
Investment proposal
Islamic Republic of Pakistan
Acumen Climate Action Pakistan: Building Climate-Resilient Agricultural Small and Medium-Sized Enterprises

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Action: The Executive Board is invited to approve an equity investment of up to US\$5 million in Acumen Climate Action Pakistan Coöperatief U.A., a private equity fund established in the Kingdom of the Netherlands that will invest in climate-resilient agribusinesses benefiting small-scale farmers in Pakistan.

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Executive summary

1. Agriculture accounts for 23 per cent of Pakistan’s GDP and is a major source of employment and livelihoods.¹ Population growth, urbanization and rising incomes are expected to drive higher demand for locally produced and value added food products, creating significant opportunities across the sector.
2. Despite its strategic importance, agriculture in Pakistan struggles with a chronic financing gap. Bank credit is predominantly short term and ill suited to growth investment, while capital markets are shallow and largely inaccessible to small and medium-sized enterprises (SMEs).² As a result, the agri-SME segment remains underfunded, limiting the products and services available to small-scale farmers to boost productivity and resilience.³ These challenges are further exacerbated by Pakistan’s acute climate vulnerability, with climate variability and shocks posing a growing threat to yields.
3. IFAD proposes an equity investment of up to US\$5 million in Acumen Climate Action Pakistan Coöperatief U.A. (ACAP), a private equity fund established in the Kingdom of the Netherlands with a target size of US\$80 million. ACAP will invest in early-growth and growth-stage agribusinesses with scalable, climate-resilient business models that benefit small-scale farmers in Pakistan. By providing growth capital along with active operational and strategic support, the fund aims to scale these businesses and, in turn, boost the productivity, income and climate resilience of small-scale farmers.
4. Sponsored by Acumen, a non-profit impact investor with over two decades of experience in emerging markets, including Pakistan, ACAP is the first private equity fund targeting Pakistan with a dedicated focus on agriculture and climate resilience. Its Pakistan-based investment team combines local market knowledge with investment experience. IFAD’s participation is expected to support ACAP’s fund-raising and add value through its sector expertise. ACAP aims to reach 1.2 million small-scale farmers as customers and suppliers of the portfolio companies, create 600 rural jobs and promote the adoption of climate-smart practices. Successful execution of the strategy is expected to demonstrate the investment readiness of the segment and help catalyse additional capital for agri-SMEs in Pakistan.
5. The investment proposal and ACAP’s focus on investing in sustainable, resilient solutions for small-scale farmers are aligned with IFAD’s mandate under the Agreement Establishing IFAD, IFAD’s Private Sector Operational Strategy (PSS) 2025–2030 and IFAD’s country strategic opportunities programme 2023–2027 for Pakistan. ACAP’s pipeline also suggests opportunities to complement IFAD’s sovereign operations in Pakistan across multiple value chains and provinces.

¹ Food and Agriculture Organization of the United Nations (FAO). [Pakistan at a glance](#).

² Definitions of what constitutes an SME vary. For example, the [State Bank of Pakistan](#) defines an SME as an enterprise with annual sales of up to PKR 800 million, whereas the [International Finance Corporation \(IFC\)](#) defines it as an enterprise meeting two out of three criteria, which are (i) 10 to 300 employees; (ii) US\$100,000 to US\$15 million in total assets; and (iii) US\$100,000 to US\$15 million in annual sales. In this proposal, the term primarily refers to small and medium-sized companies with funding needs underserved by banks and capital markets.

³ For the purposes of this proposal, a farm is deemed small if it is up to 12.5 acres in Punjab and Khyber Pakhtunkhwa, 16 acres in Sindh and 32 acres in Balochistan.

Investment proposal: Building Climate-Resilient Agricultural Small and Medium-Sized Enterprises

I. Key data

Project name	Building Climate-Resilient Agricultural Small and Medium-Sized Enterprises
Geographic focus	Pakistan
Private sector recipient	Acumen Climate Action Pakistan Coöperatief U.A., a fund established in the Kingdom of the Netherlands
Sponsor	Acumen Fund, Inc.
Fund structure	A blended finance structure, with a junior (“first loss”) and a senior tranche. IFAD’s investment will be in the senior tranche.
Target fund size	US\$80 million
Expected cofinancing	US\$75 million in equity (at a target fund size of US\$80 million) from the sponsor and other investors. The investor base is expected to include development finance institutions (DFIs), impact investors, domestic financial institutions, etc.
Sponsor cofinancing	US\$3 million, inclusive of commitments by the ACAP team.
Summary investment terms	<ul style="list-style-type: none"> • Amount: Up to US\$5 million in equity investment in the senior tranche, from the Private Sector Trust Fund. • Currency: United States dollars. • Fund term: 10 years from first closing, extendable for two 1-year periods with majority consent from investors and subject to certain conditions. • Fund investment period: 5 years from first closing, extendable by 12 months with majority consent from investors and subject to certain conditions. After the investment period, the fund will not approve investments in new portfolio companies. • First-loss protection: The senior tranche benefits from first-loss protection provided by the junior tranche, which is at a minimum 33.75% of the fund size. • Fee structure: Management fees and performance-based compensation (carried interest) consistent with market norms for funds of similar size and strategy. Carried interest is subject to achieving an impact threshold of 6.5 million people.* • Target return: Market-based return.
Governing language and law of financing documents	English language Dutch law
Executive Board date	22 April 2026

* Calculated as the number of individuals receiving a product, service or training by ACAP’s portfolio companies, multiplied by household size.

II. Introduction

1. **National context.** Pakistan is the world’s fifth most populous country, with 251 million people, nearly two thirds of whom live in rural areas where agriculture serves as the primary source of livelihood.⁴ Following recent macroeconomic stress marked by high inflation, fiscal imbalances and foreign exchange pressures, the economy is stabilizing under a 37-month Extended Fund Facility of the International Monetary Fund (IMF), approved in September 2024. While macroeconomic conditions have improved, structural vulnerabilities and exposure to shocks remain.
2. **Poverty and food security.** Pakistan faces persistent poverty and food security challenges, with a gross national income (GNI) per capita of US\$1,430 (around half the South Asia average),⁵ 38 per cent of the population living in multidimensional poverty⁶ and approximately one quarter experiencing food insecurity.⁷ Dependence

⁴ United Nations. 2024. [World Population Prospects 2024](#).

⁵ World Bank. 2024. [GNI per capita, Atlas method \(current US\\$\)](#).

⁶ United Nations Development Programme. 2024. [Global Multidimensional Poverty Index 2024](#).

⁷ Pakistan Bureau of Statistics. 2026. [Household Integrated Economic Survey 2024-2025](#).

on imported edible oils and fertilizers highlights structural vulnerabilities, while recent exchange rate volatility has increased the demand for domestically produced food and agricultural inputs.

3. **Agriculture and small-scale farmers.** Agriculture accounts for 23 per cent of Pakistan's GDP and employs more than one third of the labour force.⁸ Of the country's 12 million farm households, 61 per cent cultivate less than 1 hectare and 97 per cent less than 5 hectares.⁹ Fragmented landholdings, limited access to finance, inputs and extension services and weak infrastructure contribute to low productivity and value chain inefficiencies, reducing farmer margins and competitiveness.
4. **Climate context.** Although responsible for less than 1 per cent of global emissions, Pakistan is among the most climate-vulnerable countries. Rising temperatures and extreme weather events pose material risks to agricultural productivity. Small-scale farmers are disproportionately exposed due to their limited adaptive capacity. The 2022 floods, which impacted 33 million people and caused \$12.9 billion in damage and losses to the agriculture, food, livestock and fisheries sectors, illustrate the scale of climate-related shocks.¹⁰ Climate adaptation finance inflows fall far short of needs to build the resilience of farming households.¹¹
5. **Women and youth.** Women and youth are key to Pakistan's rural economy but face structural constraints.¹² While 68 per cent of employed women work in agriculture, only 24 per cent receive formal pay, 2 per cent own land and 4 per cent access agricultural loans, limiting economic agency and heightening vulnerability to climate and economic shocks.¹³ At the same time, 66 per cent of the population is under 30, with nearly 2 million young people entering the workforce annually, the majority in rural areas.¹⁴ Barriers to land ownership, finance, skills development and market participation limit youth engagement in productive agriculture, underscoring the need for inclusive employment and entrepreneurship opportunities to harness this growing labour force and support sustainable rural development.
6. **Financing landscape.** Under efforts by the State Bank of Pakistan, agricultural lending has expanded, with annual disbursements reaching PKR 2.6 trillion (approximately US\$9.2 billion) in fiscal year (FY) 2025.¹⁵ However, more than three quarters of the outstanding agriculture bank credit consists of short-term production loans, leaving a gap in long-term growth capital for agricultural small and medium-sized enterprises (agri-SMEs). Capital markets remain shallow, with public equity market capitalization standing at approximately 13.4 per cent of GDP and trading activity concentrated in larger firms.¹⁶ The corporate bond market is similarly underdeveloped and largely inaccessible to growth-stage SMEs. Private equity, which provides long-term risk capital combined with active ownership and does not require fixed repayments, is particularly suited to growth-stage SMEs requiring both patient capital and institutional capacity-building. However, Pakistan's private equity market remains nascent.
7. **IFAD's experience and lessons learned.** IFAD has a long-standing engagement in Pakistan through sovereign operations to support small-scale farmers, rural

⁸ Pakistan Bureau of Statistics. 2025. [7th Agricultural Census of Pakistan 2024](#).

⁹ Tribune. 2025. [97% farmers own less than 12.5 acres of land](#).

¹⁰ Ministry of Planning Development and Special Initiatives. 2022. [Pakistan Floods 2022: Post-Disaster Needs Assessment](#).

¹¹ United Nations. 2025. [Climate Financing and Policy Recommendations](#).

¹² Youth is defined as people between the ages of 15 to 24, in line with the [Pakistan Labour Force Survey 2024–2025](#).

¹³ World Bank. 2024. [Women's economic empowerment in Pakistan](#).

¹⁴ Government of Pakistan. 2025. [Pakistan Economic Survey 2024-2025](#).

¹⁵ Independent News Pakistan. 2025. [Banks disburse Rs2.58tr in agricultural loans during FY25 as SBP pushes new credit schemes](#).

¹⁶ CEIC Data. 2025. [Market Capitalization: % of GDP](#).

infrastructure, value chains and climate resilience. Experience from these operations highlights the need to strengthen private sector linkages and expand access to finance for agri-SMEs serving smallholders.

8. **Problem statement.** Despite strong demand fundamentals and strategic importance, Pakistan's agriculture sector remains structurally undercapitalized. Existing financing channels are ill suited to provide the long-term value-adding capital and institutional support required by growth-stage agri-SMEs to scale, upgrade value chains and strengthen climate adaptation.
9. **Proposed solution.** Acumen Climate Action Pakistan Coöperatief U.A. (ACAP) is a private equity fund targeting early-growth and growth-stage agribusinesses that benefit small-scale farmers in Pakistan. By providing patient capital combined with active ownership, ACAP supports expansion, technology adoption and improvements in processing and storage capacity, furthering the integration of small-scale farmers and boosting productivity and resilience across agricultural value chains.
10. Simultaneously, ACAP intends to mobilize US\$10 million for a technical assistance facility to support portfolio companies in improving their operational performance and environmental, social and governance (ESG) practices while amplifying sector-wide impact through knowledge-sharing, forums and the dissemination of lessons learned on climate adaptation.
11. As the first Pakistan-focused private equity fund devoted to agriculture and climate resilience, ACAP is also expected to demonstrate the viability of climate-adaptation-focused private equity investing in Pakistan.
12. **The recipient.** ACAP is a cooperative established in the Kingdom of the Netherlands, with a target fund size of US\$80 million. Under Dutch law, a cooperative has a function similar to that of a limited partnership for pooling capital, with limited liability for members. ACAP has been structured as a blended finance vehicle, where investors in the senior tranche benefit from first-loss protection provided by investors in the junior tranche. The fund manager for ACAP is Acumen Ventures Netherlands B.V., a private limited liability company established in the Kingdom of the Netherlands. ACAP is sponsored by Acumen Fund, Inc. (Acumen), a United States 501(c)(3) non-profit organization with over two decades of impact investing experience in emerging markets, including Pakistan. Additional information on Acumen is provided in appendix I.

III. The proposed non-sovereign operation

13. **Overarching goal.** The goal of the non-sovereign operation (NSO) is to contribute to greater climate resilience in Pakistan's agriculture sector, with a focus on small-scale farmers. The investment seeks to support the long-term growth of a portfolio of agri-SMEs with scalable, climate-adaptive business models that integrate small-scale farmers into productive and sustainable value chains, leading to higher farmer productivity and incomes, greater resilience to climate shocks and job creation in rural communities. By demonstrating the commercial viability of investing in climate-resilient agribusinesses, the NSO is also expected to catalyse additional private investment in Pakistan's agro-economy and contribute to broader sector development.
14. **Target group.** The NSO aims to directly support approximately 12 to 15 early-growth and growth-stage agri-SMEs that strengthen climate resilience in Pakistan's agriculture sector through expanded operations and new product offerings. Through these enterprises, the NSO will reach small-scale farmers as both customers of climate-adaptive products and services (e.g. inputs, digital platforms, on-farm technologies) and suppliers to processing, aggregation, storage and export-oriented businesses. Portfolio expansion is also expected to generate rural employment.

15. **Women and youth.** ACAP intends to prioritize investments in women-led and gender-inclusive businesses, including companies whose products and services address structural barriers faced by women farmers, such as limited access to finance and assets. ACAP is also expected to leverage the technical assistance facility to support portfolio companies in enhancing gender inclusiveness through product designs, training programmes and workplace policies. Portfolio companies will implement gender action plans that address workplace safety, equity and the prevention of sexual harassment/sexual exploitation and abuse.
16. While youth are not a primary target group, ACAP is expected to generate employment opportunities for rural youth through portfolio growth. Investments in digital and technology-enabled agribusinesses may increase the sector's attractiveness to younger farmers. The technical assistance facility may also support skill-building and career pathway initiatives that increase youth participation in agriculture.
17. **Targeted value chains.** ACAP will focus on value chains where (i) small-scale farmers are dominant; (ii) climate vulnerability is acute; and (iii) scalable SME solutions exist. Priority areas include crop nutrition (e.g. specialty fertilizers), agritech, aquaculture, storage and cold chain, agro-waste processing (e.g. biomass, biomethane), rice, corn, fruits and vegetables, with attention to segments with higher female participation, such as livestock, dairy and poultry.¹⁷
18. **Fund strategy.** ACAP will invest through equity and equity-like instruments in approximately 12 to 15 climate-resilient early-growth and growth-stage agri-SMEs that benefit small-scale farmers in Pakistan. The key investment themes include: (i) farmer platforms such as digital advisory and finance solutions that address farmer demand for quality inputs, timely information and access to finance; (ii) smart farming companies that offer products and services such as climate-adaptive mechanization to boost farm yields, conserve inputs and promote climate-resilient practices; and (iii) post-harvest solutions that provide market linkages and services such as storage, cold chain, logistics and value added processing.
19. Initial ACAP investments are expected to be in the range of US\$1 million and US\$3 million, with follow-on investments of US\$3 million to US\$7 million in select portfolio companies, generally acquiring a minority stake. In addition to capital, ACAP will also provide operational, strategic and governance support, leveraging Acumen's sector expertise and networks to drive value creation.
20. **Proposed IFAD investment.** An equity investment of up to US\$5 million in the fund's senior tranche, funded by the Private Sector Trust Fund. This represents IFAD's first equity investment following approval of the Non-Sovereign Operations Investment Strategy in 2025. IFAD will not fund the technical assistance facility.
21. **Expected outcomes.** By the end of ACAP's term, the NSO is expected to have contributed to:
 - **More rural employment opportunities:** 600 jobs created
 - **Higher income and revenues for small producers:** 888,000 farmers directly reached reporting higher income
 - **Higher production and farmer productivity:** 864,000 farmers directly reached reporting higher productivity
 - **Greater resilience of small-scale producers:**

¹⁷ Center of Gender and Policy Studies. 2018. [Rural Women in Pakistan – Status Report 2018](#).

- 720,000 farmers directly reached reporting the adoption of climate-smart practices and/or investments in mitigation or adaptation technologies
 - 405 hectares of land brought under climate-resilient management
 - A comprehensive results framework is available in annex I.
22. **Sustainability.** ACAP is a closed-end fund with a 10-year term from first closing, extendable by two 1-year periods, each with majority consent from investors and subject to certain conditions. While the fund will wind down upon expiration of its term, development outcomes are expected to endure through strengthened institutional capacities and climate-adaptive business models at the portfolio company level.
23. **Exit strategy.** Liquidity for investors will be realized through portfolio exits, including listings of the portfolio companies on the stock exchange, repurchases by the original sponsor or secondary purchases by a strategic corporate buyer or financial investor. Consistent with market practice, ACAP expects to pursue exits on a rolling basis, with an average holding period of approximately six years. Exit pathways will be assessed at entry and monitored throughout the holding period. Secondary transfers of fund interests may also provide additional liquidity options, subject to fund terms.

IV. Structure and governance

24. **Governance structure and oversight.** ACAP operates under a governance framework consistent with that of standard closed-end private equity funds. The fund manager is responsible for originating, executing and monitoring investments in accordance with the investment strategy agreed upon with investors. Investment and divestment decisions are subject to approval by an investment committee comprising professionals with relevant sector and investment experience. An advisory committee, comprising select investors, will oversee conflicts of interest and other matters defined in the fund documentation. A board exercises statutory, compliance and administrative oversight functions as required under Dutch law. Substantive investment management authority is delegated to the fund manager and the investment committee.
25. The investor base is expected to include DFIs, impact investors and domestic financial institutions. The Green Climate Fund (GCF) has approved an anchor commitment to the junior tranche of up to the lower of US\$25 million or 31.25 per cent of the fund size.¹⁸ Acumen and the ACAP team will commit up to US\$3 million to the junior tranche.
26. IFAD will not hold veto rights at the fund level or nominate a member to the investment committee or board and will evaluate the appropriateness of appointing a member to the advisory committee.
27. **Management.** ACAP's investment activities will be directed by a Pakistan-based senior team comprising three Pakistani professionals with experience in impact investing, agricultural and rural banking, and corporate mergers and acquisitions. The team combines local market knowledge with investment execution capabilities. The senior team is currently supported by two additional professionals, and ACAP expects to expand it following first closing to support portfolio development and monitoring.

¹⁸ GCF. 2024. [Decisions of the Board – thirty-eighth meeting of the Board, 4-7 March 2024](#). In addition to the commitment to the fund, GCF also approved an up to US\$3 million contribution to the technical assistance facility.

V. Strategic considerations

28. **Alignment.** The proposed investment aligns with IFAD’s mandate under the Agreement Establishing IFAD, the PSS 2025–2030, the Pakistan country strategic opportunities programme (COSOP) 2023–2027 and Sustainable Development Goals (SDGs) 2 (zero hunger), 5 (gender equality), 7 (affordable and clean energy), 8 (decent work and economic growth), 10 (reduced inequalities), 12 (responsible consumption and production) and 13 (climate action). ACAP’s focus on patient, catalytic capital for agri-SMEs serving small-scale farmers is consistent with IFAD’s strategic priorities of enhancing smallholder productivity, building climate resilience and strengthening private sector linkages in rural economies. Additional information on strategic alignment is provided in annex II.
29. **Additionality.** IFAD’s investment provides financial additionality in a challenging private equity fund-raising environment, where investor appetite has shifted towards larger established platforms.¹⁹ IFAD’s early commitment is expected to support fund-raising momentum for ACAP as a first-time country-focused fund. As an emerging markets agriculture specialist, IFAD’s participation may strengthen investor confidence. IFAD also provides non-financial additionality through the requirement of adherence to its social, environmental and climate standards.
30. **Private sector funds catalysed by the NSO.** IFAD’s investment may catalyse commitments to ACAP from impact investors and domestic financial institutions. More significantly, ACAP aims to demonstrate the investment readiness of Pakistan’s agri-SME segment to the broader investor community, building a track record that can attract greater private capital in subsequent funds. At the portfolio company level, ACAP’s investments are expected to generate further leverage as investees use growth equity to improve their balance sheets and access additional debt financing from commercial banks.
31. **Complementarity.** ACAP’s focus on agri-SMEs across pre-farm, on-farm and post-harvest segments complements IFAD’s sovereign operations under the Pakistan COSOP 2023–2027, which are designed to boost the productivity and profitability of smallholder farmers through climate-resilient diversification and an agribusiness approach while fostering the inclusion of landless and ultra-poor households through an economic empowerment approach. ACAP’s pipeline includes companies active in rice, poultry and vegetable farming, aquaculture and agritech advisory services that operate countrywide and are directly relevant to ongoing IFAD-financed projects such as (i) the Southern Punjab Poverty Alleviation Project; (ii) the Sindh Coastal Resilience Project; (iii) the Gwadar-Lasbela Livelihoods Support Project II; (iv) the Khyber Pakhtunkhwa Rural Economic Transformation Project; and (v) the Economic Transformation Initiative – Gilgit-Baltistan. By strengthening private sector actors that provide inputs, processing, market access and climate-adaptive solutions, ACAP can strengthen producers’ groups and value chain infrastructure supported under IFAD-financed sovereign projects.
32. **Operational considerations.** IFAD supervision will be conducted through market standard fund governance mechanisms and periodic reporting in accordance with the fund’s documentation. The proposed implementation modalities, including monitoring, evaluation and supervision, are set forth in annex III.
33. **Institutional roles and responsibilities.**
- (i) **IFAD:** IFAD will participate in ACAP as an investor with limited liability and contribute capital in accordance with its commitment, not exceeding the agreed amount. It will exercise its rights through market standard fund governance and oversight mechanisms. While IFAD may provide input during the fund’s establishment and documentation phase, it will not participate in,

¹⁹ Bain & Company. 2025. [Asia-Pacific Private Equity Report 2025](#).

or have control over, individual investment, management or day-to-day operational decisions once committed.

- (ii) **Recipient:** ACAP, as the investment vehicle, will pool capital commitments from IFAD and other investors and deploy in accordance with the agreed investment strategy. The fund manager is responsible for investment execution and portfolio management in line with the fund documentation.
 - (iii) **Programme coordination:** Coordination with IFAD's country programme will be facilitated through regular information exchange to identify areas of complementarity and knowledge-sharing, without influencing individual investment decisions.
34. **Monitoring and evaluation.** ACAP will report on development outcomes in accordance with an agreed results framework (annex I). Monitoring will combine reporting by portfolio companies with outcome assessments to track changes in farmer productivity, income and resilience. IFAD will review periodic reports and assess progress against agreed indicators.
35. **ESG considerations.** The project's environmental and social risk is classified as **moderate** based on IFAD's Social, Environmental and Climate Assessment Procedures (SECAP), while the climate risk in the assessed areas is categorized as **high**. An environmental and social action plan has been agreed upon to improve ESG performance.

VI. Conclusion

36. The NSO is aligned with IFAD's mandate under the Agreement Establishing IFAD, IFAD's PSS 2025–2030 and the Pakistan COSOP 2023–2027. IFAD provides additionality by addressing the long-term financing gap for climate-resilient agribusinesses in Pakistan and strengthening social, environmental and climate standards.
37. No objection to the investment has been provided by the Government of Pakistan.

VII. Recommendation

38. The Executive Board is invited to approve an equity investment of up to five million United States dollars (US\$5,000,000), constituted of Private Sector Trust Fund resources, to the senior tranche of Acumen Climate Action Pakistan Coöperatief U.A., and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Results framework

<i>Outreach/outcome</i>	<i>Indicators: Private Sector Financing Programme</i>	<i>Midterm²⁰</i>	<i>Final target</i>	<i>Data sources</i>	<i>Data collection methods</i>	<i>Frequency</i>
Output	Number of beneficiaries directly reached (disaggregated by % below poverty line)	600,000 (at least 30% below poverty line)	1.2 million (at least 30% below poverty line)	ACAP	Investee company reporting and third-party customer voice surveys	Annual ²¹
	Total number of beneficiaries reached (disaggregated by % below poverty line)	3.9 million (at least 30% below poverty line)	7.9 million (at least 30% below poverty line)	ACAP	Investee company reporting and third-party customer voice surveys	Annual
	Amount of total funding catalysed by the programme (disaggregated by climate versus non-climate, private versus other sources)	\$90 million climate (inclusive of the technical assistance facility); including 70% from DFIs	Same as midterm	ACAP	Fund accounts	Quarterly
	Funding disbursement rate	80% ²²	100%	Administrator	Fund accounts	Quarterly
	Total number of entities supported. Breakdown by type of investee and instrument (SMEs, financial intermediaries, etc.)	10 to 12 companies	12 to 15 companies	ACAP	Fund accounts and ACAP	Quarterly
Outcome 1: More rural employment ²³ opportunities, notably for women and youth	Number of formal jobs created by the programme's private sector recipients (disaggregated by gender and age)	300 jobs (77% male, 23% female, 45% youth)	600 jobs (77% male, 23% female, 45% youth ²⁴)	ACAP	Investee company reporting	Annual

²⁰ Midterm: after 5 years (end of investment period); end term: after 10 years (end of fund life).

²¹ The fund will report on these indicators annually. Customer voice surveys will be conducted at the baseline, midpoint and exit of each portfolio investment and will therefore not be administered annually.

²² The fund may still draw capital to fund fees, expenses and follow-on investments after the end of the investment period.

²³ Defined as jobs created and sustained at portfolio companies.

²⁴ Youth is defined as the population aged 15-24, in line with the Pakistan Labour Force Survey 2024–2025. National youth employment stands at approximately 38 to 40 per cent; 45 per cent represents a measured increase over the baseline, based on ACAP's expected thematic and sectoral allocation.

Outcome 2: Increased income and revenues for small-scale producers involved in food systems	Number of beneficiaries directly reached reporting an increase in income (disaggregated by gender and age)	420,000 (70% of lives directly impacted), including 403,000 male, 17,000 female, ²⁵ 189,000 youth	888,000 (74% of lives directly impacted), including 852,000 male, 35.5,000 female, 400,000 youth	ACAP	Third-party customer voice surveys	Annual
Outcome 3: Increased production and farmers' productivity	Number of beneficiaries directly reached reporting increased productivity	390,000 lives (65% of 600,000 lives directly impacted), including 374,000 male, 16,000 female	864,000 lives (72% of lives directly impacted), including 828,000 male, 35,000 female	ACAP		Annual
Outcome 4: Strengthened resilience of small-scale producers to the impacts of climate variability and shocks on their food security and nutrition	Number of beneficiaries directly reached reporting the adoption of promoted climate-smart practices and/or investments in mitigation or adaptation technologies [CI 3.2.2]	330,000 (55% of 600,000 lives directly impacted), including 317,000 male, 13,000 female	720,000 (60% of lives directly impacted), including 690,000 male, 29,000 female	ACAP		Annual
	Number of hectares of land brought under climate-resilient management [CI 3.1.4 / Adaptation for Smallholder Agriculture Programme indicator 4]	203 hectares	405 hectares	ACAP	Investee company reporting	Annual

- Assumptions.** Targets assume that ACAP reaches its US\$80 million target size and are derived from the current modelled portfolio and sector proxies. As a blind pool fund, baseline data are not yet available and will be established post-investment. Targets may be revised based on final portfolio composition and investee performance.
- Other relevant monitoring and evaluation activities.** The fund manager's entitlement to carried interest is conditional upon the achievement of a defined impact threshold of 6.5 million people, calculated as individuals receiving a product, service or training through portfolio companies, multiplied by household size. Progress towards this threshold will be reported to investors annually.

²⁵ Direct beneficiaries are typically the primary recorded recipients of services or benefits, generally corresponding to heads of household. According to Pakistan's [Agricultural Census](#), approximately 1.5 per cent of agricultural households are headed by women, reflecting structural patterns in land ownership and household registration. The proposed target of 4 per cent women direct beneficiaries represents a material increase over the national baseline and reflects ACAP's commitment to integrating a gender lens in its investment approach. As investments are made and portfolio-level baseline data become available, IFAD and ACAP will review performance and revise targets as appropriate.

Alignment with United Nations and IFAD mission

1. **Alignment with IFAD’s mandate and the SDGs.** By enabling patient, catalytic capital for climate-smart, gender-inclusive agri-SMEs serving small-scale farmers, the investment supports IFAD’s mandate under the Agreement Establishing IFAD to promote agricultural development and expand food production systems and aligns with SDGs 2, 5, 7, 8, 10, 12 and 13.
2. **Alignment with IFAD’s PSS 2025–2030 and Inclusive Rural Finance Policy.** The project is aligned with the objectives of the PSS 2025–2030 and its guiding principles of engagement: supporting inclusive and sustainable private sector development and investment in rural areas and food systems by mobilizing capital for investments in small-scale agriculture.
3. **Alignment with the country COSOP.** The Pakistan COSOP 2023–2027 outlines a comprehensive approach to addressing rural poverty and enhancing food security and is anchored in two strategic objectives: (i) enhancing the productivity and profitability of smallholder farmers through climate-resilient diversification and an agribusiness approach; and (ii) fostering inclusion of the landless and ultra-poor households through an economic empowerment approach.
4. Investment in climate-resilient agri-SMEs directly supports these objectives by strengthening value chains, improving access to inputs, finance (including insurance) and markets, boosting productivity and reducing post-harvest losses.
5. Such investments also generate rural employment and advance gender equality. ACAP integrates climate and gender considerations into its investment screening and may deploy the technical assistance facility to strengthen portfolio company practices where gaps are identified.

Operational considerations

1. **Main purposes of financing.** The proposed financing of up to US\$5 million from the Private Sector Trust Fund constitutes a capital commitment to ACAP, which will be drawn pro rata with other investors to fund investments, fees and expenses.
2. **Terms and conditions of financing instrument.** See section I of the main report.
3. **Reporting.** ACAP will submit audited annual financial statements, including the audit report and management letter, prepared in accordance with accounting standards acceptable to IFAD, as well as periodic interim financial statements and annual reporting on investments and development indicators, in line with IFAD requirements
4. **Monitoring and evaluation.** Outcomes will be measured through a comprehensive approach combining climate adaptation indicators, impact measurement surveys using tools that measure farmers' capacity to absorb shocks and adapt to climate variability and shocks, and the financial performance indicators of portfolio companies. ACAP will employ pre-investment climate screening to establish baselines, conduct farmer voice surveys and develop gender-specific metrics to ensure inclusion. Environmental impact will be assessed through metrics on water conservation, land management improvements and the adoption of climate-smart technologies, while business performance will be tracked through standard financial indicators and metrics on follow-on capital attraction.
5. **ESG considerations.** Acumen has undergone an emissions inventory exercise to assess its greenhouse gas (GHG) emissions. ACAP is transparent about emissions reduction goals and aligns with the Paris Agreement. Total reported emissions are approximately 8,254 tons of CO₂, including 37 tons from Scope 1 and 2 emissions (primarily office energy use) and 8,217 tons (95 per cent) from Scope 3 portfolio investments, primarily from early-stage companies with non-GHG-intensive business models in the agriculture, education, energy, health care and workforce sectors. For this NSO, investees, including farmers' organizations, SMEs, smallholders and other stakeholders, will comply with ESG requirements consistent with IFAD's SECAP guidelines and be screened against IFAD's exclusion list. ACAP will use ESG due diligence questionnaires, supplementary questionnaires, company policies and procedures, site visits, interviews, a climate risk assessment and resilience tool, a consumer protection questionnaire and, in some circumstances, employee engagement surveys for the ESG due diligence/audit.
6. Under SECAP, the **environmental and social (E&S) risk category** is **moderate**, and the **climate risk classification** **high** (precautionary approach in the absence of site-specific information). Given the focus on service provision, technology solutions and post-harvest infrastructure, the potential E&S risks and impacts of ACAP's investments are expected to be site-specific and contextual; they should be avoidable or mitigated by adhering to standards, procedures and guidelines such as ACAP's environmental and social management system (ESMS), which is aligned with IFC's E&S Performance Standards and broadly consistent with IFAD's SECAP requirements. The technical assistance facility will further strengthen investee capacity in climate resilience and social inclusion (especially gender equality and women's empowerment) and ESG management, requirements and impact. Overall, ACAP's governance arrangements, ESMS, grievance redress mechanisms, incident reporting procedures and technical assistance facility provide a sound and credible framework for managing E&S and climate risks in line with IFAD's SECAP. ACAP will apply corrective measures where necessary, particularly around exclusion list alignment; Free, Prior and Informed Consent; operational clarity; biodiversity and intensification risks; and improved gender- and youth-disaggregated monitoring to close these gaps within a reasonable period. These measures are summarized and

agreed upon in the E&S action plan developed with IFAD. Through their implementation, the project is expected to be designed and operated in accordance with IFAD's SECAP.

7. **Blended finance principles.** ACAP employs a blended finance structure that combines concessional financing with non-concessional investment from multiple investors. While its proposed financing is non-concessional, IFAD conducted an independent review to assess compliance with the Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations and found that the project broadly aligned while identifying several critical issues essential for implementation that will require ongoing monitoring and active management, among them private capital mobilization, sustainable commercial viability and high standards of conduct.

Main risks associated with this project

1. **Interest alignment risk.** While Acumen commits up to US\$3 million, this capital is primarily from its grant-funded balance sheet rather than personal capital from investment professionals, potentially weakening alignment relative to non-sponsored platforms. **Mitigants:** Team compensation includes carried interest. Acumen's reputational and fund-raising incentives reinforce performance discipline.
2. **Key person risk.** The senior team is critical to execution, and any departure will have a significant impact. **Mitigants:** Key person provisions include automatic suspension of the investment period upon a trigger event.
3. **Deployment risk.** The investable universe of governance-ready, growth-stage SMEs able to absorb US\$1 million to US\$7 million minority equity may be limited. **Mitigants:** Defined investment parameters and capped fund size constrain strategy drift. The sponsor and the team's networks support pipeline generation.
4. **Operational risk.** As Acumen's first returnable capital fund targeting Pakistan, ACAP is still formalizing fund management processes, policies and role delineation between the Pakistan-based team and the sponsor. **Mitigants:** Operational arrangements are expected to be modelled after the tested framework of other Acumen returnable capital funds and formalized before first closing.
5. **Macroeconomic, political and regulatory risk.** Pakistan has experienced periods of macroeconomic volatility and policy adjustment, which may create uncertainty for private sector investments. **Mitigants:** (i) vintage diversification and flexibility to time entry and exit across cycles; (ii) a focus on market-oriented agribusinesses and avoidance of policy-sensitive crops; (iii) strong local execution capacity; and (iv) the ongoing IMF-supported reform programme, which supports macroeconomic stabilization and policy continuity.
6. **Exit risk.** As a closed-end fund without redemption rights, ACAP's liquidity depends on timely portfolio exits. Secondary sales of fund interests are possible but typically occur at a discount, especially in frontier markets. Investments may remain illiquid beyond term, potentially requiring further extensions or continuation vehicles to avoid value-destructive forced exits. Pakistan's shallow capital markets and limited late-stage financial sponsors have historically constrained exit options. **Mitigants:** The fund manager may use self-liquidating instruments where feasible and deemed in ACAP's best interests. Sponsor commitment incentivizes disciplined exit planning.
7. **Concentration risk.** Single-country, single-sector exposure increases correlation risk. **Mitigants:** Diversification across provinces, value chains, investment themes and vintages helps reduce portfolio sensitivity to idiosyncratic shocks.
8. **Foreign exchange (FX) risk.** US\$ investors are exposed to PKR depreciation. Active FX hedging is generally impractical for equity investments. **Mitigants:** (i) conservative underwriting assumptions; (ii) investments in export-oriented businesses with US\$-linked revenues that provide natural hedging; (iii) investments in companies with sufficient market positioning or pricing flexibility to absorb or partially pass through cost increases; and (iv) vintage diversification to reduce timing risk.
9. **Impact risk.** Results depend on final portfolio composition. Pipeline assumptions may not fully materialize. Gender outcomes may face structural barriers. **Mitigants:** Scalable digital models support outreach expansion. Failure to meet the defined impact threshold proportionally reduces carried interest, incentivizing impact delivery.

10. **Technical assistance facility execution risk.** The governance structures and operating procedures of the technical assistance facility are still being finalized. **Mitigants:** Formalization of such arrangements, as they concern ACAP, is expected before first closing.
11. **Fund-raising and subscale risk.** The current private equity fund-raising environment is challenging. Failure to reach a minimum viable size could adversely affect performance. **Mitigants:** This risk is partially mitigated by the anchor commitment from GCF and visibility on a meaningful first closing.
12. **Integrity risk.** IFAD conducted enhanced due diligence of ACAP, the fund manager and the fund administrator, including an assessment of their anti-financial crime programmes based on the current status of documentation.
13. ACAP's Investment Director was flagged as a former politically exposed person (PEP) (board role ended in 2023) and potential PEP due to a chairperson role at a state-owned guarantee company. These were assessed as **moderate** risk, noting that the past role is dated and the state-owned company guarantees cannot be extended to funds like ACAP. A legal opinion confirmed that the current role does not qualify as PEP under local law. The individual intends to step down as chair (retaining the Director role) upon first closing.
14. IFAD also identified a former PEP on the investment committee and lower-risk alerts involving another investment committee member and the fund administrator for anti-money laundering, countering the financing of terrorism and anti-financial crime (AML/CFT/AFC) regulatory violations. ACAP will be subject to national AML/CFT/AFC regulations and the standards issued by the Dutch regulator. The fund manager will be subject to full AML/CFT/AFC regulatory oversight.
15. ACAP is in the process of adopting a structured AFC framework designed to comply with applicable regulations and international standards, which will be applicable to both it and the fund manager and set requirements for the fund administrator's checks on investees. The fund manager will appoint an AML compliance officer to its board for AFC matters, supported by the sponsor's risk and compliance team. An automated screening system will be used for onboarding and regular review of beneficiaries and ultimate beneficial owners. The fund manager staff that conduct AFC checks will complete annual AFC training. While no audit reports are yet available for the fund and fund manager, the sponsor's 2024 audited financial statements identified no adverse AFC findings.
16. Areas for improvement include the completion of AFC framework implementation and the adoption of policies and procedures governing the onboarding, monitoring and management of domestic PEPs and the public officials among their staff. IFAD will follow up on the anti-financial crime programme assessment during the NSO supervision missions.
17. **Conflicts of interest risk.** Given the state-owned guarantee company's mandate to de-risk and increase financing for SMEs and ACAP's focus on agri-SMEs, IFAD assessed potential conflicts of interest, concluding the risk to be **low**.
18. **Financial management considerations.** Inherent financial management risk is assessed as substantial under the integrated project risk matrix. Several key areas remain under development, including the establishment of budgeting, accounting and financial management procedures and fund-specific policies, the set-up of accounting and information systems and the recruitment of a finance manager. However, a reputable fund administrator will oversee operations, Acumen's policies will be adapted to ACAP, and the fund is actively monitoring all implementation activities. Residual risk is mitigated to **moderate**.
19. As fund administrator, Vistra will provide accounting, bookkeeping, payments processing, financial reporting and external audit support (excluding internal

- audit).²⁶ Its capabilities in fund management and service delivery are evaluated as satisfactory, evidenced by its extensive experience. The service charge will consist of fixed financial service fees and variables based on documentation signing.
20. A full-time finance manager will be hired to oversee daily operations, coordinate with Vistra and support the annual external audit. Recruitment is under way and investors will be updated on progress.
 21. The fund's expense framework, including organizational, operating and transaction expenses, is clearly spelled out in the fund documentation. Organizational and transaction expenses are subject to defined caps.
 22. Annual financial statements will be prepared in accordance with accounting standards acceptable to IFAD and audited in accordance with International Standards on Auditing. ACAP will submit audited annual financial statements, including the audit report and management letter, as well as periodic interim financial statements and annual reporting on investments and development indicators, in line with IFAD requirements. The investment policy clearly states the fund's objective and constitutes a binding commitment to ensure that the funds shall be invested solely for the intended purpose.
 23. **ESG risk.** Given the potential sectoral footprint and anticipated size of investments, the operation is classified as **moderate** for E&S risk and **high** for climate risk. The moderate E&S classification reflects the potential impacts of project activities on biodiversity conservation, resource use, pollution, agricultural intensification, agrochemical use and various social aspects. Gender-related risks are **high**, given women's concentration in low-paid and insecure agricultural work and the potential for backlash or harassment linked to initiatives promoting their economic empowerment. The **high** climate risk rating stems from increasing temperatures and the frequency and intensity of extreme weather events impacting Pakistan. These risks require robust due diligence, enforceable ESG action plans at the investee level, targeted technical assistance and sustained monitoring to ensure alignment with IFAD's SECAP and IFC's E&S Performance Standards. These ratings will be reviewed and revised accordingly with updated information about portfolio companies.

²⁶ Vistra acts as administrator for 200,000 legal entities and has US\$495 billion in assets under administration. It is present in 46 countries, including the Kingdom of the Netherlands, and employs over 10,000 staff.

Company Information

1. **Institutional profile.** The sponsor of ACAP is Acumen Fund, Inc. (Acumen), a U.S. non-profit founded in April 2001 with seed capital from the Rockefeller Foundation and other philanthropic partners. Acumen pioneered a “patient capital” approach, deploying long-term philanthropic and investment resources into market-based businesses serving low-income and underserved populations, particularly in developing countries. Its model combines capital with operational and governance support.
2. By 2024, Acumen reported having reached 719 million lives through its investments and support activities and contributed to approximately 964,000 jobs. It operates across South Asia, sub-Saharan Africa, Latin America, and the United States in sectors including renewable energy, sustainable agriculture, water and sanitation, health, education, and dignified jobs. Acumen employs approximately 150 staff globally.
3. Historically, Acumen deployed predominantly grant-funded capital into high-risk, high-impact, early-stage social enterprises. As of 2024, it had cumulatively deployed US\$185 million such grant-based capital across 201 companies in 21 countries, including approximately US\$15 million in 16 companies in Pakistan, where it has operated since 2002.
4. Acumen has also developed a returnable-capital platform through its subsidiary Acumen Capital Partners (ACP), which raises for-profit, closed-ended funds from institutional and development investors under standard fiduciary and governance arrangements. Notable funds include the Acumen Resilient Agriculture Fund (climate-resilient agriculture in Africa), KawiSafi Ventures (clean energy in East Africa), and the Hardest to Reach initiative (off-grid energy in Africa). ACAP represents Acumen’s first returnable-capital fund focused on Pakistan.
5. **Ownership.** The fund manager of ACAP is wholly owned by ACP, which is in turn wholly owned by Acumen. As a US 501(c)(3) non-profit, Acumen has no traditional ownership structure. As of the end of 2024, Acumen reported US\$206 million in net assets. Funding sources included governments (27%), individuals and family foundations (26%), corporations and corporate foundations (26%), and foundations and non-profits (21%).²⁷
6. **Governance and oversight.** ACAP’s investment and divestment decisions are subject to approval by the IC. The AC will advise the Fund Manager on conflicts of interest and other matters defined in the fund documentation. The Fund will also have a board comprising Acumen staff and Dutch residents from the Fund Administrator. Compared with corporate boards, boards of Dutch cooperatives used in fund structures tend to play a more limited, compliance-focused role, with substantive commercial and investment decisions largely delegated to the Fund Manager and the IC.
7. IFAD will not hold veto rights at the Fund or nominate a member to the IC or the board. IFAD will evaluate the appropriateness of appointing a member to the AC.
8. **Risk management and investment policy.** ACAP’s investment process is consistent with industry norms. Investments are expected to incorporate customary downside protection mechanisms and minority safeguards. Company-specific risks will be identified through due diligence and addressed through negotiated contractual protections and governance arrangements. Portfolio-level diversification further mitigates risk. The Fund documentation establishes defined limits on exposure to individual portfolio companies and investment themes to ensure prudent concentration management.

²⁷ Acumen. 2025. [2024 Annual Report](#).

9. **Regulation and benchmarking.** As a Netherlands-incorporated fund, ACAP will be subject to applicable Dutch regulatory requirements. ACAP is the first Pakistan-focused PE fund exclusively targeting climate adaptation-focused agribusinesses. There are no direct peers with comparable strategy, mandate, and structure.
10. **Track record.** While Acumen has over two decades of experience operating in Pakistan, ACAP is the first Pakistan-focused returnable-capital fund sponsored by Acumen. Acumen's prior Pakistan grant-based investments totalled US\$15 million across 16 enterprises, currently valued at approximately US\$6.1 million (realized and unrealized combined). The Acumen Resilient Agriculture Fund (2019 vintage, Africa-focused), which has a similar climate-resilient agriculture mandate, has deployed US\$39 million as of September 2025 across 13 companies and is tracking a 1.2x multiple on invested capital.
11. **Digital readiness and MIS.** ACAP is a closed-ended PE fund and not an operating company or financial institution. Accordingly, it does not require enterprise resource planning systems or loan management platforms typical of corporates or banks. The Fund will rely on standard fund administration, accounting and reporting systems supported by its Fund Administrator and internal control framework.
12. **Data and reporting considerations.** As a blind-pool fund, portfolio-level financial and impact data will become available progressively following investments. ACAP will provide reporting in line with fund documentation and IFAD requirements.
13. **Conclusion.** ACAP combines Acumen's institutional experience in impact investing with a returnable-capital fund structure governed by standard PE practices. While ACAP is a first-time fund, its governance, risk management, and reporting arrangements are consistent with industry norms.

Financial Analysis

1. ACAP is a newly established closed-ended PE fund and therefore does not have historical financial information or asset quality metrics. Its capital structure and investment strategy are described in the main body of the paper.
2. In assessing closed-ended PE funds, financial analysis is inherently forward-looking, as the vehicle is a blind pool and portfolio companies are not yet identified. Comfort is therefore typically derived from the fund manager's institutional track record, team capabilities, and performance of prior funds or comparable strategies. As ACAP is a first-time fund, there is no realized track record for direct reference. Relevant experience of the Sponsor and comparable mandates is summarized in Appendix 1. While informative, such references should not be viewed as directly predictive of ACAP's future performance.
3. As a commitment-based vehicle, the Fund does not rely on retained earnings or balance sheet leverage for solvency. Capital is drawn from investors pro rata within their committed amounts to fund investments, fees and expenses. Accordingly, traditional corporate liquidity and solvency ratios are not directly applicable. The Fund targets market-based financial returns commensurate with its strategy and risk profile. Financial performance will depend on portfolio realization over the fund term.

IFAD Proceeds Target Groups

1. IFAD proceeds will be deployed through ACAP to support early-growth and growth-stage agri-SMEs in Pakistan whose business models strengthen climate resilience and benefit small-scale farmers.
2. Enterprises considered for investment are expected to:
 - Be legally established with clear ownership and regulatory compliance;
 - Demonstrate sound governance, financial transparency and operational capacity;
 - Show strong potential for growth and market positioning;
 - Align with the Fund's strategy, including climate adaptation objectives and ESG standards;
 - Present a credible pathway to value creation and eventual exit; and
 - Successfully complete reputational and integrity screening, including politically exposed person checks.
3. In addition to meeting eligibility criteria, prospective investees are assessed for strategic and financial fit. Considerations may include:
 - Demonstrated operating track record and revenue-generating business model;
 - Financial performance and capital structure appropriate for minority equity investment;
 - Exposure to scalable markets with meaningful smallholder participation;
 - Management capacity and governance standards; and
 - Business models that contribute to improved productivity, income generation, market access, or climate resilience for small-scale farmers.
4. Final investment decisions are subject to ACAP's due diligence, IC approval, and compliance with the fund documentation.