aatif

Africa Agriculture and Trade Investment Fund

Increasing Income. Improving Food Security.

AATIF Annual Report 2014

Contents

Abbreviations

AATIF	Africa Agriculture and Trade Investment Fund
BMZ	Federal Ministry for Economic Cooperation and Development
CFC	Common Fund for Commodities
COMESA	Common Market for Eastern and Southern Africa
ESMP	Environmental and Social Risk Management Policy
ESRA	Environmental and Social Risk Analysis
GDP	Gross Domestic Product
IC	Investment Committee
ILO	International Labour Organization
IM	Investment Manager
KFW	Kreditanstalt für Wiederaufbau
m	Million
MDGs	Millennium Development Goals
OECD	Organization for Economic Co-operation and Development
PI	Partner Institution
S&E Impact	Social and Environmental Impact
SDGs	Sustainable Development Goals
SEMMP	Social and Environmental Management and Monitoring Plan
SEMS	Social and Environmental Management System
SME	Small and Medium Enterprises
UN	United Nations
UNEP	United Nations Environmental Programme
TA Facility	Technical Assistance Facility

Letter from the Chairperson

Dear Reader,

It has been a challenging year for AATIF, but also a period of continued progress. The AATIF of today is very different from the fund we created in August 2011. In 2011, we set out to support the Millennium Development Goals of eradicating extreme poverty and hunger and ensuring environmental sustainability. By investing along the entire agricultural value chain in Africa we have endeavored to make a difference to food security and poverty alleviation. AATIF has since built an investment portfolio of eight investments. Disbursed funds add up to a total sum of USD 108m. AATIFs Investments cover the entire the value chain from primary agriculture to processing and ready to buy products. In 2014/15 more than 50,000 tons of food crops have been produced by AATIF's investees including more than 14,419 tons of maize, 26,374 tons of wheat and 11,587 tons of soya. Notwithstanding the positive track record, AATIF's investee's faced severe weather challenges. Ebola halted the cocoa trading of Balmed in Sierra Leone, while drought forced the Zambian Chobe farm to align its crop varieties. All along, the AATIF team has supported and assisted the AATIF investees by developing solutions and strategies to strengthen each business case.

Despite the challenges, investing in the agricultural value chain in Africa to achieve food security and poverty alleviation respecting the principles of sustainable agriculture has been and will remain of critical importance. As the Millennium Development Goals expire, much remains to be done. To this effect, the successor framework, the Sustainable Development Goals (SDGs) include Goal 1 to "End poverty in all its forms everywhere" and Goal 2 to "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture" by 2030. The focus on food security and eradicating poverty confirms the relevance of AATIF's mission and its public-private financing partnership.

The closing financial year was eventful. We are now looking forward to an intensive 2015/16, where we intend to continue building a stronghold on agricultural intermediaries with a special focus on connecting African farmers, particularly smallholders, to global markets. Equally are we targeting solutions for mechanization of farmers by way of innovative funding models which align financial institutions with equipment providers and farmers. It will remain critical to define and put in practice innovative models to increase access to agricultural funding while at the same time supporting those who are already benefiting from AATIF. Kofi Annan (Chair of the Kofi Annan Foundation) emphasized in his speech during the OECD-Conference 2015 in Berlin "The greatest success will come if bigger farms share market access, improved seed varieties and advanced farming techniques with small farmers". Every day the AATIF team tries to find and fund solutions to bring this change about.

I hope you will enjoy reading the report,

Thomas Duve
Chairman of the Board of Directors

Letter from the Investment Manager

Dear Reader,

In 2014/15, the AATIF team continued to grow its agricultural footprint and portfolio in Africa. During 2014/15 AATIF expanded its investment portfolio by facilitating the business rescue of Cape Concentrate, a South African tomato paste producer, who provides an off-take for tomatoes grown by low-income communities and local farmers. As the only industrial off-taker in the Eastern Cape, Cape Concentrate can become an anchor for the development of this poor region. At the same time, it experienced the challenges of community farming and is taking stock of lessons learnt.

The AATIF does not only provide funding. The entire fund team also supports its investees throughout the investment cycle to adapt to a continuously changing business environment. The restructuring of GADCO Ghana and its smallholder scheme is but one example. Throughout the last financial year, the company has been guided and supported to ensure continuity of operations.

In 2014/2015 AATIF undertook a detailed review of its strategy to direct its future growth. Focus countries have been identified for both its indirect investments to support the growth of agricultural loans through local financial institutions and corporate intermediaries, as well as for its direct investments into agricultural projects. The AATIF team and network has grown and our new colleagues and partners bring long-standing experience in opportunities and challenges of the African agricultural sector.

2015 is the Year of Sustainability. In September, the UN General Assembly adopted the new Sustainable Development Goals (SDGs) as follow-on framework to the Millennium Development Goals. SDG 1 and 2 set out to reduce poverty, end hunger, achieve food security and promote sustainable agriculture. In December, the world will meet to discuss a new framework to combat climate change, emphasizing mitigation and adaptation strategies. Sustainable agriculture is at the heart of both of these important development agendas. Agricultural production and the income it generates for commercial farmers and smallholders are repeatedly affected by changing weather patterns, epidemics and/or market demand and supply fluctuations. Supporting the agricultural sector especially in challenging settings thus remains fundamental to attain food security and to lift the poor out of poverty.

We therefore look ahead with pride in our mission and confidence that we can further grow AATIF's resources and investments to support agricultural partnerships that work – for Africa and for our shareholders.

The Deutsche Bank team

Letter from the Compliance Advisor

In 2014/2015, AATIF upheld its sustainability commitment towards responsibly managing the social and environmental risks and impacts of its operations while looking out to seize promising development opportunities. As the Fund's portfolio continued to grow, so did the Fund's activities in supporting and monitoring Partner Institutions to improve social, environmental and development aspects. Thus, this past year has provided many learning opportunities to improve AATIF's sustainability footprint.

The level of collaboration between the AATIF and current as well as potential Partner Institutions increased during the past year and resulted in further mainstreaming of social and environmental management in the Partner Institution's operations according to the AATIF Social and Environmental Safeguard Guidelines, updated in March 2014.

AATIF's financial Partner Institutions were particularly dynamic in 2014/2015. Whether developing from scratch and implementing a social and environmental management system or undertaking a thorough revision of the existing policies and procedures, financial institutions in Africa are increasingly recognizing the importance of having a sound social and environmental management system, constantly improving the same and adding tracking of S&E Impacts as a crucial reporting element.

Within the Fund's impact measurement framework, three research projects have been prepared in 2014/15 and are set to start in the second half of 2015: a comprehensive 5-year impact evaluation of the Wienco out-grower schemes, a 1-year S&E study of Chase Bank on the effectiveness of a facilitated S&E loan appraisal, and rapid appraisals of Chobe Agrivision and Cape Concentrate. The results of these studies will provide valuable insights to AATIF and its stakeholders about the effectiveness of the Fund's sustainable development approach and contribute to building an evidence base for the impact of sustainable investments.

The Africa Agriculture and Trade Investment Fund at a glance

Mission

The Fund's mission is to realise the potential of Africa's agricultural production, manufacturing, service provision and trade for the benefit of the poor. The Fund aims to provide additional employment and income to farmers, entrepreneurs and labourers alike. Increasing productivity, production, and local value addition by investing in efficient value chains and providing knowledge transfer are paramount. In this context, a dedicated effort will especially be made to support out-grower schemes.

The Africa Agriculture and Trade Investment Fund at a glance

The Fund's principles

Sustainability:
AATIF strives to unite economic, social and environmental aspects when considering investments to create a lasting and sustainable impact in all of these areas. By financing financially sound investments, the Fund allows for a revolving use of its means. Guided by a strong commitment to sustainable economic development, AATIF intends to complement earlier stage development assistance programmes (funded by grants or concessional financing) by providing financing at market based terms. AATIF promotes and builds awareness for responsible finance by providing funding only to investees that are willing to work towards compliance with AATIF's Social and Environmental Safeguard Guidelines.

Additionality:
AATIF provides resources in areas which are currently experiencing a lack of appropriate financial services. Consequently, AATIF does not intend to provide financing in areas where the private sector already satisfies demand. Such positive "crowding-in" effects can also be observed by scaling-up existing development assistance programmes or by bridging the gap between such programmes and private sector players with very conservative risk perceptions. Innovation with respect to loan structures and collateral requirements, risk sharing with industry partners or the combination of loan products with insurance mechanisms characterize AATIF's approach to agricultural lending in Africa.

Governance structure

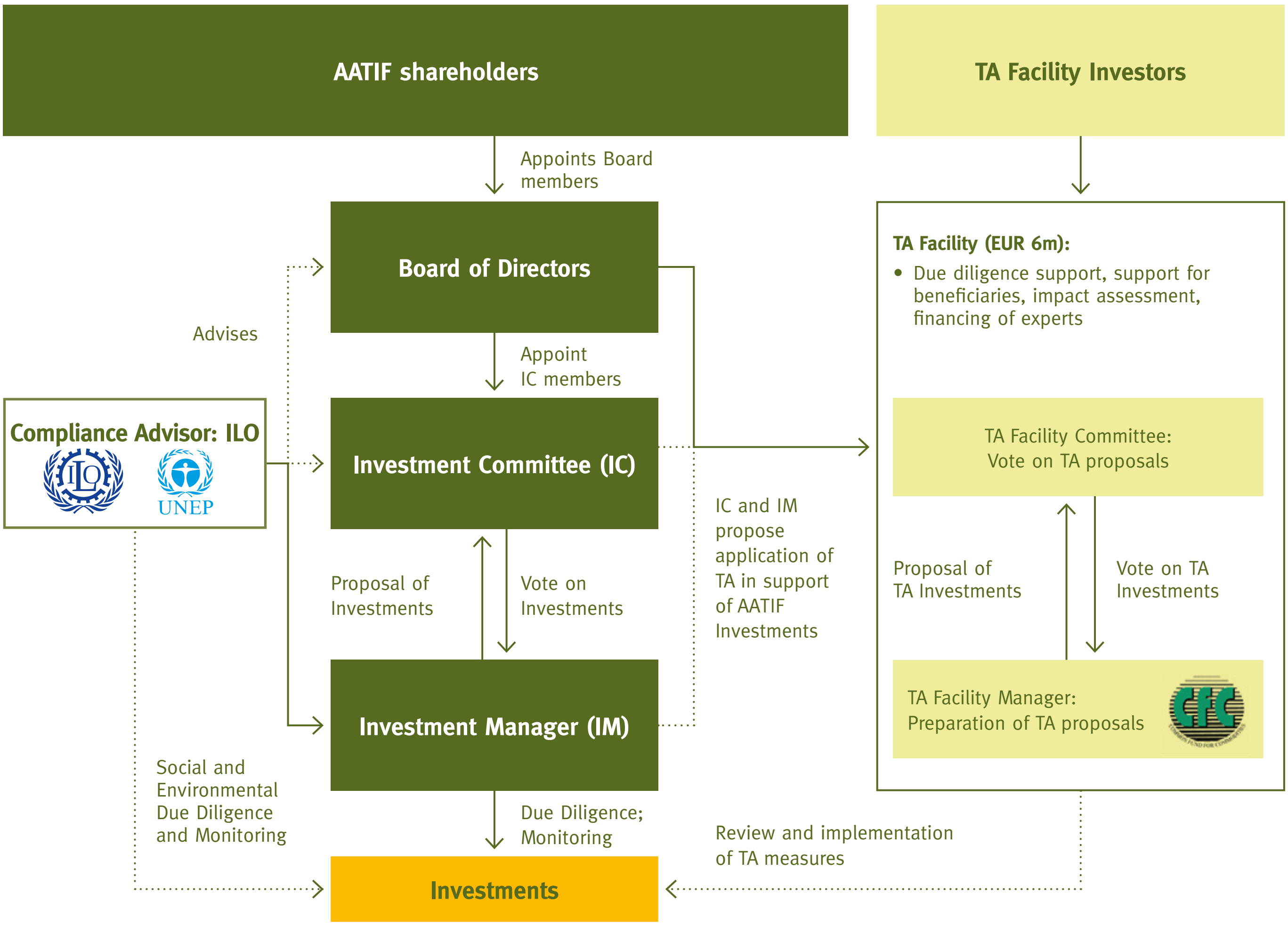
The Fund's Shareholders elect the Board of Directors, which oversees the Fund's activities and is responsible for strategic decisions. The Board of Directors is the legal representative of the Fund. In compliance with AATIF's founding documents and applicable laws and regulations, it has the exclusive power to administer and manage the Fund.

The Board of Directors appoints the Investment Committee which approves or rejects investment proposals brought forward by the Investment Manager and monitors the activities of the Investment Manager. The Investment Manager was selected in a competitive and public process and supports and advises the Board of Directors in relation to ongoing fund management measures. A Technical Assistance Facility (TA Facility) accompanies AATIF's lending. The TA Facility is supervised by the Technical Assistance Facility Committee representing the Facility's donors. It is managed by the Common Fund for Commodities, an intergovernmental financial institution established within the framework of the United Nations.[1] The focus of the TA Facility is to grant capacity building support as well as ensure knowledge dissemination on agriculture and agro-finance (including scientific studies or trials concerning factors such as social impact or climate change effects). Capacity building measures may comprise support through hands-on and customized services to the investees of the Fund to achieve results such as the Partner Institution's (PI) compliance with the Fund's Social and Environmental Safeguard Guidelines and the Development Policy Guidelines or by improving agronomic/management/credit analysis skills through offering investment specific support to PIs and Final Beneficiaries.

[1] For further Information on the Common Fund for Commodities see http://www.common-fund.org/

To assess an investment's compliance with the Fund's Social & Environmental Safeguard Guidelines, the Fund has partnered with the International Labour Organization (ILO), a specialised United Nations agency with the mandate of promoting decent work. As the Fund's Compliance Advisor, ILO focusses on the social risk and impact component of AATIF's Social and Environmental Safeguard Guidelines and has signed a 2-year agreement with the United Nations Environment Programme (UNEP), which is expected to be extended before the end of the year, to receive technical input and advice on environmental compliance related to the AATIF investments. In concert with UNEP and other competent partners, the AATIF Compliance Advisor provides an independent compliance opinion to the Investment Manager and the Investment Committee before any investment decision is made.

Organizational structure



AATIF's business strategy

The AATIF focuses on investments in agriculture. It targets small, medium and large scale agricultural farms as well as agricultural businesses along the entire agricultural value chain, including input providers, processing companies as well as exporters. AATIF's investments are direct or indirect: Direct Investments can comprise financing to cooperatives, commercial farms and processing companies, while Indirect Investments relate to financing of local financial institutions or other intermediaries (such as large agribusinesses or distributors of agricultural inputs) which on-lend AATIF funding in cash or kind to the agricultural sector. AATIF intends to maintain a balance between direct and indirect investments, as both approaches can have a positive developmental impact and provide for adequate risk diversification.

In pursuing its strategy, the Investment Manager continues to cooperate with established input providers and off-takers already involved in the agricultural value chain as well as with risk insurers to protect AATIF and its clients from insurable risks.

AATIF and the Sustainable Development Goals

For the past 15 years, the Millennium Development Goals (MDGs) have guided the international development agenda. The MDGs, which consist of eight globally agreed goals and a set of measurable targets, established a blueprint for tackling the most pressing development challenges of the new millenium. To achieve the goals, alliances have been initiated between national governments, international organizations, civil society and the private sector. AATIF is one of those partnerships. The Fund has been founded with a focus on food security by investing along the African agricultural value chain. AATIF's objectives include supporting business growth of agricultural enterprises, connecting smallholder farmers to inputs and markets, contributing to local value creation and ultimately reducing poverty. The Fund thereby contributes primarily towards MDG 1 (eradicate extreme poverty and hunger). Through the collaboration with ILO and UNEP, AATIF investees are in parallel supported and monitored in their management of social and environmental risks and impacts as well as with their implementation of measures to avoid and mitigate negative and enhance positive impacts. As a result, AATIF's overall contribution to the MDGs includes ensuring environmental sustainability (MDG 7) and support improved health and education (MDGs 2 and 6). Investees are expected to adopt measures to improve employees and community health and safety, which entail in some cases promoting gender equality, combating diseases such as malaria, as well as taking measures to mitigate and abate pollution related to their processes. The CFC in its role as Technical Assistance Manager complements the collaboration between AATIF, ILO and UNEP by introducing measures which help AATIF investees i. a. to reach their development potential in the spirit of the MDGs. This is the case for instance as regards the support provided to the Chobe Agrivision Farm for the refurbishment and extension of the nearby Katuba

Table 1[2]

Goal	Achievements	AATIF Priority
Eradicate extreme poverty and hunger	**Extreme poverty has been reduced by half.** In 1990, almost half of the population in developing regions lived on less than $1.25 a day. This rate dropped to 22 per cent by 2010, reducing the number of people living in extreme poverty by 700 million.	✓
	Hunger continues to decline, but immediate additional efforts are needed. The proportion of undernourished people in developing regions has decreased from 24 per cent in 1990–1992 to 14 per cent in 2011–2013. However, progress has slowed down in the past decade. Chronic undernutrition among young children declined, but one in four children is still affected.	✓
Achieve universal primary education	**90 per cent of children in developing regions are attending primary school.** In 2012, 58 million children were still out of school.	
Promote gender equality and promote woman	**Gender equality is at the forefront:** The political participation of women has continued to increase In January 2014, 46 countries boasted having more than 30 per cent female members of parliament in at least one chamber.	
Reduce child mortality	**Child mortality has been almost halved.** Worldwide, the mortality rate for children under age five dropped almost 50 per cent, from 90 deaths per 1,000 live births in 1990 to 48 in 2012. Preventable diseases are the main causes of under-five deaths.	
Improve maternal health	**Globally, the maternal mortality ratio dropped by 45 per cent between 1990 and 2013,** from 380 to 210 deaths per 100,000 live births.	
Combat HIV/AIDS, malaria and other diseases	**Antiretroviral therapy is saving lives** – Antiretroviral therapy for HIV-infected people has been increasing dramatically, with a total of 9.5 million people in developing regions receiving treatment in 2012. **Between 2000 and 2012, an estimated 3.3 million deaths from malaria were averted due to the substantial expansion of malaria interventions.**	
Ensure environmental sustainability	**Major trends that threaten environmental sustainability continue, but examples of successful global action exist.** Global emissions of carbon dioxide continued their upward trend and those in 2011 were almost 50 per cent above their 1990 level. At the same time, international action has been increasing.	
Develop a global partnership for development	**Development assistance rebounded,** Official development assistance stood at $134.8 billion in 2013, the highest level ever recorded, after two years of declining volumes.	✓

School and the purchase of a bus to ensure children in the farm could attend school, which has increased access to education for children in the area.

Global MDG achievements are highlighted by the MDG Report 2014 and are summarized above. The plentiful initiatives undertaken within the MDG framework have undeniably resulted in remarkable achievements, but there is much left to be done (see table 1).

Since the Rio+20 Conference in June 2012, UN Member States have engaged in discussions to define the global post-2015 development agenda. At the UN Sustainable Development Summit September 25–27, 2015 in New York, USA 17 Sustainable Development Goals (SDGs) have been agreed which are illustrated below (see table 2). Each goal is further supported by a set of targets[3].

The SDGs demonstrate that the AATIF funding model remains highly relevant. Within the SDG agenda, access to financial services continues to be a prominent mean to end poverty, achieve food security and promote decent work. Goal 2 and 8 emphasize that AATIF's mission to improve food security and enable agricultural production for the benefit of the poor remains at the heart of the agenda: While goal 2 targets doubling agricultural productivity and incomes of small-scale food producers by 2030; Goal 8 stresses the importance of achieving higher levels of economic productivity. By taking a dedicated approach on supporting agricultural companies in least developed countries, AATIF actively responds to Goal 10. More goals are addressed by AATIF's responsible investment approach as the AATIF social and environmental guidelines i.a. promote productive employment and decent work and require investees to ensure healthy environments, sustainable management of water, sustainable production patterns and sustainable use of terrestrial ecosystems. AATIF's partnership with ILO, UNEP and the CFC is hereby pivotal to generate an impact on these goals.

It is an exciting time and AATIF and its public and private partners are ready to continue tackling the challenges to achieve sustainable development and leave no one behind.

Table 2

	Sustainable Development Goals
Goal 1	End poverty in all its forms everywhere
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
Goal 3	Ensure healthy lives and promote well-being for all at all ages
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
Goal 5	Achieve gender equality and empower all women and girls
Goal 6	Ensure availability and sustainable management of water and sanitation for all
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Goal 10	Reduce inequality within and among countries
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable
Goal 12	Ensure sustainable consumption and production pattern
Goal 13	Take urgent action to combat climate change and its impacts
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development

[2] For more information see The Millennium Development Goals Report 2014, by the Department of Economic and Social Affairs of the United Nations Secretariat, © 2014 United Nations. Reprinted with the permission of the United Nations.

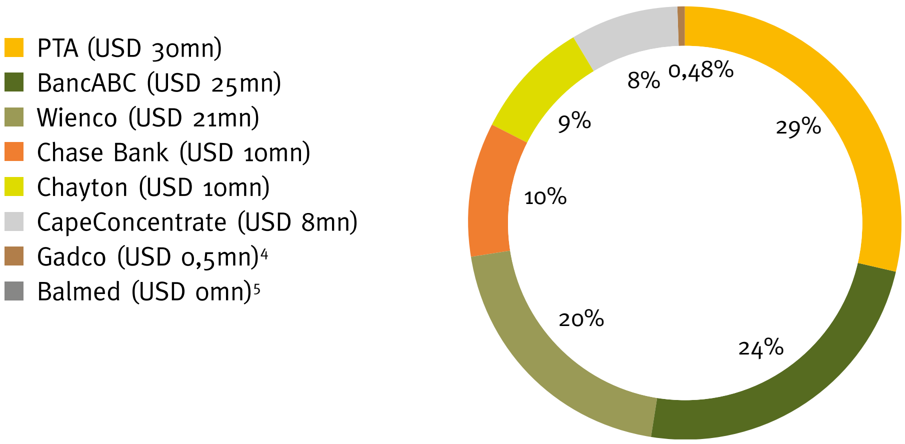
[3] For more information see https://sustainabledevelopment.un.org, © 2015 United Nations. Reprinted with the permission of the United Nations.

AATIF Investment Portfolio 31 March 2015

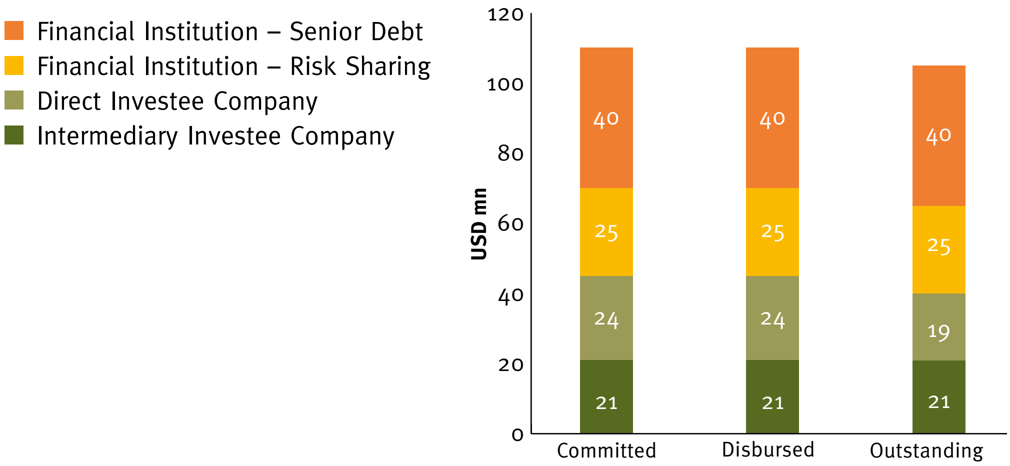
In 2014/15, AATIF expanded its investment portfolio by facilitating the business rescue of Cape Concentrate, a South African tomato paste producer.

An overview on the current portfolio breakdown is depicted below.

Portfolio Composition by Partner Institution



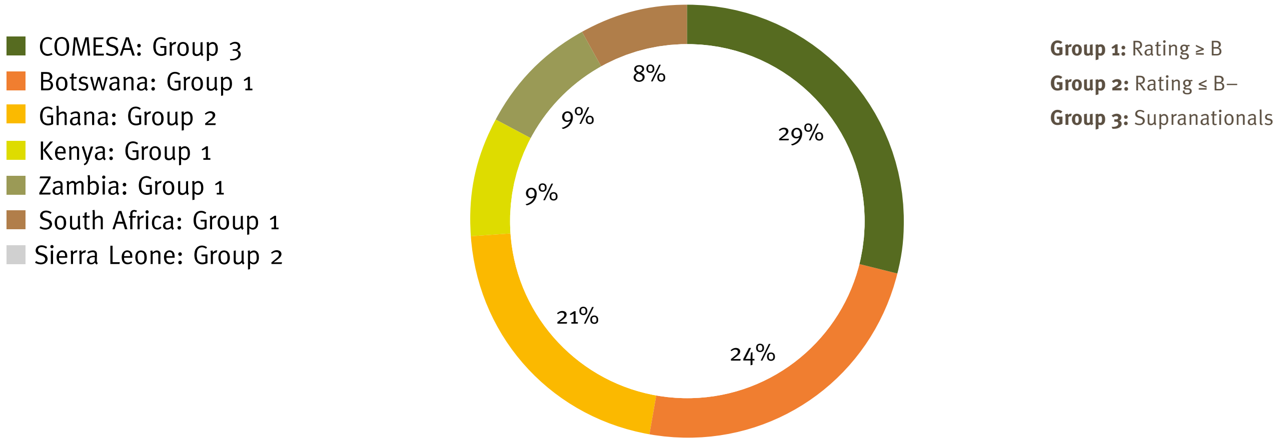
Portfolio Composition by type of Partner Institution



[4] The Gadco investment was impaired in June 2014 when GADCO experienced operational challenges requiring a comprehensive restructuring

[5] A 100 % loss provision was booked in June 2014

Portfolio Composition by Country Groups



AATIF Investment Portfolio in Detail by Country

South Africa

South Africa Macro View and Agricultural Sector Development[6]

Africa's most advanced economy, South Africa is a middle-income emerging market (USD 355bn GDP, 55m population) and one of the world's leading mining economies – with a massive wealth of platinum, gold, rhodium, chromite among others. Plagued by power shortages, it is experiencing weak GDP growth (just over 2% expected in 2015). Fiscal and current accounts are both in deficit (3–4% of GDP), partly due to falling mineral prices. The depreciation of the rand led to increases in interest rates. This affected investment levels, which are already structurally low. The ruling African National Congress remains the dominant political force, whereas high unemployment, poverty and widespread income inequality are the main risks to political stability.

South Africa's agriculture includes both well-developed commercial farming and subsistence farming in remote rural areas. While accounting for around 2% of GDP, the sector remains vital to the economy (30% of employment) and a key focus of the government's New Growth Path, due to its job creation potential. In a regional context, yields are fairly high but water availability is a significant limitation, given uneven and unreliable rainfall. Home to seven agricultural regions, South Africa produces a wide range of agricultural goods (maize, wheat, sugar cane, sunflowers, etc.) It is self-sufficient in most agricultural products and a net food exporter. Main exports include fruits, wine, flowers, maize and sugar. South Africa is a major global player in agroprocessing.

[6] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

Cape Concentrate

Having commenced its operations in 2010, Cape Concentrate is a South African company in the Eastern Cape, which specializes in the processing of tomatoes into tomato paste. The produced paste is sold into the local market and serves as an import substitute. Tomatoes are currently sourced from local community based farming projects and commercial farmers. With Cape Concentrate being the only industrial off-taker for tomatoes planted by communities as well as local and emerging farmers in the region, the company has the potential to contribute to significant employment creation in the Eastern Cape, one of South Africa's poorest regions.

Due to adverse weather events and insufficient tomato supply, Cape Concentrate was placed under Business Rescue in terms of Chapter 6 of the Companies Act 71 of 2008. The business rescue practitioner put in charge of the company has developed a business rescue plan, providing for a restructuring of the business and leading to an investment by AATIF.

The AATIF investment of USD 8m undertaken in August 2014 allowed Cape Concentrate to resume its first cycle of operations after having entered business rescue. With tomatoes supplied by local communities and some commercial farmers, Cape Concentrate produced high quality 36Brix and 28Brix tomato paste in the past season. All paste has been sold to well-known local companies.

In the first season, Cape Concentrate was actively involved in supporting the development of communal farming projects in the Eastern Cape and sourced the majority of its tomato supply from local communities who had no alternative income. Community farming took place with the help of experienced mentor farmers. The first season showed that Cape Concentrate still faces start-up challenges, which the company needs to overcome during the upcoming season. If successful, this will help to realize the significant agricultural potential of the Eastern Cape, creating jobs and integrating the Eastern Cape's rural communities into the agribusiness value chains.

Area of improvement as per loan agreement covenant	Status
Cape Concentrate shall immediately pay the outstanding salaries owed by it to its employees.	✓ (2014)
Cape Concentrate shall by no later than four (4) months, draft a Social and Environmental Management and Monitoring Plan (SEMMP). The SEMMP shall, as a step towards implementation of the Social and Environmental Management System, cover the following items, among others, and propose a timeline towards achieving milestones: a) the internalisation of Cape Concentrate's human resource development function; b) occupational health and safety at work improvements; c) the development and implementation of a waste management system and a biodiversity policy; d) the elaboration of community involvement; e) all its affiliates, tomato suppliers, contractors and contracting farmers and communities to require all their employees, contractors and contracting farmers to provide information about their birthday/age, (including in group contracts) and provide proof thereof by copy of ID card etc.	✓ Second draft submitted (November 2014)
Cape Concentrate shall ensure that, by no later than eighteen (18) months, the Social and Environmental Management System (including sufficient staffing and staff training) becomes fully operational.	✓ Outstanding
Each member of the Cape Concentrate Group maintains a compliance system ensuring that its operations are compliant with the Social and Environmental Exclusion List.	✓ Outstanding

Employment Impact	In February 2015, Cape Concentrate employed 80 workers in the processing plant, 15 of whom were permanent. In addition, the Tyefu Community Farming Trust employed an average of 720 people during the harvesting season.

Cape Concentrate Social and Environmental Review

Cape Concentrate's Social and Environmental Management System (SEMS) is still under development. The company has been using Global GAP indicators in the past as guidance for developing ad-hoc SEMS elements which are a good basis for establishing the system. As a first step, Cape Concentrate drafted a Social and Environmental Management and Monitoring Plan (SEMMP) including the main risks and opportunities for improvement identified during AATIF's due diligence conducted in February 2014. After a monitoring visit in November 2014, the AATIF Compliance Advisor and Cape Concentrate's Quality Assurance Manager jointly revised the first version of the SEMMP. Since then, the company has updated measures to reflect Cape Concentrate's new sourcing strategy.

After a scoping mission to Cape Concentrate in November 2014, the TA Facility agreed to temporarily subsidise a dedicated new position of an Agricultural Supply Chain Manager for Cape Concentrate, until the company is profitable enough to finance such position from its own resources. The new staff member will specifically focus on the adequate sourcing and logistics of raw material, which is crucial and has proven to be a major challenge for Cape Concentrates' business model in the past.

It was further agreed to provide funds that would enable seasonal key factory workers to be maintained during the coming "off-season" after which Cape Concentrate foresees being able to cover full year salaries through its own generated revenue. The prospects of continuous employment will allow Cape Concentrate to attract talented applicants during the recruitment process, and foremost, retain them and thus avoid training costs and the renewed risk of inexperienced, newly contracted, operators working on the factory in the following season.

Ghana

Ghana Macro View and Agricultural Sector Development[7]

With a GDP of close to USD 40 billion and around 27 million people, Ghana is one of Africa's most established democracies. Fiscal and current account deficits are high, both around 9% of GDP in 2014 and expected to fall to around 7% of GDP in 2015. Containing the fiscal deficit, which accumulated on the back of both poor fiscal discipline and falling commodity prices (gold, oil and cocoa) will be a key challenge. Tackling the sharp depreciation of the cedi will be another one. However, the recently approved International Monetary Fund programme will help drive fiscal consolidation. Real GDP growth is currently subdued (3.5% expected in 2015) on the back of spending restraint and problematic power supply. Economic growth is expected to pick up in 2016 onwards and oil and gas production is forecast to increase after 2017–18. Development of the oil and gas sector, combined with strong governance and a favourable business environment, is driving high FDI inflows (around USD 3bn or 7.5% of GDP expected in 2015).

Agriculture remains a key sector of Ghana's economy, accounting for around 20% of GDP and employing 45% of the work-force. Emphasizing the sector's importance for inclusive economic growth, the government is committed to investing in agriculture and extending to the wider agricultural sector its success in boosting cocoa production. With 700,000 smallholder producers, cocoa production has been a major driver of growth and poverty reduction and has accounted for 28% of agricultural growth since 2000. Government and global cocoa and chocolate manufacturers are working on increasing yields which are estimated by the Food and Agriculture Organization to be 50–80% below potential, while at the same time improving labour standards at producer level. Rice is the second most consumed grain in Ghana after maize and consumption is rising steadily in line with population growth, urbanization and changing consumer preferences. Ghana's agriculture is vulnerable to rainfall shortage, low global market prices and depletion of natural resources, particularly forests.

[7] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

Wienco

Wienco (Ghana) Ltd ("Wienco"), established in 1979, is an importer and distributer of agro-chemicals into Ghana, mainly for use in cocoa, cotton and maize production. Wienco supplied inputs on credit to 17,791 smallholder farmers and commercial farms across Ghana in the 2014 season. Since 2006, Wienco has been strategically moving up-stream in cocoa, maize and cotton through organizing and providing input on credit to out-grower schemes in all three crops. In addition Wienco has recently enabled farmers to sign-up for additional crops such as soy and sorghum under the Masara N'arziki scheme. Organizing the Cocoa Abrabopa Association which operates in Dunkwa (4h west of Accra) kick started this process in 12/2007. This was followed by the establishment of the maize association Masara N'arziki (in Northern Ghana) in 2010 and the establishment of a cotton division within Wienco that is carrying out its smallholder business under a government concession after the Ghana Cotton Company in 2010 discontinued its operations.

On October 17, 2013 AATIF disbursed a USD 21m senior loan to Wienco. AATIF's financial commitment has allowed Wienco to significantly expand the scope of its smallholder operations in the past 2 years. It is the aspiration of Wienco and AATIF to help substantially increase the smallholders' productivity, improve the farmers' livelihoods and contribute to regional food security at the same time.

Cocoa Abrabopa Association

The cocoa association known as Cocoa Abrabopa Association was founded in 2007 and is headquartered in Dunkwa-on-Offin in the middle of Ghana's Western cocoa region. The association currently operates in all seven cocoa growing regions (Ashanti, Brong Ahafo, Central, Eastern, Western North and Western South). In the 2014 season the total number of cocoa farmers registering for the CAA scheme reduced to 6,763 farmers, each of them cultivating 1–3ha. All registered farmers were double-certified by UTZ and Rainforest Alliance. The free supply of inputs from Ghana Cocoa Board was one of the reasons for the drop of farmers. Latest numbers of registered farmers for the 2015 season indicate an increase to over 12,000 farmers.

Through the association, cocoa farmers receive regular agronomic training as well as quality agric inputs. To further extend the services provided, Wienco successfully completed the takeover of the KumanKoma Licensed Buying Company in Kumasi, Ghana. This has allowed Wienco to purchase cocoa directly from the farmers, and with that, increase the transparency in the cocoa trade in Ghana. Additional services provided by the association to its farmers include i. a.:

- GPS mapping of land with the intention to improve traceability of cocoa and to allow farmers to use land as collateral. The utilization of land as collateral is still in its early stage as so far there is little support by local financial institutions.
- Development and implementation of a shade tree seedling program for the majority of its members.
- Support enrollment of farmers in the National Health Insurance Scheme.
- Voluntary Group Pension Scheme.
- Currently developing a mobile payment system together with Tigo, a mobile network provider in Ghana.

Masara N'Arziki Scheme

In 2013/14 Wienco merged the maize and cotton schemes under the Masara N'Arziki scheme. This will help to stabilize farmers' revenues by producing different crops and reduce the diversion of inputs as each farmer will have the possibility to get inputs for maize, cotton, soya and sorghum. Furthermore, all registered cotton farmers were certified under the Cotton Made in Africa Initiative.

The Masara N'Arziki scheme is situated in Northern Ghana. Similar to the Cocoa Abrabopa Association, Wienco Ghana supplies a package of inputs combined with regular training measures to Masara's members. In 2014 a total of 11,028 farmers registered for the scheme of which 7,829 cultivated maize, 2,746 cotton, 238 soy and 215 sorghum. The reduced number of registered farmers according to Wienco is mainly due to the restructuring of the two outgrower schemes. Maize out-growers are contracted to supply all their produce to Masara to repay the loans. However, farmers typically keep a subsistence percentage and Masara then purchases any available surpluses. Cotton out-growers' produce is purchased directly by Wienco's cotton department for sale to overseas buyers on forward contracts after the transformation of cotton seed to cotton lint by Wienco.

Wienco Social and Environmental Review

Wienco has made progress towards improving the social and environmental management system that allows the company to identify and mitigate social and environmental risks and impacts resulting from its operations. Most importantly, Wienco appointed the manager leading the certification process of associated smallholder farmers to also be in charge of the SEMS implementation. In addition, top management revised the consolidated Social and Environmental Mitigation and Monitoring Plan (SEMMP) as a basis for further implementation of S&E measures.

Overall, Wienco continued implementing measures identified in the revised SEMMP. These measures included the introduction of a waste management system based on procedures of Crop Life Ghana, the purchase of an incinerator, and a further update of the company's HR manual. Wienco also undertook to prepare and carry out a survey to track a number of development indicators including income, housing, health and safety of associated smallholder farmers. The survey tool has the potential to continuously provide Wienco with development and S&E impact measurement.

Further S&E improvements are foreseen to be implemented in 2015/16 for which Wienco may obtain support from the AATIF Technical Assistance Facility. In addition, the baseline survey of an impact evaluation planned to be implemented before the end 2015 will inform about the need and feasibility of supplementary measures, in particular regarding Wienco's associated smallholder farmers.

As part of its mandate to measure AATIF's impact, the TA Facility is preparing an in-depth impact evaluation of the Wienco investment. AATIF's Board of Directors decided that the investment should be subject to a comprehensive, in-depth and rigorous impact evaluation, spanning over the initial baseline, to mid-term and final ex-post evaluation.

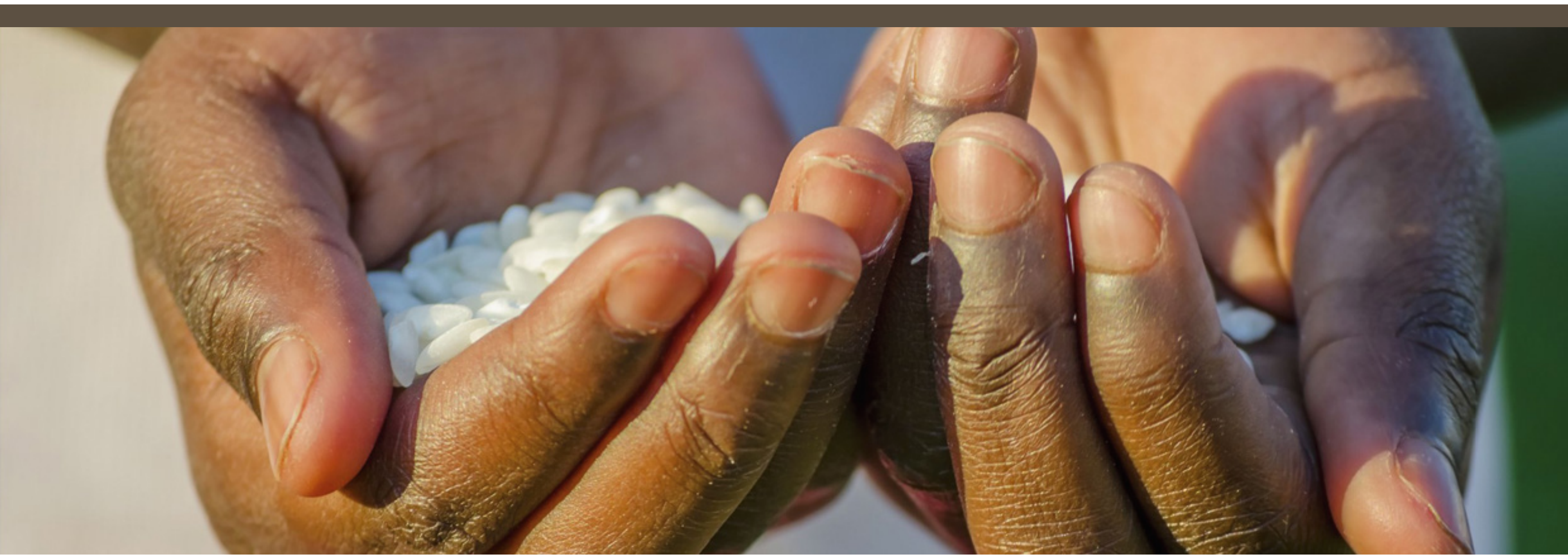
To select a specialist entity to be entrusted with implementing this comprehensive impact evaluation, the TA Facility launched a tender in October 2014 with the objective that a selected consultant would commence with the evaluation baseline study later in 2015.

The study will shed light on increases in agricultural production and productivity levels, employment generation, increases in farm and household income as well as improvement in living and working conditions of smallholder farmers associated with Wienco.

Area of improvement as per loan agreement covenant	Status
Wienco has to consolidate the existing Action Plans into one plan, add items reasonably requested by the Lender, update the status quo and propose a new timeline towards achieving milestones.	✓ Second version submitted (Feb 2015)
Wienco has to ensure that any contract with staff employed by Wienco Cotton from third parties or employed directly by Wienco Cotton complies with Ghanian laws and provides evidence that such staff is employed lawfully.	✓ (Dec 2013)
Wienco shall, no later than after 18 months, develop and implement a social and environmental management system (including sufficient staffing and staff training) that allows the company to access and manage the social and environmental risks related to its operations. Among others, action items (for Wienco and/or affiliates) shall address transformation of staff handbook into a human resources policy, ensuring anonymity of grievance mechanism, "no child labour" commitment and measures, occupational safety and health policy, waste handling policy, biodiversity policy. In addition, set up company-wide guidelines on elements that farmer contracts need to cover and ensure that these guidelines are implemented and support affiliates to engage in innovative risk sharing arrangements that go beyond group liability. All affiliates shall require farmers to provide information about their date of birth/age in the group contracts and provide proof thereof by copy of ID card etc.	In progress: • Update of HR manual • Waste management improvement measures

Outreach to smallholder farmers	The development of smallholder subscription to the Wienco outgrower schemes has undergone substantial changes. While at the baseline of AATIF's investment, Wienco served a total of 42,500 across three schemes, the number dropped to 17,791 in 2014/15 and recovered to 24,257 across two schemes in June 2015.

GADCO



Global Agri-Development Company (Ghana) Ltd ("GADCO") is an agri-food company, focused on crop production, processing and marketing of fragrant rice.

The company's objective is to establish and operate sustainable value chains, in partnership with smallholders, to serve African consumer markets. The Ghanaian model is built around a commercially run nucleus farm integrating smallholder farmers as it grows.

In 2014, GADCO experienced operational challenges requiring a comprehensive restructuring. Its operations were acquired by RMG Concept Ltd. (holding company of Wienco) in July 2015. RMG's access to leading agri-inputs including modern high-yielding rice varieties, and the groups, especially Wienco's experience in working with smallholder farmers are an essential benefit. RMG is targeting to expand rice cultivation among smallholders with new varieties and will continue working with many of GADCO's partners for smallholder growth.

The TA Facility is currently exploring with GADCO's new management if there is need for TA support.

GADCO Social and Environmental Review
GADCO has entered into a Joint Venture Agreement (JVA) with the Fievie Tribe on the use of 1,000 hectares of communal land. The community leased the land for 50 years and receives rent payments of 2.5 % of the market value of the rice harvested and milled for the first 5 years. Thereafter, and for the remainder of the lease contract, the rent to the Fievie Tribe shall be 5 % of the market value of rice harvested and milled.

While 2013/2014 saw GADCO rapidly advance in the implementation of S&E requirements of the Ghana Environmental Protection Agency and AATIF for developing the company's SEMS, the restructuring process slowed down further progress. However, AATIF collaborated with the other funders to update and align S&E requirements and reporting formats for GADCO. GADCO's new management is committed to implementing the agreed S&E undertakings.

Employment Impact	The company restructuring affected employment numbers that decreased in comparison to the overall high of 180 full time staff in April 2014 to 107 in December 2014. Compared to 92 in 2012 at the beginning of AATIF's engagement, the overall effect is positive especially considering the qualitative employment improvements that GADCO implemented.
Outreach to smallholder farmers	The Copa Connect programme, which was started from scratch in 2012, reached 800 smallholder farmers plus 45 Fievie community farmers in April 2014. Due to the restructuring, figures cannot be validated for 2014/15.

Sierra Leone

Sierra Leone Macro View and Agricultural Sector Development[8]

Previously one of the fastest growing economies in the world, Sierra Leone (USD 5bn GDP, 6m population) has been heavily affected by the Ebola epidemic, which is a challenge for both fiscal and external accounts. It led to a dramatic slowdown in economic activity, with only 4% GDP growth in 2014, compared to a 14% average over the three previous years, and a GDP contraction is likely in 2015. The iron sector (main export) is affected by both the slump in iron prices and the increase in operating costs due to the Ebola epidemic. Before the outbreak, the country was making remarkable economic and political progress after the civil war from 1991–2002. It is now receiving international support to continue to rebuild itself.

Mostly rain-fed, Sierra Leone's agriculture still accounts for over 50% of GDP, though this share has been shrinking due to the growth of the extractive industries. Already exporting coffee, cocoa and nuts, Sierra Leone has the potential to significantly increase its export shares, particularly of cocoa and coffee where average yields are very low, even by African standards. In addition, the agricultural sector has been seriously hit by the Ebola epidemic as both crop planting and harvesting have been disrupted by travel and trade restrictions which have reduced farmers' ability to access seeds, fertilizers and labour.

[8] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

Balmed

On December 23rd 2013, AATIF entered into a USD 1m revolving trade finance agreement with Balmed Holdings Limited ("Balmed"), a Sierra Leonean cocoa and coffee trading and blockfarming company. A first tranche of USD 250k has been disbursed with the signing of the agreement. However, the initial AATIF funding did not establish trading success due to (i) Balmed's late start into the cocoa season after two seasons of absence; (ii) the cocoa season phasing out earlier than expected; and (iii) the outbreak of Ebola hindering the evacuation of cocoa or coffee and bringing the cocoa farming business effectively to a halt. A 100% loss provision for the first tranche of USD 250k has been booked in June 2014. From March–July 2015, after the Ebola situation improved, AATIF undertook a detailed review of the Balmed business model. On-site visits of the Balmed facilities have been carried out and comprehensive discussions have been led with the managing owner of the company. Based on the review AATIF had to acknowledge that funding required at present would need to be primarily of grant character to allow its turn-around. AATIF continues to consider the business model as innovative.

Zambia

Zambia Macro View and Agricultural Sector Development[9]

Zambia (USD 25bn GDP, 15m population) is on a robust expansion path, with around 7 % annual GDP growth expected in the next years. Largely dependent on copper (30 % of GDP, 70 % of exports), Zambia's economy is affected by the downturn in copper prices – at their lowest since 2010. The fiscal deficit remains wide (around 5 % of GDP) and the current account is turning into deficit. Easing tensions with mining companies and a tightening of monetary policy have dampened the depreciation of the kwacha. Zambia remains one of the most politically stable countries in the region, with a history of fair and peaceful elections and no ethnic violence.

Agriculture contributes around 15 % of Zambia's GDP, employs roughly 70 % of the population and has been growing at above 7 % over the past few years. Predominantly rain-fed, Zambia's agriculture is still far from reaching its potential, which is high given the country's wealth of arable land and fresh water. Irrigation, infrastructure, research and extension remain underfunded, leading to low agricultural productivity. Despite bumper maize harvests, problems with the distribution system and poor infrastructure contribute to occasional, localized shortages. The cultivation of maize still dominates Zambian agriculture, but wheat, soybean, sugar and tobacco are gaining in importance. The Zambian soy market is self-sufficient and growing rapidly with some exports. Production is dominated by commercial farmers and there is considerable scope for production growth – including the potential to improve the lives of many smallholders.

[9] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

Chobe Agrivision Update

Investment Update
Chobe Agrivision Company (Chobe) which was established in 2008 is focusing on developing and cultivating agricultural farm production hubs by growing food crops (mainly wheat, soy and maize) at currently two locations in Zambia (Mkushi and Somawhe).

The AATIF investment of 10m USD allowed Chobe to scale up the area under irrigation from ~400ha to 1,686ha in the Mkushi region. In 2014 Chobe managed to cultivate 2,318ha on the Mkushi farm, thereof 540ha wheat, 1,480ha soy and for the first time also 298ha of maize. On the Somawhe farm, Chobe cultivated 2,392ha soy, 2,592ha wheat and 412ha maize. For the first time Chobe was able to provide the recently acquired milling operations for wheat and maize (Mpongwe-Milling) with its own maize. For both maize and wheat Mpongwe Milling produces three main products, i.e. (1) wheat bread flour, (2) wheat cake flour and (3) wheat bran and (1) maize breakfast meal, (2) maize roller meal and (3) maize bran. Targeted off-take markets remain Zambia and the Democratic Republic of Congo. By exporting over 15% of the total produce to the Democratic Republic of Congo, Chobe is at the forefront of tackling food security in a country where about 70% of the population lacks access to adequate food.

While soy and wheat yields were slightly below projected levels in 2014, maize yields were well above target. Overall, the yields achieved deserve special mention as the operations were put under stress due to very low rains in the last season. To mitigate the risk of low rains in the future, Chobe invested in a new dam which holds enough water to irrigate 400ha when filled to full capacity. In addition, the AATIF investment benefits from a variety of risk mitigants that include weather insurance, an Investment Promotion and Protection Agreement with the Zambian government and political risk coverage provided by the Multilateral Investment Guarantee Agency (World Bank Group).

In support of the social goals and objectives of AATIF's investment in the Chobe farm, the TA Facility together with NORFUND co-financed the rehabilitation of a nearby village school and the procurement of a school bus. This measure aimed at providing access to adequate educational facilities for school-aged children on the farm premises and the neighboring village. While the rehabilitation of the school had already successfully been completed in 2013, the procurement of a school bus for transport of children from the farm was successfully completed in 2014. A final review mission has been undertaken by an external consultant in cooperation with the co-financier NORFUND in early 2015 for which final results are expected in the third quarter of 2015.

Chobe Social and Environmental Review
In 2014/15, Chobe continued improving social and environmental impacts and duly submitted its Annual Social and Environmental Monitoring Report to AATIF outlining the main highlights and challenges faced in 2014.

On the Chobe Agrivision level, the company is reorganizing its management including social and environmental responsibilities. In the first half of 2015, the company hired a corporate social responsibility manager. In addition, the company has started the recruitment process for an ESG manager to guide and oversee all three operations in Zambia including those in the Mkushi farmblock.

Chobe's Mkushi farming operations complied with S&E reporting requirements including the submission of Environmental Project Briefs for the construction of two dams. Chobe is a member of the Munshiwemba River Users Association and currently chairs the organization. The use of water extracted from the river and dams in the catchment area is being monitored on a monthly basis. Following a change to the law, Chobe also applied for its water rights to be turned into water permits and is awaiting clearance of the same. Furthermore, Chobe is continuously monitoring water and soil quality and implementing actions to reduce or mitigate any negative impacts that might arise, for instance, from draining soils where erosion is a risk. The company recently started investigating alternative farming techniques with a consultant, who will look into moving into conservation farming.

The company continued improving housing for staff. By December 2014, a total of 115 houses had been refurbished or newly constructed. The refurbishment and extension of Katuba School in Mkushi was completed in 2014. To enable children living in the farm to attend school, Chobe is providing and maintaining transport. In turn, the provision of desks and learning materials, as well as teachers' salaries falls on the government. For younger children, women from the farm community are running a day care center on the farm. The farm clinic continued its early childhood programme throughout 2014.

Regarding Chobe's workforce, the Village Committee was transformed into a Workers Committee consisting of 7 members with one representative elected from each section of Chobe operations in the last year. The company also identified further need for training of relevant staff in emergency response procedures, fire safety, chemical handling, as well as for re-starting toolbox talks for practical on the job training on S&E topics led by management.

Area of improvement as per loan agreement covenant	Status
Apply minimum wage as per Zambia Employment Act to casual workers.	✓ (2011)
Adjust registration forms for casual workers to ensure no underage workers are hired.	✓ (2011)
Ensure that rat poison and mosquito spray is stored in a closed storage, indicating that its content is hazardous or in an area marked as hazardous.	✓ (2011)
Set up and implement a system for managing occupational safety and health, which also includes active worker participation.	✓ (2011) Ongoing activity
Ensure that workers and their families are provided with one insecticide-treated mosquito net per household and that these are regularly insecticide treated. Investigate the correctness of and if necessary adjust the mosquito spraying schedules.	✓ (2011) Ongoing activity
Ensure that children of families working at the Chobe Agrivision have access to at least primary school.	✓ (2013) Ongoing activity *Please also see Summary of Technical Assistance Facility Activities*

Employment Impact	Chobe's total labour force remained largely stable in 2014 with a slight increase of 3% to 165 employees at year's end, of which 135 were permanent staff. No major occupational accidents were reported in 2014.

Botswana

Macro View[10]

Botswana's economy (USD 15bn GDP, 2m population) is heavily dependent on the diamond industry. The world's largest producer of diamonds, Botswana hopes to become a global diamond trading hub and diversify its economy by developing the services sector. Growth is forecast at around 4% in the next years. The country has returned to a small fiscal surplus (close to 1% of GDP forecast for 2015), has a low debt burden and is a net external creditor.

[10] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

ABC Holdings Limited (BancABC)

ABC Holdings Limited which is a financial services group is currently active in five countries in Southern Africa operating under the BancABC brand. BancABC offers a comprehensive range of banking services and products throughout the region with customer relationships across all economic sectors. Originally focused exclusively on wholesale banking comprising corporate and investment banking, asset finance and treasury, the group expanded also into retail banking in 2008. The bank is registered in Gaborone, Botswana with banking subsidiaries in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe and a management support services company in Johannesburg, South Africa. The agricultural sector development for each operational hub is summarized below followed by an update on the transactional milestones.

Botswana[11]**:** The agricultural sector in Botswana is relatively small (4% of GDP, 30% of employment) and not sufficient to meet domestic demand. Much of Botswana is part of the Kalahari desert, most suitable for extensive cattle-raising. The primary crops are corn and wheat, grown in the wetter eastern region.

Mozambique[11]**:** The agricultural sector continues to dominate Mozambique's economy, accounting for 80% of employment and 30% of GDP. It remains mostly subsistence-based, with growth in the smallholder sector limited by farmers' lacking access to financing and technology. The new government long-term strategy for development includes agriculture as a key priority area. The county's Strategic Plan for Agricultural Sector Development identifies locations (Beira, Nacala, Zambezi) with significant production potential and favourable integration with domestic, regional and international markets to develop them as agricultural growth corridors, attracting increased public and private sector investment. The main cash crops are tobacco, sugar and cotton. Mozambique still imports a significant share of its food, with rice as the main agricultural import (about 20%), followed by wheat (15%).

Zimbabwe[11]**:** Once Southern Africa's bread basket, Zimbabwe is now one of the main net food importers in Sub-Saharan Africa. Since 2000, farmers are struggling with the lack of agricultural inputs and irrigation but there is a move towards market-related solutions in agriculture. The agricultural sector contributes around 15% of GDP but still employs over 60% of the population.

Tanzania[11]**:** Making up 25% of GDP and employing around 70% of the workforce, agriculture, mostly rain fed, is a key pillar of Tanzania's economy which is thus vulnerable to poor weather. With abundant land and water resources, a favourable climate and access to international markets through a major port, the country could rapidly increase its agricultural productivity with increased irrigation and improved seeds and farming techniques. The government is committed to strengthening the sector by opening up the sector to private investment.

Zambia[11]**:** (see Chobe).

[11] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

BancABC transactional milestones:
To assist BancABC to grow its emerging agricultural portfolio, BancABC and AATIF entered into a USD 25m risk sharing agreement on 17 December 2013. The AATIF facility aims to help funding the agricultural sector while at the same time strengthening the bank's capacity in originating, funding and managing a growing soft commodity & agri-processing portfolio. In 2014, BancABC's agricultural portfolio totaled USD 36m. Funding has been i.a. provided to finance processing equipment and inputs for smallholder farming schemes secured by off-take agreements and direct repayment through off-taker corporates in the sugar and dairy sector. BancABC is taking a focused approach in Mozambique, Zambia and Zimbabwe to grow its agricultural portfolio through the resources provided by AATIF.

In 2014, BancABC was acquired by Atlas Mara Limited, a company listed on the London Stock Exchange, which intends to increase the availability of financial services throughout Sub-Saharan Africa by both organic and inorganic growth.

BancABC Social and Environmental Review
For partners that extend financial services themselves, AATIF's Social and Environmental Review focuses on ensuring that adequate social and environmental management systems are in place which enable the Partner Institutions to identify, avoid, mitigate, and manage social and environmental risk. At the outset of the collaboration, BancABC used a set of generic tools to assess and manage social and environmental risks. However, the bank did not have a formal and comprehensive Social and Environmental Management System (SEMS). In the last year, BancABC started working on such a system. For example, building on the existing Group Environmental and Social Review Appraisal Procedure, the bank drafted the Group Environmental and Social Risk Management Policy and Procedure Manual (ESMP). Furthermore, since mid-2014 the bank embarked on developing a sustainability framework. However, due to the take-over of BancABC, the implementation of other SEMS enhancements was delayed.

Since early 2015, BancABC has continued implementing SEMS improvements: the bank drafted and submitted an action plan and engaged with the AATIF Compliance Advisor and Technical Assistance Facility Manager to draft a strategy for developing and implementing S&E trainings. The bank committed to hire a Group Coordinator for S&E to oversee the SEMS implementation in close collaboration with the countries' Heads of Credit.

In addition to the assistance provided for S&E training, the Technical Assistance Facility is dialogue with BancABC to develop a programme for staff training on agricultural credit skills.

Area of improvement as per loan agreement covenant	Status
BancABC to commit to sustainable development of its activities on a higher organizational level, i.e. in its vision or mission statement and clearly outline its commitment in strategic planning documents.	In progress (BancABC Sustainability Strategy)
BancABC should develop an action plan that clearly outlines the milestones and timeline for the implementation of a group-wide SEMS.	✓ (2015)
BancABC to develop a group-wide Environmental and Social Policy. Such Policy needs to: • contain objectives of why the bank is engaging in environmental and social management, • outline the standards with which projects have to comply, • clarify responsibilities for policy implementation, and • propose an environmental and social training strategy for staff.	In progress, draft submitted (Jan 2015)
BancABC to elaborate the project classification that it uses to: • cover social along environmental impacts, • review the eligibility criteria and SEMS requirements in its project classification, and • adjust the tool based on staff feedback in order to make it respond to staff needs.	In progress, draft submitted (Jan 2015)
BancABC to develop an S&E capacity building strategy and have trained all relevant staff by June 2016.	In progress
BancABC to closely communicate with the AATIF Compliance Advisor in overseeing the first three investments involving AATIF funds.	In progress, credit appraisals submitted for review (2015)
BancABC not to extend AATIF funds to projects that are not assessed through BancABC's SEMS (=SMEs). Before on-lending AATIF funds to SMEs or within the microfinance sector, consult with the AATIF Compliance Advisor to extend the bank's SEMS to cover these business segments.	Not triggered

Eastern and Southern African Trade and Development Bank known as Preferential Trade Area bank (PTA)

PTA within the context of COMESA's agricultural sector development[12]

The Eastern and Southern African Trade and Development Bank known as Preferential Trade Area Bank (PTA Bank) is a multilateral development bank operating in the Common Market for Eastern and Southern Africa. The Common Market for Eastern and Southern Africa (COMESA), one of the largest regional economic groupings in Africa, currently includes 19 countries, which are extremely diverse in socio-economic development, ranging from Ethiopia to the Seychelles. The combined population is over 400 million people and the GDP over USD 400 billion. The market integration is driving sub-regional cooperation and setting the stage for economic, social and political cohesion in Africa. Agriculture plays a critical role in the COMESA region, as a key growth driver, accounting for over 30 % of GDP and providing a livelihood for over 80 % of the region's labour force. The COMESA agricultural strategy stresses the importance of regional cooperation and co-ordination and recognizes the need for a holistic approach encompassing the key elements of agricultural developments: markets, inputs, institutions and infrastructure. COMESA's agricultural programmes are designed to sustainably increase food security and enhance regional integration, with a freer flow of agricultural trade, allowing the movement of commodities from surplus areas to deficit areas within the region.

PTA Bank Investment Update

Established in 1985, PTA Bank provides trade and project/infrastructure finance. Its mission is to be at the forefront of providing development capital in the region, through customer focused and innovative financing instruments backed by competitively priced funds. PTA Bank operates out of four hubs: Its headquarter in Bujumbura, Burundi; Regional and Corporate Support Centre Nairobi, Kenya; Regional Office in Harare, Zimbabwe and on the island of Mauritius. In May 2014, PTA Bank and China Development Bank signed a framework agreement for a USD 60m facility for on-lending to the SME sector in PTA Bank's member states. In December 2014, Banco Nacional de Investimento, a Mozambican state owned development bank became a new shareholder of PTA Bank by investing USD 5m. In Q1 2015, the European Investment Bank and PTA Bank launched a EUR 160m lending initiative to support investment across eastern and southern Africa. Under the new initiative agribusiness, energy, manufacturing and service sector companies will be able to access loans in a range of local and foreign currencies.

[12] COMESA Website, 2013, http://programmes.comesa.int/

Area of improvement as per loan agreement covenant	Status
PTA shall include a commitment to sustainable development of all its activities on a higher organisational level, for example in its vision or mission statements or its new strategic plan for the years 2013 through 2017.	✓ (2012)
PTA shall further develop and implement a social and environmental management system (i) in accordance with chapter 1 of the AATIF S&E Guidelines (and more specifically paragraph 23 by 31 December 2013, and (ii) in accordance with additional requirements and milestones as mutually agreed between PTA and AATIF, such as amendments to PTA's operational guidelines for trade finance, and (iii) maintain and further improve the implemented social and environmental management system and conduct its business in accordance with the social and environmental management system.	✓ Ongoing activity
PTA shall (i) have introduced social and environmental procedures in all its relevant departments, and (ii) have trained all relevant staff on social and environmental risk assessments, no later than June 30 2013.	✓ Ongoing activity
PTA shall closely communicate with AATIF (i) in overseeing the first two sub-loans and (ii) in general with respect to appropriate procedures when on-lending to the small and medium enterprise sector.	✓ Ongoing activity

As of 31 March 2015, PTA Bank has on-lent USD 30m of the AATIF facility. Lending facilities have been primarily directed towards the dairy, sugar and tea sectors. The projects are estimated to have generated more than 3,200 additional permanent jobs. In addition to increased employment at the project sites once the projects have been fully implemented, local communities are expected to benefit via (i) knowledge transfer (e.g. training of local staff to operate newly built plants), (ii) maintenance of local infrastructure (e.g. roads for transportation of tea) and (iii) assistance provided to small scale farmers and vendor networks (e.g. cooling facilities for dairy products).

The TA Facility is currently in dialogue on how to assist PTA Bank to operationalize PTA Bank's agriculture sector strategy which was developed with support of the AATIF TA Facility and further develop its agricultural sector portfolio. As part of its reporting to AATIF, PTA Bank has started to monitor gender aspects in the loans provided from the AATIF financing.

PTA Bank Social and Environmental Review

PTA Bank has an operational Social and Environmental (S&E) Risk Management System in place and the Corporate Plan 2013–2017 acknowledges the importance of social and environmental risk management. The Bank is constantly striving to improve its S&E policies and procedures as well as updating its S&E action plan. As part of this process, PTA Bank has continued building the capacity of staff: in 2014, eight operational officers from different departments completed an online training course in Environmental and Social Risk Analysis (ESRA) offered by the UNEP Finance Initiative. This raised the number of staff who have undertaken this training and are currently working at the bank to 26. As per agreement with AATIF, the bank readily submitted information on the S&E assessment of proposed subloans. Through this process, AATIF could identify proposed sub-loans that did not meet the requirements of the AATIF S&E Safeguard Guidelines. In November 2014, PTA Bank engaged a consultant to review the bank's environmental and social management policies and procedures (ESMS) and corresponding tools. The aim was threefold: to bring the ESMS up-to-date with global best practice in development finance, strengthen the bank's capacity to assess and mitigate social and environmental risks, and assess skills and knowledge gaps. The revision process is expected to be completed in 2015, thereafter implementation of recommendations will start.

Kenya

Kenya Macro View and Agricultural Sector Development[13]

With a GDP of USD 65 billion (population 45 million), Kenya's diversified economy is expected to grow rapidly in the next five years, at around 7% annually. Economic expansion is increasingly supported by closer integration of the East Africa Community of which Kenya is a key driver. Fiscal deficit and current account deficit are high – each forecasted at 7% to 8% of GDP in 2015. Increased spending puts pressure on public debt (around 50% of GDP) but Kenya remains an attractive investment destination. On-going macroeconomic and structural reforms are supported by a recent arrangement entered into with the International Monetary Fund, which also mitigates vulnerability to external shocks – including reliance on rainfall for agriculture and hydropower. The transition to a full democracy continues. Kenya's involvement in Somalia's civil war still exposes the country to terrorist attacks.

Agriculture, largely rain-fed, accounts for around 30% of GDP, 60% of employment and 65% of exports – mostly tea and horticulture products, together making up close to 40% of total exports. About 75% of the population live in rural areas and most derive their livelihood from agriculture. Yields of crops and livestock are far below their optimum and those of maize, sugar cane and dairy are estimated at one-tenth of the global average. Increasing yields of major crops and livestock should be easily achievable through the adoption of appropriate technologies and integrated soil fertility management. Improving access to agricultural inputs and extension services as well as value addition can also help boost productivity in Kenya. Commercial credit to agriculture remains low with a sectoral share of about 5% over 2008–2013.

[13] Dr Claire Schaffnit-Chatterjee, Senior Analyst, Deutsche Bank Research

Chase Bank Kenya

Chase Bank (Kenya) Limited ("Chase Bank") is a privately owned bank, incorporated in Kenya in 1996 and licensed and regulated by the Central Bank of Kenya. Core focus is the SME business, including agriculture, manufacturing, trade, building and construction, healthcare, education and transport. Chase Bank is well established across Kenya with more than 50 branches. Its activities and efforts have been repeatedly rewarded with industry awards.[14] As further endorsement on Chase Bank's successful business model, Chase Bank has received financing of approx. USD 64m from FMO, the Dutch development bank, and the Microfinance Enhancement Facility, a fund initiated by KfW and IFC, in October 2014.

In February 2015, Chase Bank entered into a strategic business partnership with John Deere (Pty) Limited, South Africa and its authorised equipment dealers based in Kenya to provide financing to enable the distribution of modern agricultural farming equipment such as tractors to small and medium size farmers which will ultimately increase their productivity.

In March 2015, Chase Bank entered into a formal agreement with East Africa Malting Limited, a subsidiary of the leading beer manufacturer in the region, East African Breweries Ltd, to serve as the primary financier of inputs for the contracted barley farmers under this scheme. This scheme when at full scale is projected to enable Chase Bank to deliver about USD 6m of input financing per annum and a potential of a further USD 4m in equipment financing per annum to SME barley growers.

As of 31 March 2015, Chase Bank has, through repeated seasonal financing, on-lent more than USD 9m worth of AATIF loans to the food processing, tea, dairy, sugar and maize sectors with an additional focus on horticulture. The number of outstanding loans was approx. 260 with an average outstanding loan amount per Chase Bank client of between USD 30,000 and USD 40,000.

The expansion in the agriculture sector has been supported by the AATIF Technical Assistance Facility through dedicated sector studies and identification of client groups and tailored financial products.

In its effort to scale up lending to the agricultural sector, and specifically to smallholder farmers, Chase Bank has embarked on a number of initiatives such as setting out a plan to develop an automated lending solution for scoring of and providing credit approval for farmer loans hence enabling it to reduce the time taken to make credit decisions. The bank is also in discussion with several lenders including AATIF to secure additional lines of credit to support its ambition to deploy more loans for agricultural production.

Chase Bank Social and Environmental Review

Chase Bank has made excellent progress in social and environmental management: having started the collaboration with AATIF without a social and environmental management system (SEMS) in 2012, the bank is operating a formal system that has been rolled out to all branches in 2015.

The bank has appointed a social and environmental manager and S&E coordinator whose capacity is being continually built to provide bank-wide support in the development and implementation of S&E guidelines. Throughout 2014, the bank's S&E manager and S&E coordinator closely worked with the AATIF Compliance Advisor and a consultant of Deutsche Investitions- und Entwicklungsgesellschaft (DEG) to fine tune the different components of the SEMS prior to its launch including an innovative facilitated S&E appraisal for agricultural loans below USD 100,000. Jointly, training of front and back office staff in the use of S&E procedure was implemented, tools for the facilitated S&E appraisal were developed, and a social risk guidance document was drafted and tailored to the Kenyan context. The new S&E procedure with all related tools was pilot tested in August 2014. The pilot revealed some small challenges, for instance technical hitches incorporating the S&E checklists in the bank's credit system. Further staff feedback identified a need for specific clarifications and additional training especially for back office staff. Since January 2015, Chase Bank has worked closely with the AATIF Compliance Advisor on preparing a 1-year S&E study on the effectiveness of the facilitated S&E procedure for agricultural loans below USD 100,000 which will run from July 2015 – August 2016.

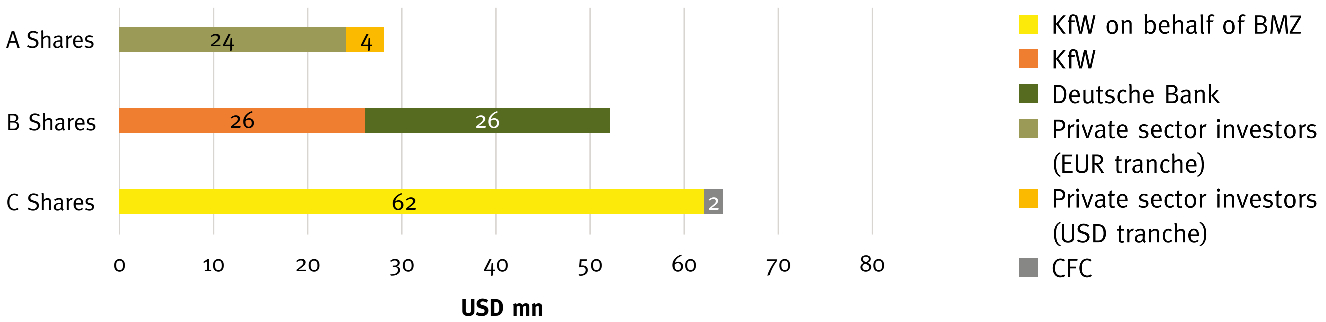
[14] Awards include i.a. "Best Company To Work For – 2014" (Deloitte), "Best Bank for Women Entrepreneurs – 2014" (Capital Finance International), "Best SME Bank East Africa – 2014" (Banker Africa Awards).

Area of improvement as per loan agreement covenant	Status
Chase Bank shall include a commitment to sustainable development of all its activities on a higher organisational level, for example in its vision or mission statements or its strategic plan.	Outstanding
Chase Bank shall (i) develop and implement a social and environmental management system by 31 December 2013 and (ii) maintain and further improve the system and conduct its business in accordance to it.	✓ (October 2014) Ongoing activity
Chase Bank shall include AATIF in the review and commenting process of all stakeholders with respect to the milestones set out in the environmental and social action plan as agreed between DEG and Chase Bank	✓ Ongoing activity
Chase Bank shall at all times maintain (i) a social and environmental manager and (ii) a social and environmental coordinator.	✓ Ongoing activity
Chase Bank shall closely communicate with AATIF in overseeing the first two sub-loans.	✓ Partially First sub-loans processed through new SEMS, reports outstanding

AATIF Funding Sources

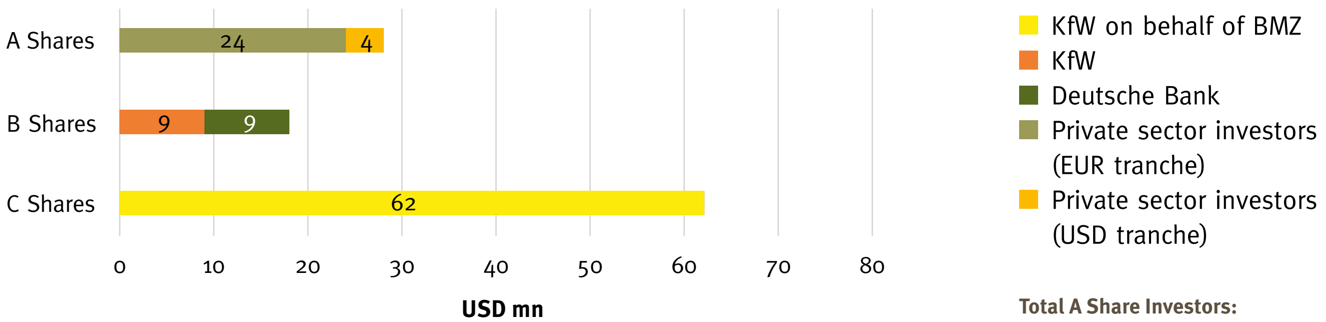
Funding overview: During the financial year 2014/2015 AATIF raised C-Shares of USD 3.6mn. AATIF's Technical Assistance Manager, the CFC, committed USD 2m into AATIF's C-Shares in November 2014. An additional USD 1.6m C-Shares commitment could be secured from KfW on behalf of BMZ. As of 31 March 2015, USD 37m of investor commitments remain investable.

Commitments



Total A Share Investors:
USD 28mn (USD 4mn, EUR 18mn, EUR amount converted at FX rates of 1.30 to 1.33)

Subscriptions



Total A Share Investors:
USD 28mn (USD 4mn, EUR 18mn, EUR amount converted at FX rates of 1.30 to 1.33)

Financial Statements

Statement of financial position

USD	31-Mar-15	31-Mar-14
ASSETS		
Gross loans to Partner Institutions	106,342,361	101,362,285
Loan loss allowance	(5,050,000)	(250,000)
Loans to Partner Institutions	**101,292,361**	**101,112,285**
Interest accruals on loans	323,930	192,588
Other receivables and prepayments	4,628,260	90,909
Cash at bank	3,928,346	2,290,619
Term deposits	–	2,500,000
Total assets	**110,172,897**	**106,186,401**
LIABILITIES		
Current liabilities		
Current liabilities at fair value through profit or loss	2,554,292	352,935
Accrued expenses	1,457,296	1,328,264
Other payable	101,791	1,156,109
Distribution to holders of redeemable ordinary shares payable	1,579,976	760,287
Total liabilities excluding net assets attributable to shareholders	**5,693,355**	**3,597,595**
Non-current liabilities		
Class A Shares – Tranche 1	23,973,476	23,973,476
Class A Shares – Tranche 2	4,000,000	4,000,000
Class B Shares – Tranche 1	18,451,716	13,051,716
Net assets attributable to holders of redeemable shareholders	**46,425,192**	**41,025,192**
Total liabilities	**52,118,547**	**44,622,787**
EQUITY		
Class C Shares – Tranche 1		
Share capital	62,485,450	62,485,450
Profit/(loss) for the year/period	(3,509,264)	876,349
Retained earnings	(921,836)	(1,798,185)
Total equity	**58,054,350**	**61,563,614**
Total liabilities and equtiy	**110,172,897**	**106,186,401**

Statement of comprehensive income

USD	For the year ended 31-Mar-15	For the year ended 31-Mar-14
INCOME		
Interest income on loans	5,917,103	3,896,709
Interest income on deposits	217	11,838
Upfront management fees and success fees on loans	245,000	637,242
Unrealised gain on financial liabilities at fair value through profit or loss	–	857,395
Realised gain on exchanges	68,824	392,304
Unrealised gain on exchanges	5,497,635	138,102
Other income	679,956	707,343
Total income	**12,408,735**	**6,640,933**
EXPENSE		
Direct operating expenses	(1,288,580)	(1,159,363)
Investment management fees	(1,306,369)	(926,013)
Performance fees	(444,043)	(698,011)
Technical assistance facility	(110,173)	(105,997)
Unrealised loss on financial liabilities at fair value through profit or loss	(2,201,357)	–
Realised loss on exchanges	–	(28,390)
Unrealised loss on exchanges	(3,552,131)	(1,193,376)
Loan loss allowance	(4,800,000)	(250,000)
Other expenses	(635,370)	(643,147)
Distribution to holders of redeemable ordinary shares	(1,579,976)	(760,287)
Total expense	**(15,917,999)**	**(5,764,584)**
Operating gain/(loss)	**(3,509,264)**	**876,349**
Profit/(loss) for the year	**(3,509,264)**	**876,349**
Other comprehensive income	–	–
Total comprehensive income for the period/year	**(3,509,264)**	**876,349**

Statement of changes in net assets attributable to holders of redeemable ordinary shares and equity

USD	Net assets attributable to shareholders
As at 31 March 2013	**70,086,817**
Issue of redeemable shares (Class A)	18,625,640
Redemption of redeemable shares (Class A)	–
Issue of redeemable shares (Class B)	13,000,000
Redemption of redeemable shares (Class B)	–
Issue of non redeemable ordinary shares (Class C)	–
Redemption of non redeemable ordinary shares (Class C)	–
Increase in net assets attributable to shareholders from transactions in shares	**31,625,640**
Decrease in net assets attributable to shareholders from operations	876,349
As at 31 March 2014	**102,588,806**
Issue of redeemable shares (Class A)	–
Redemption of redeemable shares (Class A)	–
Issue of redeemable shares (Class B)	5,400,000
Redemption of redeemable shares (Class B)	–
Issue of non redeemable ordinary shares (Class C)	–
Redemption of non redeemable ordinary shares (Class C)	–
Increase in net assets attributable to shareholders from transactions in shares	5,400,000
Decrease in net assets attributable to shareholders from operations	(3,509,264)
As at 31 March 2015	104,479,542

	As at 31 Mar 2015		As at 31 Mar 2014		As at 31 Mar 2013	
Supplementary information	**Net asset value per share (USD)**	**Number of shares**	**Net asset value per share (USD)**	**Number of shares**	**Net asset value per share (USD)**	**Number of shares**
Class A Shares – Tranche 1 (redeemable shares)	40,000.00	599.3369	40,000.00	599.3369	40,000.00	233.6959
Class A Shares – Tranche 2 (redeemable shares)	40,000.00	100.0000	40,000.00	100.0000	–	–
Class B Shares – Tranche 1 (redeemable shares)	20,000.00	922.5858	20,000.00	652.5858	20,000.00	2.5858
Class C Shares – Tranche 1 (non-redeemable shares)	9,270.79	6,262.0738	9,691.24	6,262.0738	9,691.24	6,262.0738

Statement of cash flows

USD	For the year ended 31-Mar-15	For the year ended 31-Mar-14
Operating profit/(loss) before tax	**(3,509,264)**	**876,349**
Net changes in operating assets and liabilities		
Net (increase)/decrease in interest accruals on loans	(131,342)	6,753
Net (increase)/decrease in other receivables and prepayments	(4,537,351)	260,650
Net decrease in accrued expenses and accounts payable	(925,286)	1,816,216
Net increase/(decrease) in financial liabilities at fair value through profit or loss	2,201,357	(857,395)
Net increase in distribution to holders of redeemable ordinary shares payable	819,689	683,478
Net cash flow used in operating activities	**(6,082,197)**	**2,786,051**
Cash flow from investing activities		
Net (increase) in loans to Partner Institutions	(180,076)	(51,112,285)
Net cash flow from investing activities	**(180,076)**	**(51,112,285)**
Cash flow from financing activities		
Proceeds from issue of Class A Shares	–	18,625,640
Proceeds from issue of Class B Shares	5,400,000	13,000,000
Proceeds from issue of Class C Shares	–	–
Net cash flow provided by financing activities	**5,400,000**	**31,625,640**
Net (decrease) in cash and cash equivalents	(862,273)	(16,700,594)
Cash and cash equivalents at beginning of the year	**4,790,619**	**21,491,213**
Cash and cash equivalents at end of year	**3,928,346**	**4,790,619**

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