li>AFC's sustainability strategy mainstreams climate finance considerations in all its activities.</li> <li>AFC has participated in the Global Innovation Lab for Climate Finance since 2015.</li> <li>Similarly, AFC is the first African DFI to be accredited with the Green Climate Fund</li> <li>In 2020, AFC implemented its Green Bond Framework (GBF) in line with the International Capital Market Association - Green Bond Principles.</li> <li>AFC developed, organised and facilitated a stakeholder dialogue on climate action through the white paper, "Roadmap to Africa's COP: A Pragmatic Path to Net Zero"</li> <li>Battery minerals are priority investments for AFC</li> <li>Investee companies generated an estimate of 10,433 GWh as part of the strategy to build a 3GW renewable energy platform</li> </ul>
17	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	Mobilise additional financial resources for developing African countries from multiple sources	AFC uses its preferred creditor status and investment grade rating to raise funds at a lower price for infrastructure transactions in Africa



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Instrumental Africa.

Africa Finance Corporation  
Investor Relations  
3A Osborne Road  
Ikoyi, Lagos  
Nigeria

#### Contacts

Emmanuel Amabo  
Musa Salah  
David Johnson

+234 279 9600  
risk@africafc.org  
africafc.org