aatif

Africa Agriculture and
Trade Investment Fund

Increasing Income. Improving Food Security.

AATIF Annual Report 2015/16

Contents

Abbreviations

AATIF	Africa Agriculture and Trade Investment Fund
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CFC	Common Fund for Commodities
COMESA	Common Market for Eastern and Southern Africa
ESMP	Environmental and Social Risk Management Policy and Procedure Manual
ESRA	Environmental and Social Risk Analysis
ETG	Export Trading Group
FDI	Foreign Direct Investment
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HR	Human Resources
IC	Investment Committee
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IM	Investment Manager
IMF	International Monetary Fund
KFW	Kreditanstalt für Wiederaufbau
m	Million
MDGs	Millennium Development Goals
OECD	Organization for Economic Co-operation and Development
PIs	Partner Institutions
S&E	Social and Environmental
SDGs	Sustainable Development Goals
SEMMP	Social and Environmental Management and Monitoring Plan
SEMS	Social and Environmental Management System
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TA Facility	Technical Assistance Facility
UN	United Nations
UNEP	United Nations Environmental Programme
USD	US-Dollar

Letter From The Chairperson

Dear Reader,

2015 confirmed the relevance of the AATIF's business model. In September 2015, the UN General Assembly adopted 17 new Sustainable Development Goals (SDGs). AATIF's mandate falls directly under SDG 2 which aims to end hunger, achieve food security, improve nutrition and promote sustainable agriculture. Indirectly, AATIF also contributes to the realisation of several other SDGs. The SDG 13 and the Paris Agreement confirms the global commitment to combat climate change and its impacts. As one of the top 5 sectors causing greenhouse gas emissions, agriculture needs to contribute to climate change mitigation. Agriculture is also at the heart of climate change adaptation through sustainable water and land use practices, climate friendly livestock systems and mechanisation.

In its fifth year of operation, AATIF has reached several milestones, illustrating its 'coming of age' as an established fund. Firstly, AATIF received its first repayment on the first loan it provided to Chobe Agrivision in Zambia, demonstrating proof of its concept and providing reflows for recycling in new investments. Secondly, AATIF welcomed new private and public investors into its A- and B-Shares for a total commitment of USD 27m, including the Austrian Development Bank OeEB. Thirdly, AATIF made a significant new investment in its strategic focus area of supporting intermediaries through the Export Trading Group, a pan-African agribusiness conglomerate buying crops directly from smallholder farmers without intermediaries and connecting them to global food markets. AATIF's disbursed funds increased to USD 140m.

At the same time, 2015/16 has illustrated the ongoing challenges of investing in Africa's agriculture. AATIF investees were exposed to macro-economic factors including falling commodity prices, depreciating currencies and weather events like El Niño. Operational and financial challenges persisted for Cape Concentrate in South Africa which did not allow the company to realise its business rescue plan, while Gadco in Ghana achieved a successful turn-around under new management.

AATIF is proud of its successful five-year track record in public-private partnership finance and to share lessons learnt with public and private partners looking to scale up blended finance for the implementation of the SDGs and the Paris Agreement. AATIF presented its experience at a stakeholder meeting in Berlin in January 2016, which was attended by over 60 representatives from the German government, German industry, African financial institutions as well as investors, partner funds and other stakeholders. Mr. Günther Nooke, Personal Representative of the German Chancellor for Africa in the Federal Ministry for Economic Cooperation and Development was among the attendees and recognised AATIF's valuable contribution to eradicating hunger, supporting smallholder productivity and creating employment.

In the year ahead, we are looking to further grow the fund through public and private capital to deliver on AATIF's mission inter alia through the recently introduced notes instrument. Ongoing support for the improvement of national and international value chains in agriculture remains essential to enhance local competitiveness and market access, income growth and employment. We will also explore opportunities to support local financial institutions with trade finance solutions where required. AATIF plans to further integrate climate-smart agricultural practices and financing into its portfolio.

AATIF will continue to work in close partnership with the Technical Assistance Facility and the Compliance Advisor to provide strategies, solutions and support to its investees to reduce poverty and create employment in a sustainable manner.

I hope you will enjoy reading the report.

Thomas Duve

Thomas Duve
Chairman of the Board of Directors

Letter From The Investment Manager

Dear Reader,

In 2015/16, the Africa Agriculture and Trade Investment Fund (AATIF) continued to enjoy strong interest from existing and new investees, investors, partners and stakeholders.

Regarding its investees, AATIF further increased its strategic presence in the intermediation of smallholder businesses in Africa through the USD 30m investment in the Export Trading Group (ETG). ETG is present in 26 African countries and buys crops directly from thousands of smallholder farmers without intermediaries. By connecting smallholder farmers to global commodity markets, ETG contributes to creating employment and income security for local farmers as well as global food security. In addition, ETG provides smallholder farmers with training, agricultural expertise, farming equipment and farming inputs through ETG Farmers Foundation on a pilot basis. The proceeds of AATIF's facility will be used by ETG as long-term working capital for the export of crops and import of fertilisers as well as the financing of capital expenditures related to processing plants and warehouses. ETG investment was facilitated by the Deutsche Bank network.

Among investors, partners and stakeholders, AATIF remains an example of reference for an innovative 'blended' partnership fund structure designed to leverage public funds to attract private capital to invest in sustainable agriculture in Africa. AATIF was mentioned at several conferences and was featured in publications, including the Economist[1] and as the first published case study by the blended finance initiative Convergence.[2] Based on its five year track record, AATIF has been able to offer important lessons learnt on public-private partnership finance which are not only relevant for financing sustainable agriculture in Africa, but also for the implementation of the SDGs and the Paris Agreement. Lessons learnt include: i) Africa's agricultural sector offers good investment opportunities, as illustrated by the first repayment received from an AATIF investee this year; ii) a balanced approach to indirect and direct investments provides portfolio diversification and stability; iii) identifying a gap in the market and investing alongside other financing partners maximises impact; iv) AATIF's tiered capital structure offers effective protection for private sector investors against unforeseen portfolio developments and a multi-stakeholder approach including a package of investment, technical assistance and environmental and social capacity building and oversight is well suited to achieving sustainable impact on the ground. Beyond existing case study evidence[2], we look forward to a further quantification of such social impact following the completion of the first in-depth impact evaluation currently ongoing for Wienco in Ghana.

In the Financial Year 2016/17, we will continue to build on AATIF's partnership strategy with public funding partners, private investors and companies, like-minded funds and local financial institutions in Africa. We look forward to implementing the promising investment pipeline for AATIF that has been created through its current partnerships. We also strive to realise additional opportunities to include climate-smart agriculture in AATIF's portfolio.

We remain committed to realising AATIF's mission of achieving the 'triple bottom line': generating financial return for its investors and social impact for its investees, both in an environmentally sustainable manner.

The Deutsche Bank team

[1] Economist article ‚Trending: Blending' from April 23, 2016

[2] Convergence, AATIF Case Study, 2015

Letter From The Compliance Advisor

Two remarkable international events framed the year 2015 for AATIF: the adoption by the international community of the 2030 Sustainable Development Agenda and the Paris Climate Agreement. Together, the two agreements present a major opportunity to support ambitious development goals and they will guide AATIF in fulfilling its mission over the next years. AATIF is well positioned to not only effectively manage related social and environmental risk, but also to contribute and unlock positive social, environmental, and developmental impact. Especially AATIF's initial support of climate-smart agricultural opportunities is pioneering.

During the past five years, AATIF has continously monitored and supported partner institutions to individually improve their social, environmental, and developmental outcomes. This approach has proven very effective, because even when institutions already have a system in place, the management of social and environmental risks and impacts is not always straightforward and requires periodic revision, updating, and reinforcement. The descriptions of each investment in this annual report illustrate some achievements of this nature.

Similarily, the Fund itself must continuously assess its own social and environmental management system, in order to align with international good practice, respond to new investor requirements and effectively unlock the positive potential of partner institutions. Consequently, in 2015/16 the Fund updated its Social and Enviornmental (S&E) Safeguard Guidelines and its exclusion list.

Another key lesson at AATIF's 5-year mark is that swift progress in S&E management is linked to developing the in-house capacity of partner institutions. At the same time, collaboration among investors is the best path to build on the S&E competence that partner institutions have already developed, as well as to avoid overloading their capacity.

The close collaboration between the AATIF Compliance Advisor and the Technical Assistance Facility Manager has resulted in the operationalisation of the Fund's Monitoring and Evaluation Framework, in particular in implementing the rapid appraisals and an impact evaluation.

The 5-year impact evaluation of the Wienco outgrower schemes started in October 2015. The first rapid appraisal of an AATIF investment was initiated for a PTA Bank subloan with data collection completed in Zimbabwe in March 2016. The second rapid appraisal, for Chobe Agrivision, was implemented in July 2016. Furthermore, AATIF conducted a S&E study on the effectiveness of the facilitated S&E loan appraisal of Chase Bank which illustrated the usefulness of including all loan sizes into S&E management.

Together, the results of the different AATIF efforts to evaluate the impact of its activities, will allow both the Fund and its partner institutions to gain insights on the effectiveness of its operations and to instigate opportunities for improving its current approach to sustainable development.

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 laborers 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 in order to create a lasting and sustainable impact. By financing economically 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 programs (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 those investees that are willing to work towards compliance with AATIF's Social and Environmental (S&E) Safeguard Guidelines. AATIF also strives to integrate climate-smart agriculture in its activities.

Additionality:
AATIF provides resources to areas which experience 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 programs or by bridging the gap between such programs and private sector actors. AATIF's approach to agricultural lending in Africa is thereby characterised by innovation with respect to loan structures, risk sharings with industry partners or the combination of loan products with insurance mechanisms.

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.

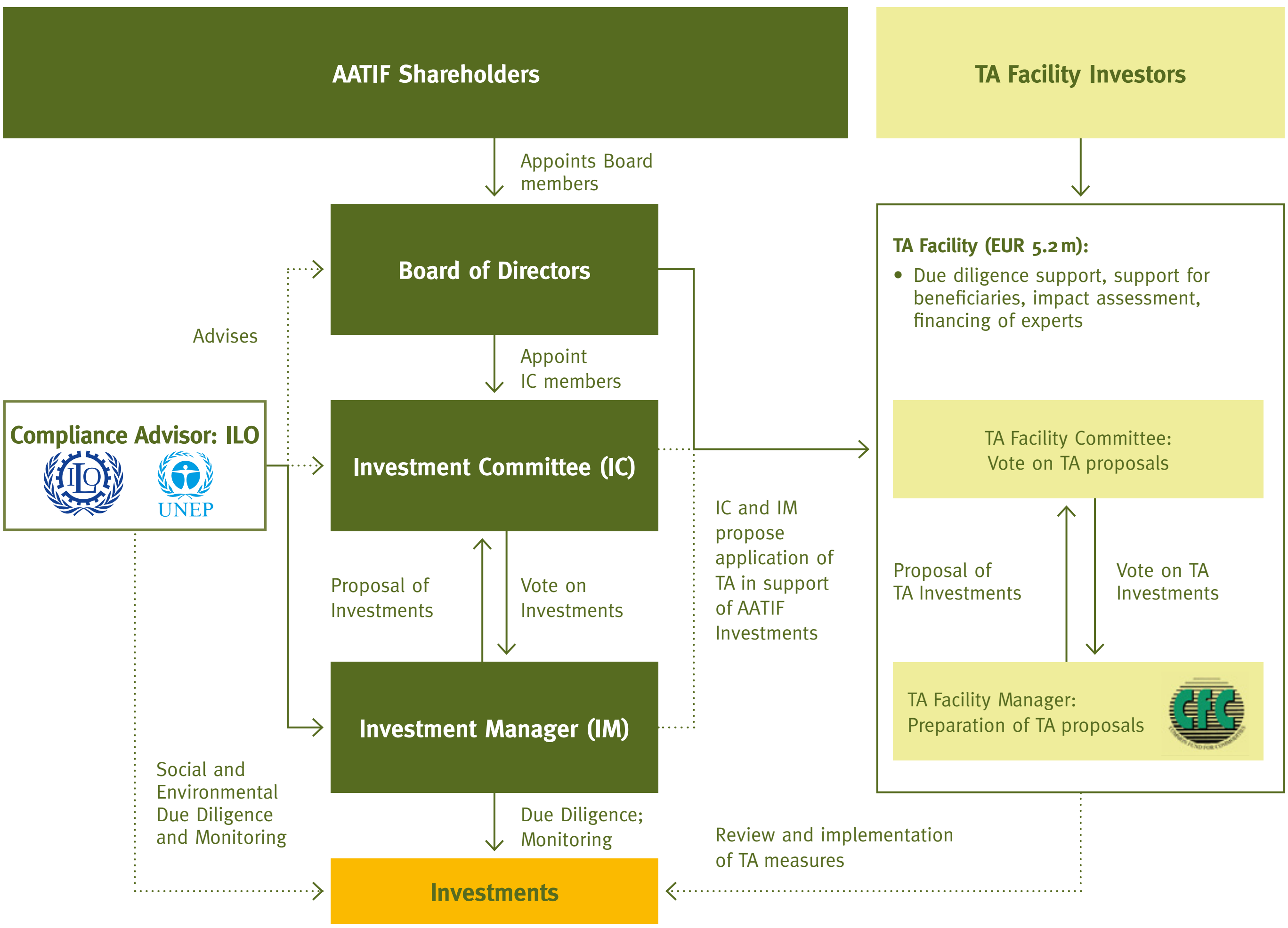
The Board of Directors appoints the Investment Committee which approves or rejects investment proposals brought forward by the Investment Manager and monitors the activities of the Investment Manager.

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. 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 (S&E) 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.

To assess an Investment's compliance with the Fund's S&E Safeguard Guidelines, the Fund has partnered with the International Labour Organization (ILO), a specialised United Nations agency with a mandate to promote decent work. As the Fund's Compliance Advisor, ILO focuses on the social risk and impact component of AATIF's S&E Safeguard Guidelines and has signed an agreement with the United Nations Environment Program (UNEP) to receive technical input and advice on environmental compliance related to the AATIF investments. Together with UNEP and other competent partners, the AATIF Compliance Advisor provides an independent opinion to the Investment Manager and the Investment Committee before any investment decision is made.

Organisational structure



AATIF's Business Strategy

AATIF focuses on investments in agriculture and trade in Africa. It targets small, medium and large scale agricultural farms as well as agricultural businesses along the entire value chain. AATIF's investments are direct or indirect: Direct investments can comprise cooperatives, commercial farms and processing companies, while indirect investments relate to local financial institutions or other intermediaries (such as large agribusinesses or distributors of agricultural inputs) which on-lend AATIF funding in cash or kind into the agricultural sector. AATIF intends to strike a balance between direct and indirect investments as both approaches can have a positive developmental impact.

In pursuing its strategy, the Investment Manager strives to continuously 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, including climate risk.

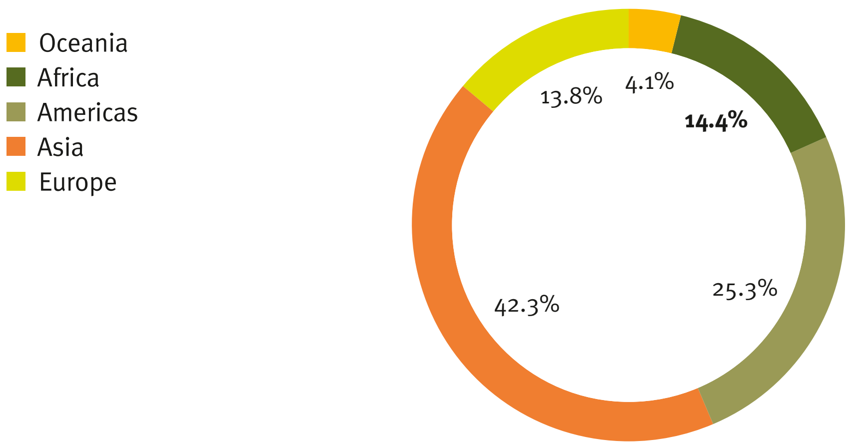
The Opportunities Of Climate-Smart Agriculture For Africa And AATIF

In December 2015, the Paris Agreement concluded by the United Nations Climate Change Conference's COP21 meeting confirmed the global commitment to combating climate change and its impacts. It is the goal to limit the increase in the global average temperature to well below 2 °C and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.[3] Since December 2015, 177 countries have ratified the Paris Agreement including AATIF partner countries such as Mozambique, Kenya, Ghana and South Africa.[4]

With the agricultural sector providing livelihoods for the majority of Africa's population, the continent faces the double challenge of having to adapt to climate change, while needing to ensure food security for a fast growing population. Simulations on climate development predict adverse impacts on agribusinesses to include changes in rainfall patterns, increases in extreme weather events, a reduction of yields from rain-fed agriculture in some African countries by up to 50 %[5] and the need to relocate areas of cultivation, e.g. to higher altitudes. In addition, research shows that rising CO_2 levels reduce the quantity of zinc, iron, and protein in staple crops such as wheat and rice, posing a critical challenge for people depending on staple crops as a primary dietary source for zinc and iron.[6]

At the same time, the agricultural sector can make a significant contribution to the mitigation of climate change. The sector is the source of 14 % of global greenhouse gas (GHG) emissions, including land use changes – most importantly deforestation – the number climbs to 25 % and even higher if the entire food system is factored in (food processing, storage and distribution).[7] Africa's agricultural sector is the third largest contributor to GHG emissions from agriculture globally (see Figure 1 below) and has seen the highest average annual growth rate globally between 1990 – 2014.[8] Further growth is expected going forward, driven by shifts in diet and a fast growing population.

Figure 1: Greenhouse gas emissions from agriculture by continent[8]



[3] Paris Agreement, United Nations 2015

[4] Paris 2015 UN Climate Change Conference COP21, 2016

[5] Nakhooda et al., Climate Finance in sub-Saharan Africa, 2011

[6] Myers, Samuel.S., Zanobetti, A., Kloog, I., Huybers, P., et. al. Increasing CO_2 threatens human nutrition. Nature. 2014. 510: 139-143

[7] Mitigating climate change through agriculture, Schaffnit-Chatterjee, Deutsche Bank Research, 2011

[8] FAOSTAT, 2014

Against this background it is important to incorporate climate change mitigation and adaptation practices into Africa's agriculture. Climate-smart agriculture (CSA) is an integrative approach pursuing three objectives including:[9]

(1) Sustainably increasing agricultural productivity,
(2) Adapting and building resilience of agricultural and food security systems to climate change at multiple levels and
(3) Reducing GHG emissions from agriculture (including crops, livestock and fisheries).

Key areas of influence for CSA include:

- **Sustainable land management**
- **Sustainable water management**
- **Climate friendly livestock systems and**
- **Mechanisation.**

Sustainable land management

Sustainable land management practices include, inter alia, zero or reduced tillage which result in healthier soil, enhanced carbon sequestration and decreased soil erosion, as well as reduced use of water and energy due to lower machine intensity. Critical measures towards sustainable land management also entail yield-enhancing practices such as improved locally adapted seed varieties and integrated soil fertility management, i.e. combining chemical and organic fertilisers to improve soil carbon.

Sustainable water management

As over 70%[10] of water withdrawals in Sub-Saharan Africa are for agricultural purposes, increased water efficiency is crucial to adapt to climate change. Irrigation, water catchment systems or drought resistant seeds provide solutions as do rainwater harvesting or conservation agriculture for improved soil moisture storage capacities present feasible alternatives. Agro-forestry systems designed to utilise multiple strata of an agro-ecosystem from timber-yielding trees, fruit trees and annual crops to herbs, creeper species and tubers are increasingly being introduced in subsistence and commercial farming. They allow a better exploitation of soil moisture by combining deep-rooted and shallow-rooted crops and further enhance soil moisture by providing shade and reducing evaporation.

Climate friendly livestock systems[11]

GHG emissions from livestock account for a significant share of human-induced GHG emissions and represent half of all emissions from agriculture and land use change. Methods to limit emissions include rotational grazing, innovative feeding and manure management.

Rotational grazing allows vegetation to regenerate after grazing, protects the soil from erosion and helps maintain its organic matter and carbon. Innovative feed mixes with increased starch content make digestion easier and reduce methane emissions. Composting solid manure and using it as organic fertiliser can reduce emissions and simultaneously improve soil fertility.

Mechanisation

From 60 million „agribusinesses" in Africa roughly 77% are subsistence farmers with no mechanisation; and only 4% are fully mechanised commercial businesses.[12] Increased mechanisation will allow farmers to improve the timeliness of farming activities (e.g. planting, weeding, and fertiliser application) and can improve nutrient use efficiency. Currently over 40% of nitrogen applied is lost due to leaching, erosion, runoff and gaseous emissions. Nitrogen loss can be reduced by improving the timing and precision of applications and enabling split applications which match the plant's requirements and limit losses.[13]

[9] CCAFS and UNFAO. 2014. Questions & Answers: Knowledge on Climate-Smart Agriculture. United Nations Food and Agriculture Organisation (UNFAO), Rome

[10] AGRA, Africa Agriculture Status Report, 2014

[11] Mitigating climate change through agriculture, Schaffnit-Chatterjee, Deutsche Bank Research, 2011

[12] Source: AGCO, 2016

[13] Roy, R., Misra R. And Montanez, A. 2002. Decreasing reliance on mineral nitrogen – yet more food. Ambio 31(2), 177-183

Integrating climate-smart practices is increasingly important for AATIF funded businesses which have not been spared from the impact of climate change. Wienco, an integrated agribusiness active in West Africa, has introduced a crop agency which offers farming services such as planting, harvesting and fertiliser application to small-scale farmers on an ad hoc or monthly basis. These supporting measures focus on sustainable land management which enables farmers to improve the timeliness of farming activities and allows access to mechanised solutions. Mechanisation is also playing a principal role at Gadco, a rice farm in Ghana, which offers mechanised services such as land preparation and harvesting to an integrated outgrower scheme. Large-scale operations such as Agrivision in Zambia are facing challenges with the ongoing drought in southern Africa and have started to introduce conservation farming techniques such as reduced tillage.

Going forward, AATIF will further integrate climate-smart agriculture within its portfolio activities. A holistic approach addressing limited capacity of small-scale farmers, insecure land tenure rights, lack of financing, socio-cultural barriers and gender roles will be required. AATIF is engaging with leading think tanks, such as the Global Innovation Lab for Climate Finance led by the Climate Policy Initiative, to develop and pilot innovative financing models for climate-smart agriculture.

AATIF Investment Portfolio 31 March 2016

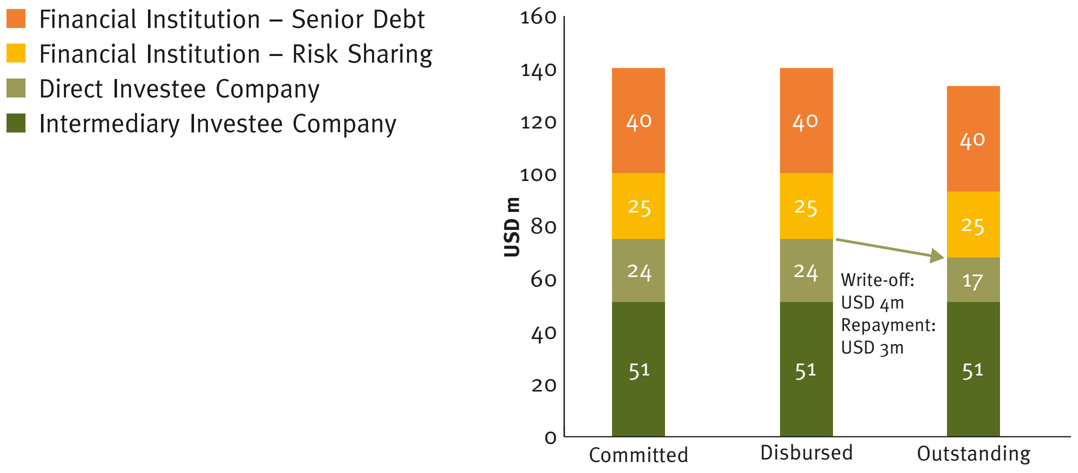
At the end of the financial year, AATIF's investment portfolio included four direct investments in agricultural companies in Africa, three indirect investments in local and regional banks and two indirect investments in agribusiness intermediary companies who act as aggregator for smallholder farmers.

In 2015/16, AATIF expanded its investment portfolio by providing a USD 30 m senior loan to its second agribusiness intermediary company, the Export Trading Group (ETG), a pan-African agricultural conglomerate.

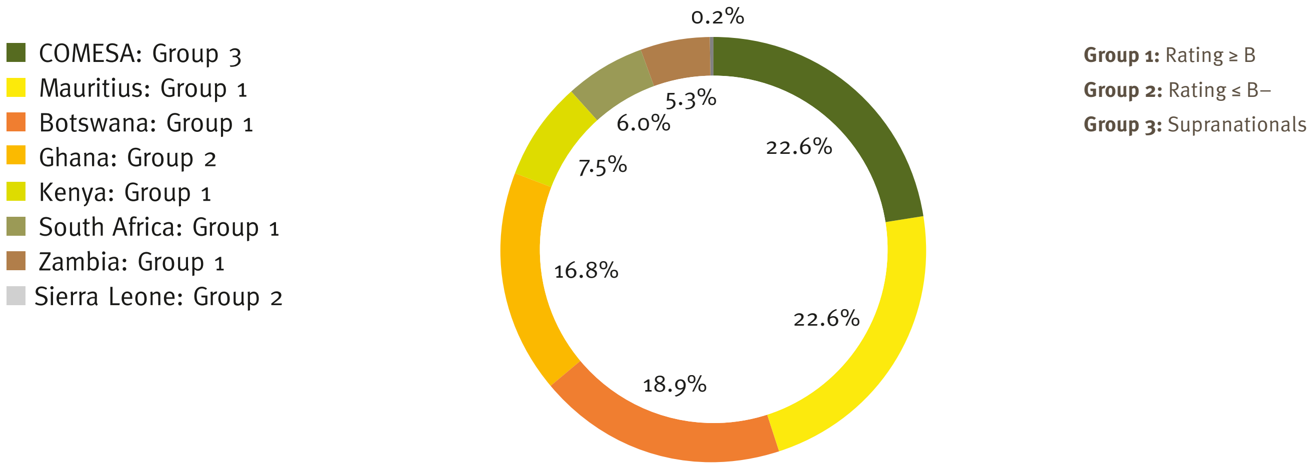
Following this investment, AATIF's disbursed gross loans to partner institutions increased to USD 140 m at year end (March 2016).

An overview of the current portfolio breakdown is depicted on the next page.

Portfolio Composition by type of Partner Institution



Portfolio Composition by Country Groups



AATIF Investment Portfolio In Detail By Their Region Of Activity

Macro view Sub-Saharan

Sub-Saharan Africa (SSA) has entered a more challenging era given the commodity downturn, slower growth in key export markets (e.g. China) and tighter financing conditions which are partly due to higher interest rates in the US. The slump in the prices for oil, gas, metals and minerals has sharply reduced growth in the heavy commodity exporters such as Nigeria, Angola, Zambia or Botswana. These economies are facing large fiscal and current account deficits, currency depreciations, dwindling foreign exchange reserves and rising debt levels. This has pushed some countries towards the International Monetary Fund (IMF) and forced them to reduce spending. It also gives them renewed incentives to better manage revenues from natural resources and focus more intensely on economic diversification and value-added manufacturing – for increased export revenues and lower import dependency.

Regional growth remains second only to developing Asia. As a result of the above challenges and also due to severe El Niño drought conditions, SSA's GDP growth is expected to slow down further in 2016 (to around 3%). Assuming that there is a modest recovery in commodity prices and a reasonable adjustment to still low commodity prices. GDP growth is expected to pick up next year (2017). Net oil importers have benefited from reduced oil prices, however, only moderately since export prices for other commodities are also low. Infrastructure development and private consumption continue to support robust growth in many countries. Most importantly, the fundamental drivers of Africa's improved economic performance of the past decade are likely to persist: improved governance, more skilled leadership and improved macroeconomic management which has increased fiscal space for public spending on infrastructure and public services. A dozen economies in SSA are still growing fast and set to grow above 6% annually over the next five years – for instance Ethiopia, Ivory Coast, Tanzania, Kenya and Ghana. Major infrastructure gaps, especially power shortages, remain a major hindrance to growth, which also highlights the vast need for investments.

The region's medium- and long-term outlook is promising, given its improving business environment, its wealth of natural resources and its unique demographic advantage (as long as job creation and adequate investments in education and health are taking place). SSA has a population which is bulging (particularly the youth segment) and rapidly becoming more urban by driving fast-growing consumer markets. In the next decades, this population has the potential to be one of the largest pools of skilled workers globally. Many SSA countries continue to attract high levels of Foreign Direct Investment (FDI). Although sectoral data is scarce, there is evidence that the share of FDI flowing into agriculture is extremely low and only a few percentage points of total FDI flows into various SSA countries.[14]

Sub-Saharan Africa's agricultural sector development

Agriculture

Agriculture remains the backbone of many African economies generating a quarter of the region's GDP (often significantly more at country level) and close to half of GDP if one includes the whole agribusiness sector. Job creation is one of SSA's top challenges and agriculture accounts for over half of total employment. Given that around 60% of SSA's population is rural, the sector holds the key to broad-based economic growth, poverty reduction and food security – especially given that growth generated by agriculture is several times more effective in reducing poverty than GDP growth in other sectors. Developing the agricultural sector is also a much needed way to diversify the economy for some of the region's heavy commodity exporters which have neglected the sector.

Although the region has grown fast, its agricultural development lags behind. Agricultural productivity is low for various reasons, including under-investment, poor infrastructure, insecure land tenure, unfavourable price policies and weak institutions. This has resulted in high import dependency on agricultural goods, which limits countries' ability to generate foreign exchange and increases their vulnerability to global price volatility. SSA needs to import over 20% of its cereal requirements on average. This is not caused by lack of potential.

[14] 0.5% of total FDI in Nigeria over 2012–2015, 1.6% in Kenya and 0,7% in Uganda over 2012-2013 according to national statistics. In terms of stock, agriculture accounted for around 5% of total FDI stock in Kenya over 2012–2013.

The region has vast amounts of uncultivated land, untapped water resources and large scope for improvements in inputs to increase yields. For instance, agriculture remains largely rain-fed, thus highly vulnerable to weather disruptions as observed recently with the drought occurring in Southern Africa, with major repercussions on agricultural output and hence inflation, food security and export receipts.

Agricultural development is urgently required for Africa to progress on economic transformation and social development. SSA offers huge agricultural potential and fast-growing markets. There is increased commitment from governments and other partners to develop agricultural value chains, a sector combining strong growth opportunities with massive linkages to the regions's overall economic and social developments. Although public spending on agriculture is increasing in Africa, it remains relatively low – at significantly less than 10% of national budgets for most countries. Challenges remain in terms of infrastructure, trade, skills and financing. Access to finance is widely recognised as a major constraint on agricultural performance in Africa for small-holders and for larger agribusiness companies. Though financial requirements are substantial for this sector (which is a major pillar of many African economies), a very small share of commercial lending flows into agriculture.[15]

ETG

In November 2015, AATIF entered into a USD 30m facility agreement with Export Trading Group ("ETG"), a diversified pan-African agribusiness conglomerate specialising in end-to-end agricultural supply chain management, including procurement, warehousing, transport, agricultural processing and consumer products. ETG has offices across 40 countries globally and significant presence across 26 African countries. ETG buys crops directly from thousands of smallholder farmers without intermediaries. By connecting smallholder farmers to global commodity markets and consumers, ETG contributes to creating employment and income security for local farmers as well as global food security. Additionally, ETG provides smallholder farmers with training, agricultural expertise, farming equipment and farming inputs through ETG Farmers Foundation on a pilot basis. The objective of the AATIF facility is to support the development of the smallholder agriculture sector in SSA. The proceeds of AATIF's facility are used by ETG as long-term working capital for the export of crops sourced from smallholders in Africa, such as pulses, sesame seed, or coffee, and import of fertilisers as well as the financing of capital expenditures related to processing plants and warehouses.

Area of improvement as per loan agreement covenant	Status
ETG shall ensure that the country level social and environmental policies, procedures and templates of each member of the Group comply with all laws applicable in each jurisdiction in Africa in which each member of the Group conducts its business;	✓ Ongoing
ETG shall develop an internal social and environmental capacity building strategy for relevant entities of the Group by 31 March 2016. The strategy is expected to: • strengthen the Group's sustainability team • together with the IFC and AATIF, train each member of its board of directors and each country manager of each jurisdiction in Africa where AATIF funding is used by 31 December 2016 • integrate social and environmental elements in the performance appraisal of the relevant staff of each entity of the Group by 31 December 2016.	✓ In progress

[15] For more on this topic, please see "Agricultural value chains in Sub-Saharan Africa", Schaffnit-Chatterjee, Deutsche Bank Research, 2014

[16] ISO standards include ISO 9001 (Quality Management Systems), ISO 22000 (Food Safety Management Systems), ISO 14001 (Environment Management System) and ISO 50001 (Energy Management System)

Export Trading Group Social and Environmental Review
ETG is committed to establishing, maintaining and continuously improving a group-wide Social and Environmental Management System (SEMS). As a first step, ETG introduced an S&E Management System Policy in 2011 to help achieve its "mission of making a difference to the society through value creation". In addition, the company developed a number of policies, procedural manuals and operational control procedures provided at the group level over the last years. This process has been and continues to be supported by the International Finance Corporation and is based on a mutually agreed upon Environmental and Social Action Plan.

Furthermore, ETG has obtained ISO certification[16] including ISO 14001, 9001, 22000, 50001, and HACCP Option A for its processing, cleaning and packaging units, warehouses and logistics activities at country level and plans to renew this certification once it expires. The implementation of labour and occupational safety and health standards at the country level has been challenging at times, something which the company is committed to address through further capacity building.

The company has a lean sustainability team composed of the Global Head of Sustainability based in Tanzania, an HR Specialist (Ethiopia), and a Food Technology Specialist (Mozambique). The Global Head of Sustainability, through ETG's Sustainability Plan 2011–2020, proposed the expansion of the team in Africa to an additional five full-time and five part-time team members to ensure effective SEMS implementation. Board approval for this plan is pending. Furthermore, the company has started drafting a Capacity Building Strategy to outline ETG's approach towards enhancing its ability for maintaining and improving the SEMS.

The AATIF TA Facility plans to support the implementation of ETG'S S&E covenants mentioned below. These mutually agreed covenants cover the aspects of the company's SEMS that require improvement.

South Africa

South Africa Macro View
Africa's most advanced economy, South Africa is a middle-income emerging market (USD 266 bn GDP, 55 m population) and one of the world's leading mining economies – with a large wealth of platinum, gold, rhodium, chromite among others. Affected by uncertain policy-making, large-scale labour strikes and power shortages, compounded by low export prices and drought, South Africa is experiencing weak GDP growth, which is expected to be barely positive in 2016. Fiscal and current accounts are both in deficit (3–4 % of GDP), partly due to falling mineral prices. The depreciation of the South African Rand led to increases in interest rates and depressed investment levels, which are already structurally low. The ruling African National Congress remains the dominant political force, although there is some uncertainty about leadership succession. High unemployment, poverty and wide income inequality remain risks to political stability.

South Africa's agricultural sector development
The agricultural sector remains vital to South Africa's economy, generating 30 % of employment and a significant job creation potential, though accounting for only 2 % of GDP. South Africa's agriculture includes well-developed commercial farming but also subsistence farming in deeply rural areas. In a regional context, yields are fairly high but water availability is a significant limitation, given uneven and unreliable rainfall.

For the South African industrial market, tomato paste is a critical ingredient for a number of products such as ketchups, sauces, soups, salsas, tinned meat and fish, etc. which is reflected in the import statistics. According to the industry there is a shortage of tomato paste in South Africa every year. Scaling up the local tomato processing, thereby moving towards self-sufficiency would reduce import dependence as well as improve foreign exchange reserves.

Cape Concentrate

Cape Concentrate is a South African company which was established in 2010 in the Eastern Cape province with a business plan to process locally grown tomatoes into tomato paste to be supplied to the South African market as an import substitute. As the only industrial off-taker for tomatoes planted by local commercial, community and emerging farmers, the company had the potential to contribute to employment creation in the Eastern Cape, one of South

Africa's poorest regions, and to increase local value creation. A successful implementation of this business plan would have required significant tomato supply from local farmers to utilise the plant's large capacity. As this requirement was not met, Cape Concentrate was placed under Business Rescue in terms of Chapter 6 of the South African Companies Act 71 in 2013. A business rescue plan provided for a restructuring of the business and the company's finances and led to an investment of USD 8 m by AATIF in August 2014 with the objective to assist the company in implementing its business rescue plan under new management and to act as a catalyst to attract additional finance to realise the development potential of the company's business model.

The AATIF investment allowed Cape Concentrate to resume its first cycle of operations in the 2014/15 season. With a limited amount of tomatoes supplied by local communities and some commercial farmers, Cape Concentrate produced high quality 36Brix and 28Brix tomato paste in the first season. All paste was sold to well-known local companies, illustrating the validity of the company's business model.

However, during the second half of the financial year, due to its still tarnished reputation and ongoing business rescue status, the company was unable to secure additional financing from local lenders which it required to be considered a creditworthy off-taker for local farmers, secure sufficient tomato supply for the 2015/16 farming season and break-even. As a result, the business rescue plan could not be implemented and the company applied for provisional liquidation in December 2015 and was put in final liquidation in March 2016. AATIF has worked closely together with the liquidators and the company to protect its interest as much as possible and has been supportive of them finding a buyer for the plant as credible new management, branding and financing will enable an ongoing production of tomato paste in the Eastern Cape province with ensuing employment benefits in the economically distressed province.

Subsequent events that took place after 31 March 2016:
In July 2016, Famous Brands, a South African foods company listed on the Johannesburg Stock Exchange, acquired the assets of Cape Concentrate out of liquidation as part of its strategy to vertically integrate its supply chain and expand its contract farming operations in the region.

Due to the financial difficulties of Cape Concentrate in the course of 2015, AATIF's TA Facility was refocussed towards immediate assistance to Cape Concentrate management through an experienced Business Turn Around Manager, who was contracted during June and July 2015. His main task was to seek new strategic business partners and contract commercial farmers for tomato supply for the next season.

Cape Concentrate Social And Environmental Review

Area of improvement as per loan agreement covenant	Status
Cape Concentrate shall immediately pay the outstanding salaries owed by it to its employees.	✓
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: • the internalisation of Cape Concentrate's human resource development function; • occupational health and safety at work improvements; • a waste management system and a biodiversity policy; • the elaboration of community involvement; • 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 with a copy of their ID card or other form of identification. etc.	✓ Second draft submitted Activity suspended
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.	Activity suspended
Each member of the Cape Concentrate Group maintains a compliance system ensuring that its operations are compliant with the Social and Environmental Exclusion List.	Activity suspended

Ghana

Ghana Macro View

Economic growth is picking up in Ghana (GDP of USD 40 bn and 28 m people), boosted by improved power supply, the development of the oil and gas sector and improved investor sentiment. After a 4-year slowdown, we expect GDP growth to increase again in 2016 to about 5 %. Fiscal pressures remain rooted in poor fiscal discipline and exacerbated by depressed gold and oil prices. Public debt is high, above 70 % of GDP since 2015, and commercial financing is expensive. The government, supported by a 3-year arrangement with the International Monetary Fund starting in April 2016, has embarked on an ambitious reform programme for fiscal consolidation. The elections in November 2016 pose a risk of fiscal slippage, but the government's need to turn around the economy in order to win the upcoming elections is likely to prevail. The current account deficit remains wide (expected at around 7 % of GDP in 2016), it is fully covered by FDI. This stable multiparty democracy enjoys relatively strong governance and a favourable business environment. The Ghanaian Cedi has stabilised, although it remains under pressure.

Ghana's agricultural sector development

Agriculture is a key sector of Ghana's economy, accounting for around 20 % of GDP and employing 45 % of the work-force. Ghana's agriculture remains vulnerable to rainfall shortages, low global market prices and depletion of natural resources, particularly forests. The government is committed to investing in agriculture and extending its success in boosting cocoa production to the wider agricultural sector – to around 20 % of world output, the second largest in the world. With 700,000 smallholder producers, cocoa production has been a major driver of growth and poverty reduction. Medium- and large-scale farming is growing in Ghana and, according to the International Food Policy Research Institute (IFPRI), this is associated with the transition of small-scale farmers from subsistence to commercial agriculture (as opposed to new entrants), cultivating mostly cereal crops. Rice consumption (second to maize) is rising steadily in Ghana, in line with population growth, urbanisation and changing consumer preferences.

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 24,257 smallholder and commercial farms across Ghana in the 2015/16 season. Organising the Cocoa Abrabopa Association (CAA) which operates in Dunkwa (4 h west of Accra) started this process in December 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. Since 2006, Wienco has been strategically moving up-stream in cocoa, maize and cotton through organising and providing input on credit to out-grower schemes in all three crops.

On October 17, 2013 AATIF disbursed a USD 21 m senior loan to Wienco. AATIF's financial commitment has allowed Wienco to significantly expand the scope of its smallholder operations in the past 3 years.

Cocoa Abrabopa Association
The Cocoa Association known as Cocoa Abrabopa Association (CAA) 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 six cocoa growing regions (Ashanti, Brong Ahafo, Central, Eastern, Western North and Western South). In the 2015/16 season, the total number of cocoa farmers registering for the CAA scheme increased from 6,763 farmers to 12,736, each of them cultivating 1–3 hectares. All registered farmers are double-certified by UTZ and the Rainforest Alliance.

Through the association, cocoa farmers receive regular agronomic training as well as quality agricultural inputs. To further extend the services provided, Wienco successfully completed the takeover of the KumanKoma Licensed Buying Company (LBC) in Kumasi, Ghana. This has allowed Wienco to purchase cocoa directly from the farmers and therewith increase the transparency in the cocoa trade in Ghana. In the past season, Wienco successfully bought 12,000 tonnes of cocoa from the smallholder farmers.

Masara N'Arziki Scheme
The Masara N'Arziki scheme is situated in Northern Ghana. Similar to CAA, Wienco Ghana supplies a package of inputs combined with regular training measures to Masara's members. In 2013/14 Wienco merged the maize and cotton schemes under the Masara N'Arziki scheme. This helped to stabilise farmers' revenues by producing different crops and reduce the diversion of inputs as each farmer will have the possibility to receive inputs for maize, cotton, soya and sorghum. Furthermore, all registered cotton farmers are certified under the 'Cotton Made in Africa' initiative. In 2015/16, a total of 11,521 farmers registered for the scheme of which 7,103 cultivated maize and 4,418 cotton with soy and sorghum as second crops.

While initially farmers were only able to sign-up in groups under the different schemes, Wienco changed the registration process in the past season to allow farmers to sign-up individually and for different levels. This enables Wienco to offer more tailor-made trainings and thereby reduce the drop-out and default rates. Farmers with limited resources will sign up for level 1, proven farmers with more resources for level 2 and established farmers who engage in larger commercial production sign up for level 3. Farmers are then able to graduate from one level to the next over the seasons.

With El Niño not having spared Ghana, farmers have had to struggle with a change of rainfall patterns. Climate-smart griculture will become more important to ensure a continuous increase in productivity and build resilience to climate change amongst smallholder farmers. With the strong focus on Good Agricultural Practices (GAP), quality inputs and crop rotation that Wienco has set over the past years, farmers have taken a first step towards climate-smart agriculture. To further complement these activities, Wienco recently introduced ALSA, a services agency seeking to provide different farming services to farmers. Farmers will have the choice to either engage in a fixed contract with Wienco, whereby they will pay a monthly fee and Wienco will be in charge of agreed activities (e. g. harvesting, spraying, weeding etc.) or they can order services "à la carte" by hiring Wienco on a demand basis for individual activities e. g. only spraying. This will further improve timeliness of activities, input efficiency and ultimately productivity.

Wienco Social and Environmental Review

In 2016, the company established a new timeline for the priority measures of the S&E Action Plan in collaboration with Masara N'Arziki and Cocoa Abrabopa Association (CAA). Wienco also recruited a coordinator, in charge of managing and reporting on S&E issues, and a new Human Resources (HR) Manager who embarked on updating the Staff Manual. In addition to serving Wienco, the new manual shall guide CAA and Masara N'Arziki in developing their own manuals to improve HR management.

With regards to the implementation of the S&E Action Plan, Wienco has continued to improve its waste management, disposing of non-viable maize seeds under supervision of the Environmental Protection Agency. Furthermore, both CAA and Masara are continuously reviewing and updating the training approach and materials to increase their effectiveness. Masara revamped its approach in 2015 by establishing a mandatory training calendar for extension officers to ensure that they train the associated farmers on a particular topic at the right time, e.g. instructions on fertilizer application before planting. In this way, all Masara farmers receive relevant training every two weeks which enables them to carry out the immediate next activity.

AATIF's Board of Directors decided that the Wienco investment should be subject to a comprehensive, in-depth and rigorous impact evaluation.

The overall objective of the evaluation is to measure and evaluate the impacts of the the CAA and Masara schemes, in particular, concerning the productivity levels of smallholder farmers, employment opportunities, household incomes and living and working conditions. The results of the evaluation should provide the AATIF with empirical evidence about the effectiveness of the Wienco outgrower schemes.

As part of its mandate, all impact evaluations are being implemented by the AATIF TA Facility. As the winner of the tender for this undertaking, the German Centre for Evaluation (Ceval GmbH) undertook a scoping mission to Ghana in January 2016. Baseline data collection will commence in July 2016.

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.	✓ Updated plan submitted (Mar 2016)
Wienco to ensure that any contract with staff contracted by the Cotton Out-Grower Scheme Wienco Cotton from third parties or employed directly by the Cotton Out-Grower Scheme Wienco Cotton complies with Ghanaian laws and provide evidence that such staff is employed lawfully.	✓
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 birthday/age in the group contracts and provide proof thereof with a copy of their ID card or other form of identification.	In progress: • HR policy updated • HR policy contains "no child labour commitment" • HR policy contains anonymity in grievance mechanism • Smallholder contracts updated

Outreach to smallholder farmers	After serving a total of 17,791 smallholder farmers in 2014/15, Wienco collaborated with 24,257 smallholder farmers as of June 2015.

GADCO

GADCO is an agri-food company, focused on crop production, processing and marketing of fragrant rice. The company is privately owned and funded by financial and impact investors.

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.

Following operational challenges experienced in 2014 and early 2015, GADCO announced in July 2015 that it was acquired by RMG Concept Limited ("RMGC"), a strategic investor with operations across 17 countries in Western Africa (including Ghana) working in partnership with several thousands of smallholder farmers.

Operations resumed successfully under GADCO's new management on the nucleus farm. The GADCO smallholder scheme Copa Connect has successfully been merged with RMG's smallholder scheme for rice. In total, the smallholder scheme for rice now comprises almost 600 farmers who receive training on good agricultural practices, as well as inputs (e.g. seeds, fertilizer, pesticides). In addition, Copa Connect farmers can now also obtain financial support from GADCO to cover the Irrigation Service Charge, a seasonal rent paid to the Irrigation Development Authority to repair the irrigation canals and drainage systems and thus facilitate the irrigation of the field. All rice produced via the smallholder scheme is milled by the GADCO rice mill and jointly sold under the Copa Connect brand in Ghana.

The TA Facility is in regular contact with GADCO's new management and ready to provide technical assistance if and when needed.

GADCO Social and Environmental Review

As part of changing management in 2015, GADCO worked with its lenders to align and update S&E requirements and catch up with reporting to the Ghana Environmental Protection Agency (EPA). The company conducted water quality tests in February 2016 on the Lake Volta irrigation points, as well as on a number of the farm's irrigation and drainage canals.

GADCO also made progress towards the implementation of the updated social and environmental covenants. The company is elaborating its human resources policy and improved its occupational safety and health policy as well as its emergency response plan. Moreover, the company is taking a fresh look at opportunities to reuse part of the organic waste, e.g. rice straw as cattle feed, rice husk for electricity generation. GADCO's future plans include increasing staff knowledge and skills on the company's policies through training.

Furthermore, in December 2015, GADCO renewed its commitment to the Fievie community from which the company leases land and in turn pays the community a percentage of the market value of the rice harvested and milled. GADCO and the Fievie community signed a one-year Memorandum of Understanding to revamp the Fievie Connect Programme which had been suspended in 2014 due to the company's difficulties. The new agreement stretches over two farming seasons and covers 120 ha of land that shall be delivered to 120 Fievie smallholder farmers for farming. In addition, as part of its community livelihood empowerment plan, GADCO repaired a bridge and desilted all dams previously built by the company. GADCO holds monthly meetings with the leaders of the twenty-one surrounding communities to discuss topics of common concern, like cattle entering the farm or water use, and agree on solutions.

Area of improvement as per loan agreement covenant	Status
GADCO shall apply the daily minimum wage as approved by the Ghanaian government.	✓
GADCO shall ensure that employment contracts comply with national labour and employment law.	✓
International staff members are covered by a health insurance and national members of staff are covered by a health insurance and are in possession of health insurance cards.	✓
GADCO sets out in writing (A) its human resources policies, (B) a manual for the safety at work and (C) an emergency plan. All members of management and staff have been trained and are familiar with the procedures established in these three documents.	In progress
GADCO shall agree on and finalise a form of social and environmental reporting by 30 June 2015.	✓
The condition of the Environmental Protection Agency of Ghana on establishing an "Environmental Management Plan" is extended to include social concerns. An integral "Social and Environmental Management Plan" shall be shared by no later than the deadline of the Environmental Protection Agency of Ghana for the implementation of the "Environmental Management Plan."	In progress
GADCO shall ensure that measures to improve the safety of the community are implemented in line with the "Social and Environmental Management Plan."	In progress

Employment Impact	Compared to December 2014, employment numbers decreased from 107 to 92 in December 2015.
Outreach to smallholder farmers	The Copa Connect programme reached 512 smallholder farmers of whom 25 % are women. Together, they farmed 538 hectares in Weta and Asutsuare in 2015. An additional 78 farmers had signed a contract with the Fievie Connect programme. While these figures could not be validated for 2014/15, in relation to 2013/14, there was an increase in the number of farmers reached (approximately 400 in the Copa Connect programme and 45 with the Fievie programme).


SUPER
MBEYA
2400
MBEYA

Sierra Leone

Sierra Leone Macro View

Sierra Leone (USD 4 bn GDP, 6 m population) was one of the fastest growing economies in the world, after making remarkable economic and political progress following the brutal 1991–2002 civil war. However, the country, still having one of the lowest economic development in the world, was hit in 2014 by the Ebola epidemic, which stretched already fragile public finances. This led to a dramatic slowdown in economic activity, with GDP contracting by one-fifth in 2015 as the iron sector (key export) has been affected by both low iron prices globally and increased operating costs due to the epidemic. After the outbreak, the country has received strong international support to continue to rebuild itself and we expect GDP to grow again in 2016 (by around 5 %). The next era of growth is likely to be driven by a few promising sectors including agriculture, fishery, tourism and port services.

Sierra Leone’s Agricultural Sector Development

Agriculture is particularly important in Sierra Leone since it accounts for over 50 % of GDP, though this share has been shrinking with the growth of extractive industries. The agricultural sector has been seriously hit by the Ebola outbreak, limiting farmers' access to inputs and labour. Already exporting coffee, cocoa, nuts and oil palm, 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. Agriculture is set to receive a boost from on-going reforms driving increasing investment for large-scale agribusiness.

Balmed

On December 23rd 2013, AATIF entered into a USD 1 m trade finance facility with Balmed Holdings Limited ("Balmed"), a Sierra Leonean cocoa and coffee trading and blockfarming company. A first tranche of USD 250,000 was disbursed with the signing of the agreement. The initial AATIF funding did not establish trading success, primarily as a result of the Ebola outbreak requiring a 100 % loss provision in June 2014.

AATIF has continued to consider Balmed's business model as innovative but had to acknowledge in early 2015 that funding required at present would need to be primarily of grant character to allow a company turn-around. In 2015 and 2016, Balmed managed to continue supporting its block-farming model under existing grant funding programmes while many of its competitors left the country.

To revive its processing facilities as the basis to restart trading activities, Balmed has applied and was shortlisted for a grant from the USD 30 m World Bank Ebola Recovery Program. If approved, funding allocated to Balmed would provide support to cover the entire agribusiness value chain with a focus on further strengthening Balmed's block-farming model. Communication on final beneficiaries of the program is expected in the course of 2016. AATIF is in close communication with Balmed and will support Balmed in sourcing grant funding as much as possible.

Zambia

Zambia Macro View

Zambia's economy (USD 20 bn GDP, 17 m population) is largely dependent on copper (30 % of GDP, 70 % of exports) and thus severely affected by the downturn in copper prices combined with a severe power crisis. The fiscal deficit remains wide (8 % of GDP) and public debt is now close to 60 % of GDP, with rising servicing costs. Fiscal consolidation is likely to be further slowed down by inconsistent policy-making. Zambia approached the IMF for support but it is unlikely that any programme will be agreed upon until early 2017. The current account turned into deficit in 2015 and the Zambian Kwacha was among the worst performing currencies. It remains weak, although it has somewhat recovered since copper prices have strengthened from a seven-year low in January. Inflation is high (over 20 % yoy). GDP growth continues to be subdued in 2016 (forecast at below 4 %) but we expect it to pick up afterwards, supported by increased mining and agricultural output. FDI remains high – above 7 % of GDP. Zambia is one of the most politically stable countries in the region, with a history of fair and peaceful elections and no ethnic violence.

Zambia's Agricultural Sector Development

Agriculture contributes around 15 % of Zambia's GDP, employs roughly 70 % of the population and has been growing robustly over the past few years. However, it has recently been severely affected by the drought experienced in southern and eastern Africa in the context of El Niño. 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 of funding remain inadequate, leading to low agricultural productivity. However, the government supports agriculture as one route for economic diversification and promotes both agricultural production and agro-processing, including through increased fertiliser production and expanded irrigation. The government announced in October 2015 a stimulus package to develop tourism, agriculture, construction and manufacturing. The cultivation of maize still dominates Zambian agriculture but wheat, soybean, sugar and tobacco are gaining importance.

Agrivision Zambia (Previously Known As Chobe Agrivision)

The Agrivision transaction was AATIF's first investment and closed on 26 October 2011. AATIF extended a facility of USD 10 m to Agrivision Africa Mauritius, guaranteed by Agrivision Zambia (Agrivison). The AATIF investment of USD 10 m allowed Agrivision to develop the Mkushi farm from about 400 ha to 1,686 ha. The farm development included the installation of irrigation which at present can only be partially utilised due to continued drought and reduced water availablity. On October 24 2015, Agrivision repaid the first tranche of the AATIF loan of 3 m USD according to schedule.

Agrivision is an integrated agribusiness enterprise focused on cultivating and processing food crops at selected locations across Zambia. Agrivision operates out of two hubs including Mkushi (Central Province) and Somawhe (North-Western Province). While the business started off as a grower of maize, wheat and soy, vertical integration is continuously pursued to reduce dependence on soft commodity price movements. In 2014, Agrivision acquired the milling operation Mpongwe-Milling situated 180 km from the Somawhe farm. Mpongwe processes the produce of both farming hubs as well as maize and wheat from smallholder farmers in the region. Agrivision is sourcing a majority of its maize for the Mpongwe Mill directly from smallholder farmers and via the national Food Reserve Agency (FRA).

2015 offered opportunities and challenges for Agrivision. In terms of opportunities, Agrivision's business model has attracted new investors including the International Finance Corporation (IFC) which provided an equity contribution of USD 20 m. IFC also supports Agrivision in its upstream value chain activities, including the roll out of a dedicated smallholder scheme, supporting to the company's diversification of supply channels. To diversify its off-take sources, Agrivision develops new flour bread mixes to meet the preferences of customers in Zambia and the Democratic Republic of Congo (DRC). Agrivision continues to benefit from its Investment Promotion and Protection Agreement which gives the right to export up to 80 % of their produce. Agrivision currently exports wheat bread mixes to DRC.

In terms of challenges, El Niño led to drought across the South African region and also affected Agrivision's crop this year. While the summer crops (soy, maize to be harvested in April) receive sufficient rain, Agrivision does not receive enough water to fill their dams for the dry winter crop (wheat) season resulting in only scheduling to plant a wheat crop on 550 ha in addition to 80 ha of barley (750 ha of wheat 2014/15)

To enable a continued operation in the winter and summer season, Agrivision is working on a variety of solutions such as increasing access to additional irrigation capacity and a diversification of crops. To adapt to climate change impacts, Agrivision is applying zero tillage techniques to conserve soil and reduce GHG emissions. All wheat is produced using this technique, while for soybean the proportion is 75 % and for maize 50 %.

Technical Assistance
In support of the social goals and objectives of AATIF's investment in Mkushi 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 age children on the farm premises and the neighboring village. Prior to this intervention, the lack of transport means and insufficient school facilities negatively affected school attendance among farm children. While the rehabilitation of the school had already been succesfully completed in 2013, the procurement of a school bus in order to transport the children from the farm was successfully completed in 2014. A final review conducted by external specialists concluded that the intervention contributed to improved quality of educational service provided by the school and to an increase in the number of school children and their attendance rate. Following the example of Agrivision, other commercial farms in the region have commenced to engage in financing similar social projects.

Upon request from the farm management, the TA Facility Manager and Compliance Advisor have developed a project to assist Agrivision in mitigating increasingly observed alcohol abuse amongst farm workers. The intervention foresees the implementation of long term corrective measures that will increase awareness and trigger social actions through the farm worker community.

Agrivision Social and Environmental Review

At the end of 2015, Agrivision established an Environmental, Social and Governance (ESG) Department responsible for overseeing ESG for the farm in Mkushi as well as the farming and milling operations in Mpongwe, and any new operations in the future. The team comprises a CSR manager, an ESG manager and a team coordinator, and is in charge of coordinating ESG policies and reporting, promoting out-grower and small-scale production, and sourcing mill products in all Zambian operations.

Since the creation of the ESG team, Agrivision has made swift progress in addressing and managing environmental and social risks and impacts. This shows the importance of having a dedicated team to work on ESG performance. The company consolidated the existing ESG documentation and completed a comprehensive Environmental and Social Management System document relevant for all operations. The document outlines the policies, audit procedures, reporting mechanisms and responsible authorities as well as baseline indicators to measure Agrivision's S&E performance (e.g. energy, water use, waste volumes). In addition, the team drafted and started implementing an Environmental and Social Action Plan for 2016. As part of the 2016 activities, a grievance registry covering both workers and other stakeholders has been published and the company is planning to implement and obtain ISO 14000 and/or Global GAP certification later in the year.

In line with requirements of the Water Resource Management Authority, Agrivision applied for and was subsequently granted water permits for the various dams in the Mkushi farm block. The process for obtaining authorisation to extract water from the Lunsemfwa River is still ongoing. As part of this request, the company is consulting with the local chief and other stakeholders that might be affected by the construction of the pipeline.

Area of improvement as per loan agreement covenant	Status
Apply minimum wage as per Zambia Employment Act to casual workers.	✓
Adjust registration forms for casual workers to ensure no underage workers are hired.	✓
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.	✓
Set up and implement a system for managing occupational safety and health, which also includes active worker participation.	✓
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.	✓
Ensure that children of families working at the Chobe Agrivision have access to at least a primary school.	✓ Final report on TA measure to rehabilitate a nearby school and procure a school bus submitted.

Employment Impact	Agrivision's labour force increased by 26% in the last year, from 165 employees in December 2014 to 208 in December 2015. While both management and fixed-term employment remained rather stable (12 employees in management team, 126 fixed-term), the increase was mainly due to the hire of more casual workers.

Botswana

Macro View

Botswana's economy (USD 13 bn GDP, 2 m population) is currently hit by the downturn in the diamond industry. While the world's largest producer of diamonds hopes to become a global diamond trading hub, the government is also keen on diversifying its economy by developing agriculture, tourism, construction and manufacturing. After a severe dip in 2014/15, growth is forecast at around 4 % in the next years. The country has returned to a (small) fiscal deficit since 2015 but has a low debt burden (16 % of GDP) and is a net external creditor. A mature democracy, Botswana fares well in all governance indicators. In spite of a very high GDP per capita for the region and progress in reducing poverty, the country's income inequality is among the highest in the world and some rural areas remain significantly poverty-stricken.

ABC Holdings Limited (BancABC)

ABC Holdings Limited, which is registered in Botswana, is the parent company of a number of Sub-Saharan banks operating under the BancABC brand in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. BancABC offers a diverse range of financial services including personal, business, and corporate banking, as well as asset management, stockbroking, and treasury services.

In 2014, Atlas Mara acquired a significant majority stake in ABC Holdings. Guided by its core values, BancABC is pursuing its vision to be the preferred banking partner in Africa by offering world class financial solutions to the benefit of all its stakeholders.

The agricultural sector development for each operational hub is summarised below followed by an update on the transactional milestones.

Botswana: 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 wet eastern region.

Mozambique: The agricultural sector continues to dominate Mozambique's economy, accounting for nearly 80 % of employment and 26 % of GDP. It remains mostly subsistence-based, with growth in the smallholder sector limited by farmers' lack of access to financing and technology. Mozambique's agriculture is also mostly rain-fed and poor weather is one of the reasons behind the lower economic growth forecast for 2016. The government long-term strategy for development includes agriculture as a key priority area. The country's Strategic Plan for Agricultural Sector Development (PEDSA) identifies locations (Beira, Nacala, Zambezi) with large 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 the main agricultural import (about 20 %), followed by wheat (15 %).

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

Tanzania: Accounting for 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: (see Agrivision).

BancABC transactional milestones:
On 17 December 2013, AATIF signed a USD 25 m funding and risk sharing agreement with BancABC.

In 2015, the acquisition of BancABC Holding by Atlas Mara was finalised. Atlas Mara's goal is to achieve a top 5 position in the markets in which it operates through both organic and acquisition-led growth. The company recently acquired Finance Bank of Zambia Plc which will be merged with the existing Zambian BancABC subsidiary to create one of Zambia's largest banks in terms of branch network and fifth largest bank in terms of assets. At the same time, Atlas Mara has been implementing a comprehensive programme to strengthen BancABC's end-to-end credit processes in terms of sustained and profitable loan book growth.

Funding the agricultural sector is still an emerging business line for BancABC. BancABC is taking a focused approach in agricultural sector funding in Mozambique, Zambia and Zimbabwe where it targets to grow its agricultural portfolio through the resources provided by AATIF. As of 31 March 2016, BancABC has seasonally on-lent/committed approximately USD 18 m of the AATIF facility. Typical transactions include the funding of banana and tea cultivations, cotton processing, sugarcane schemes as well as dairy small-holder models.

Additional initiatives relating to advancing the agricultural sector include innovative products funded outside AATIF such as the "e-voucher" program for small scale farmers in Zambia, supported by the Zambian government, which aims at providing enhanced access to agricultural inputs. The bank launched BancABC/Farmers Union Visa Prepaid Card, a co-branded technological solution which uses a portable POS terminal allowing suppliers to visit cooperatives with transactions completed at the point of purchasing, thus reducing the need for farmers to travel to obtain credit scheme approval. Cards are usually preregistered, so that stock requirements can be projected by suppliers. At the end of 2015, 242,683 cards were distributed across 13 districts. Of the originally identified potential candidates, 91 % are actively utilising the card.

BancABC Social and Environmental Review
In 2015/16, AATIF and the bank collaborated to identify sub-loans that met the requirements of the Fund's S&E Safeguard Guidelines. This process has shown that an effective SEMS requires capable staff and an appropriate set of tools to assess S&E risks. Moreover, without coordination at the Group level, monitoring the S&E risks across the portfolio is challenging.

Thus, since November 2015, and with the support of the AATIF TA Facility, a consultant is engaged in order to strengthen the bank's SEMS by improving the S&E policy, procedures and tools and developing capacity for implementation. In turn, the bank committed to recruit a Sustainability Manager for the Group. The process is ongoing and is being managed by a bank-internal S&E Governance Forum.

In addition to the SEMS upgrade project, the TA Facility Manager is in ongoing discussion with BancABC on possible measures to improve the capacity of bank staff in agricultural lending.

Area of improvement as per loan agreement covenant	Status
BancABC to commit to sustainable development of its activities on a higher organisational level, i.e. in its vision or mission statement and clearly outline its commitment in strategic planning documents.	In progress
BancABC to develop an action plan that clearly outlines the milestones and timeline for the implementation of a group-wide SEMS.	✓
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, second draft submitted
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, currently working with a consultant
BancABC to develop an S&E capacity building strategy and have trained all relevant staff by June 2016.	In progress, trainings needs assessment matrix drafted
BancABC to closely communicate with the AATIF Compliance Advisor in overseeing the first three investments involving AATIF funds.	✓ Credit appraisals for all proposed sub-loans submitted for review
BancABC not to extend AATIF funds to projects that are not assessed through BancABC's SEMS. 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[17]

The Common Market for Eastern and Southern Africa (COMESA) is one of the largest regional economic groupings in Africa and 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 around 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 recognises the need for a holistic approach encompassing the key elements of agricultural development: 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 investment update

Established in 1985, PTA provides mainly private sector related 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 operates out of four hubs: Headquarter Bujumbura, Burundi; Regional and Corporate Support Centre Nairobi, Kenya; Regional Office Harare, Zimbabwe and Mauritius.

PTA's operations have not been adversely affected by the political situation in Burundi where its headquarters are located. PTA's exposure in Burundi represents less than 1% of the bank's total loans and investments.

In Q3 2015, PTA reached financial close of its second Tanzanian Shillings denominated bond with a volume of TZS 32.6 bn (approx. USD 15 m) and a five-year tenor. Proceeds will be used to fund the operations of the Tanzanian Electric Supply Company (TANESCO).

In February 2016, PTA signed a memorandum of understanding with China Exim Bank with the aim to cooperate in areas such as project and infrastructure finance, trade finance and treasury activities.

As of 31 March 2016, PTA has on-lent USD 30 m of the AATIF facility. Lending facilities have been primarily directed towards the dairy, sugar and tea sectors. The projects are currently being developed and more than 3,200 additional permanent jobs are expected to be created. In addition to increased employment at the project sites, once the projects have reached the implementation phase, the local communities are expected to benefit via:

- knowledge transfer (e.g. training of local staff to operate newly built plants),
- maintenance of local infrastructure (e.g. roads for transportation of tea), and;
- assistance provided to small scale farmers and vendor networks (e.g. cooling facilities for dairy products).

The TA Facility is undertaking a rapid appraisal of the social and developmental impact of the AATIF loan extended to PTA. For this purpose a single subloan has been selected (extended by PTA to the Tanganda Tea Company in Zimbabwe) for which a external specialist has collected baseline data in March 2016.

[17] COMESA Website, 2016, http://programmes.comesa.int/

PTA Social and Environmental Review

PTA has over 10 years of experience in managing S&E risks and impacts in the bank's portfolio. However, the ESG policy first introduced in 2005 needed to be aligned with new developments, and hence, PTA embarked on a process of reviewing the existing environmental and social management policy and procedures in 2015. The revised SEMS, approved by the Board of Directors in September 2015, integrates international good practice into the bank's operational workflows to ensure adequate assessment and management of the S&E risks and impacts linked to its investments. Implementation started immediately after the Board's approval.

As part of the SEMS revision, all operational staff (front and back office) were trained on the use of the revised procedures and tools. In addition, PTA continued building the technical capacity of staff. In 2015, eight employees participated in an online training course on Environmental and Social Risk Analysis (ESRA) offered by the UNEP, raising the number of trained staff to 34.

The bank's revised SEMS introduced a semi-annual reporting cycle for the PTA-funded projects. The system now formally foresees engaging a S&E consultant on a retainer basis to continuously support the assessment of category 1 and category 2 (high risk) projects.

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.	✓
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.	✓
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.	✓
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.	✓

Kenya

Kenya Macro View
Kenya's diversified economy (USD 65 bn, 45 m people) continues to grow rapidly at over 6% annually, boosted by strong public investments and dynamic consumer demand. Growth is also supported by steady expansion of power supply and increasing cooperation at the regional level (East Africa Community). The fiscal deficit is at 6% of GDP and spending pressures continue due to large infrastructure expenses, high public wages and costs related to the decentralisation to the 47 counties. Public debt is over 50% of GDP, with a high interest burden. However, Kenya remains at low risk of debt distress and tax revenue has been increasing. The current account is still in large deficit (7% of GDP), as the decrease in oil import costs is mitigated by large imports of capital goods, and the shilling remains under pressure. Still, FX reserves are adequate and the IMF precautionary stand-by facility will help sustain investor confidence. Travel bans have been lifted but Kenya's involvement in Somalia's civil war continues to expose the country to terrorist attacks.

Kenya´s Agricultural Sector Development
Agriculture, largely rain-fed, accounts for around 30% of Kenya's GDP, 60% of employment and 65% of exports – mostly tea and horticulture products, together accounting for close to 40% of total exports. Kenya is the third largest tea exporter in the world and the first for black tea, and Sub-Saharan Africa's leading horticultural producer, with flowers and vegetables mostly destined to European markets. About 75% of the population live in rural areas and most derive their livelihood from agriculture. With yields of crops and livestock far below their potential, improvements should be easily achievable through the adoption of appropriate technologies and integrated soil fertility management. Increasing access to agricultural inputs and extension services, as well as value addition can also help boosting Kenyan productivity. Commercial credit to agriculture remains low with a sectoral share of about 5% over 2008–2013.

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. Its core business focus is SME business, including in agriculture, healthcare, education and transport. Chase Bank is well established across Kenya with more than 50 branches.

In July 2015, Chase Bank received an initial A- local currency rating by Global Credit Ratings, a local rating agency focused on African countries.

In Q4 2015, Chase Bank entered into a partnership with Safaricom to launch a service that will boost the efficiency of businesses, by aggregating their banking services and making them accessible through a mobile phone, including in remote areas.

In January 2016, Chase Bank participated in AATIF's stakeholder meeting in Berlin and Mr. Njaga, CEO of Chase Bank, emphasised the importance of commercial partnerships in providing market-based financing to the agricultural sector in Sub-Saharan Africa (like the facility between Chase Bank and AATIF) instead of grant funding.

As of 31 December 2015, Chase Bank has, through repeated seasonal financing, on-lent the entire AATIF loan amount to the fruits, vegetables, cereals, horticulture and dairy sectors. The number of outstanding loans was approx. 360 with an average outstanding loan amount per Chase Bank client of between USD 30,000 and 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. To allow Chase Bank to further expand its agricultural loan portfolio, preparation for similar analyses for the grains sector and for edible nuts have been considered.

Subsequent events that took place after 31 March 2016:
In early April 2016, Chase Bank experienced a bank-run following a public divergence in views between auditors and management related to its 2015 financial statements. To limit liquidity losses, the Central Bank of Kenya (CBK) placed Chase Bank under receivership and appointed the Kenya Deposit Insurance Corporation (KDIC) as receiver. Subsequently, KDIC appointed KCB Bank Kenya Ltd as manager and Chase Bank partially resumed operations. AATIF is collaborating closely with other senior lenders to Chase Bank and local authorities in Kenya to protect the interests of its stakeholders. While such adverse developments are hard to anticipate, AATIF will incorporate lessons learnt into the appraisal of future investments.

Chase Bank Social and Environmental Review
Chase Bank successfully launched a Social and Environmental Management System (SEMS) in 2014, and has continuously worked on implementing the related procedures. According to the SEMS, all loan applications are screened for social and environmental impacts and are categorised as high-, medium- and low-risk. In contrast to other financial institutions, which only focus on high- and medium-risk loans, Chase Bank developed an innovative facilitated S&E appraisal that is applied to all low risk agriculture loans (below KSh 8,800,000 or approximately USD 85,000).

In order to assess the effectiveness of this facilitated S&E appraisal, Chase Bank and AATIF collaborated with a local research company and collected data from 66 agriculture loan applicants between August and December 2015.

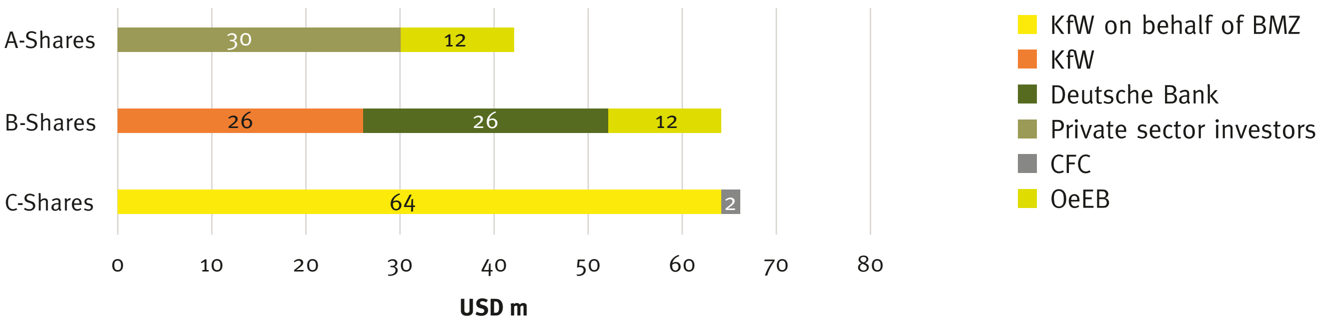
The results confirm the hypothesis that despite their limited size, SMEs involve multiple social and environmental risks in their activities and that these are not always effectively addressed. While loan applicants were aware of the risks, particularly environmental ones, the analysis showed a gap between attitudes towards S&E risks and actual practice. Furthermore, the study helped identify some shortcomings in the implementation of the facilitated S&E appraisal and informed about improvement areas for an adequate identification of S&E risks and impacts.

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.	✓
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.	✓
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	✓
Chase Bank shall at all times maintain (I) a social and environmental manager and (II) a social and environmental coordinator.	✓
Chase Bank shall closely communicate with AATIF in overseeing the first two Sub-Loans.	✓
Chase Bank shall adjust by 31 April 2016 the DEG Report in consultation with the Compliance Advisor reflecting special Social and Environmental Management System requirements of the agricultural loan portfolio whereby all Sub-Loans shall undergo either a Facilitated Appraisal or Standard Appraisal.	Outstanding
Chase Bank shall adjust the existing environmental risk assessment tools of the Social and Environmental Management System to the Kenyan context (including but not limited to the legal and regulatory context and common environmental risks) and provide for the identification of GMO Activity in Sub-Loans by 30 June 2016.	Outstanding
Chase Bank shall develop a Social and Environmental Capacity Building Strategy, incorporate this strategy into the overall institutional capacity building framework and integrate Social and Environmental Employee Performance Indicators in the performance appraisal of all relevant staff by 31 December 2016.	Outstanding

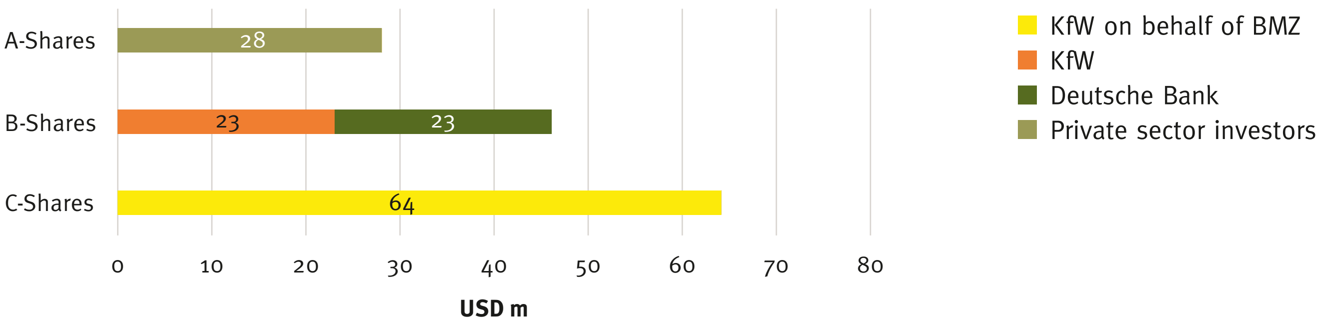
AATIF Funding Sources

Funding overview: During the financial year 2015/16 AATIF raised Class A- and B-Share funding from corporate private sector investors and the Austrian Development Bank OeEB. Total new commitments sum to USD 27 m. As of 31 March 2016, USD 35 m of investor commitments remain investable.

Investor Commitments



Subscriptions (drawn Investor Commitments)



Financial Statements

Statement of financial position

USD	31 Mar 2016	31 Mar 2015
ASSETS		
Non-current assets		
Gross loans to Partner Institutions	104,515,323	106,342,361
Loan loss allowance	(9,350,000)	(5,050,000)
Loans to Partner Institutions	**95,165,323**	**101,292,361**
Current assets		
Loans to Partner Institutions	25,478,486	–
Interest accruals on loans	503,036	323,930
Other receivables and prepayments	3,498,860	4,628,260
Cash at bank	6,382,303	3,928,346
Total assets	**131,028,008**	**110,172,897**
LIABILITIES		
Current liabilities		
Current liabilities at fair value through profit or loss	1,333,901	2,554,292
Accrued expenses	1,416,338	1,457,296
Other payable	79,748	101,791
Redemption payable to holders of redeemable ordinary shares	332,887	–
Distribution to holders of redeemable ordinary shares payable	1,993,150	1,579,976
Total liabilities excluding net assets attributable to shareholders	**5,156,024**	**5,693,355**
Non-current liabilities		
Class A Shares – Tranche 1	23,639,876	23,973,476
Class A Shares – Tranche 2	4,000,000	4,000,000
Class B Shares – Tranche 1	25,858,000	18,451,716
Class B Shares – Tranche 2	19,578,732	–
Net assets attributable to holders of redeemable shareholders	**73,076,608**	**46,425,192**
Total liabilities	**78,232,632**	**52,118,547**
EQUITY		
Class C Shares – Tranche 1		
Share capital	64,100,434	62,485,450
Profit/(loss) for the year/period	(6,873,958)	(3,509,264)
Retained earnings	(4,431,100)	(921,836)
Total equity	**52,795,376**	**58,054,350**
Total liabilities and equity	**131,028,008**	**110,172,897**

Statement of comprehensive income

USD	For the year ended 31 Mar 2016	For the year ended 31 Mar 2015
INCOME		
Interest income on loans	6,297,236	5,917,103
Interest income on deposits	–	217
Upfront management fees and success fees on loans	370,000	245,000
Unrealised gain on financial liabilities at fair value through profit or loss	1,220,391	–
Realised gain on exchanges	221,964	68,824
Unrealised gain on exchanges	686,125	5,497,635
Other income	366,360	679,956
Total income	**9,162,076**	**12,408,735**
EXPENSES		
Direct operating expenses	(1,493,311)	(1,288,580)
Investment management fees	(1,468,781)	(1,306,369)
Performance fees	(376,008)	(444,043)
Technical assistance facility	–	(110,173)
Realised loss on financial liabilities at fair value through profit or loss	(640,758)	–
Unrealised loss on financial liabilities at fair value through profit or loss	–	(2,201,357)
Realised loss on exchanges	(3,783)	–
Unrealised loss on exchanges	(1,185,165)	(3,552,131)
Realised loss on loans	(4,033,610)	–
Loan loss allowance	(4,300,000)	(4,800,000)
Other expenses	(550,771)	(635,370)
Distribution to holders of redeemable ordinary shares	(1,983,847)	(1,579,976)
Total expense	**(16,036,034)**	**(15,917,999)**
Operating loss)	**(6,873,958)**	**(3,509,264)**
Loss for the year	**(6,873,958)**	**(3,509,264)**
Other comprehensive income	–	–
Total comprehensive income for the year	**(6,873,958)**	**(3,509,264)**

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

USD	Net assets attributable to shareholders
As at 31 March 2014	**41,025,192**
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)	–
Increase in net assets attributable to shareholders from transactions in shares	**5,400,000**
Change in net assets attributable to shareholders from operations	–
As at 31 March 2015	**46,425,192**
Issue of redeemable shares (Class A)	–
Redemption of redeemable shares (Class A)	(333,600)
Issue of redeemable shares (Class B)	26,985,016
Redemption of redeemable shares (Class B)	–
Increase in net assets attributable to shareholders from transactions in shares	**26,651,416**
Change in net assets attributable to shareholders from operations	–
As at 31 March 2016	**73,076,608**

Statement of changes in equity

USD	Net assets attributable to shareholders
As at 31 March 2014	**61,563,614**
Issue of non redeemable ordinary shares (Class C)	–
Redemption of non redeemable ordinary shares (Class C)	–
Increase in equity attributable to shareholders from transactions in shares	**–**
Decrease in in equity attributable to shareholders from operations	(3,509,264)
As at 31 March 2015	**58,054,350**
Issue of non redeemable ordinary shares (Class C)	1,614,984
Redemption of non redeemable ordinary shares (Class C)	–
Increase in net assets attributable to shareholders from transactions in shares	**1,614,984**
Decrease in net assets attributable to shareholders from operations	(6,873,958)
As at 31 March 2016	**52,795,376**

Supplementary information	As at 31 Mar 2016 Net asset value per share (USD)	As at 31 Mar 2016 Number of shares	As at 31 Mar 2015 Net asset value per share (USD)	As at 31 Mar 2015 Number of shares	As at 31 Mar 2014 Net asset value per share (USD)	As at 31 Mar 2014 Number of shares
Class A Shares – Tranche 1 (redeemable shares)	40,000.00	590.9969	40,000.00	599.3369	40,000.00	599.3369
Class A Shares – Tranche 2 (redeemable shares)	40,000.00	100.0000	40,000.00	100.0000	40,000.00	100.0000
Class B Shares – Tranche 1 (redeemable shares)	20,000.00	1,292.9000	20,000.00	922.5858	20,000.00	652.5858
Class B Shares – Tranche 2 (redeemable shares)	20,000.00	978.9366	–	–	–	–
Class C Shares – Tranche 1 (non-redeemable shares)	8,202.78	6,436.2752	9,270.79	6,262.0738	9,691.24	6,262.0738

Statement of cash flows

USD	For the year ended 31 March 2016	For the year ended 31 March 2015
Operating loss before tax	**(6,873,958)**	**(3,509,264)**
Net changes in operating assets and liabilities		
Net increase in interest accruals on loans	(179,106)	(131,342)
Net (increase)/decrease in other receivables and prepayments	1,129,400	(4,537,351)
Net decrease in accrued expenses and accounts payable	(63,001)	(925,286)
Net increase/(decrease) in financial liabilities at fair value through profit or loss	(1,220,391)	2,201,357
Net increase in redemption payable to holders of redeemable ordinary shares	332,887	–
Net increase in distribution to holders of redeemable ordinary shares payable	413,174	819,689
Net cash flow used in operating activities	**(6,460,995)**	**(6,082,197)**
Cash flow from investing activities		
Net (increase) in loans to Partner Institutions	(19,351,448)	(180,076)
Net cash flow from investing activities	**(19,351,448)**	**(180,076)**
Cash flow from financing activities		
Payments from redemption of Class A Shares	(333,600)	–
Proceeds from issue of Class B Shares	26,985,016	5,400,000
Proceeds from issue of Class C Shares	1,614,984	–
Net cash flow provided by financing activities	**28,266,400**	**5,400,000**
Net (decrease) in cash and cash equivalents	2,453,957	(862,273)
Cash and cash equivalents at beginning of the year	**3,928,346**	**4,790,619**
Cash and cash equivalents at end of year	**6,382,303**	**3,928,346**

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