Africa Agriculture and Trade Investment Fund

Increasing Income. Improving Food Security.

AATIF Annual Report 2016/17

Contents

Abbreviations

AATIF	Africa Agriculture and Trade Investment Fund
USD	US dollars
m	Million
SDGs	Sustainable Development Goals
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
S&E	Social and Environmental
TA Facility	Technical Assistance Facility
PIs	Partner Institutions
IC	Investment Committee
ICT	Information and Communication Technology
IM	Investment Manager
ILO	International Labour Organization
UNEP	United Nations Environmental Programme
MDGs	Millennium Development Goals
GDP	Gross Domestic Product
SEMMP	Social and Environmental Management and Monitoring Plan
SEMS	Social and Environmental Management System
ESMP	Environmental and Social Risk Management Policy and Procedure Manual
COMESA	Common Market for Eastern and Southern Africa
ESRA	Environmental and Social Risk Analysis
SME	Small and medium enterprises
CFC	Common Fund for Commodities
KfW	Kreditanstalt für Wiederaufbau
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung

Letter from the Board

Dear Reader,

The desire to make sustainable and impactful investments runs deep in AATIF's DNA. We are thus pleased to present with this year's annual report a snapshot of the impact our investees are setting in motion. The case studies on Wienco, Agrivision, two Direct Investee Companies and Tanganda Tea, a sub-borrower of TBD, prove how development debt can change lives, develop countries and continue the work that has been undertaken by many of our partners to improve Africa's standing in the world. The AATIF target asset class is 'development debt ', combining social and environmental impact with the principles of commercial private debt. This demonstrates that the two objectives can be pursued at the same time, while being differentiated from development aid and hence being attractive to commercially-minded investors.

Investments & portfolio: In 2016/17, we continued to build our impact footprint alongside growing our portfolio. We intensified our outreach into West Africa by extending USD 20 m alongside DEG and Swedfund as part of a syndicated loan facility to Guaranty Trust Bank (GTB). The facility has an aggregate volume of USD 55 m and is to support the bank's growth strategy in view of its agri- and food segment (AATIF tranche) as well as SME and small corporate borrowers (DEG and Swedfund tranche). While AATIF's East and Southern Africa portfolio based on loans outstanding now adds up to USD 102m, the West Africa portfolio, by spurring agricultural lending at GTB, is being boosted to USD 40 m. Also in 2017, AATIF's portfolio companies have again been required to protect their businesses from macroeconomic challenges such as falling commodity prices and depreciating currencies. They had to react to the plague of armyworms devastating the maize crop in Zambia, or else endure a bank run by depositors. The AATIF team is constantly collaborating with our investees to protect not only the investment but equally the investee's stakeholders as employees and dependent smallholder farmers.

Investor commitment: The AATIF C-Shares cushion has been further enhanced by a USD 11 m investment from BMZ, bringing the C-Shares NAV to USD 65 m as of 31 March 2017.

AATIF's operational model: After five years of operation, we decided to test the market for the best services available to AATIF. Both investment management and distribution services were tendered against the background of ensuring that public and private funds subscribed and committed to AATIF are managed in the best interest of AATIF investors. The response was considerable, more than 20 applications were received. We concluded the process by awarding Deutsche Bank the mandate for another term of five years based on an improved offer compared to the status quo in terms of cost efficiency, capacity and regional foothold. We also reviewed AATIF's strategy. Acknowledging that available agricultural-sector funding is still by far not meeting its demand, we confirmed our strategy to pursue investments into financial intermediaries as well as agribusiness intermediaries and operating companies with equal priority. While investments in financial institutions are often larger in volume than facilities extended directly to agribusinesses, in terms of number of transactions the targeted split between investments in financial intermediaries and real sector companies is intended to remain balanced.

In the year ahead, to continue our growth path and achieve positive impact, AATIF recognises that digitalisation will be key. Evolving the reach of digital finance and agribusiness channels presents a pressing need. We will explore opportunities to support our investees to make the most of available tools and practices.

AATIF will continue to work in full partnership with the Technical Assistance Facility and the Compliance Advisor to provide strategies, solutions and support to its investees to enhance their impact on reducing poverty and generating employment in a sustainable manner.

We hope you will enjoy reading the report.

Your AATIF Board

Jyrki Koskelo, Thomas Duve (chairman), Doris Köhn, Thomas Albert

Letter from the Investment Manager

Dear Reader,

The preceding financial year was challenging. New provisions had to be booked on the investment portfolio. However, AATIF has been recapitalised to be able to continue to grow. Having been awarded the investment management mandate again, Deutsche Asset Management is tasked with allowing AATIF to grow beyond USD 225 m as the next milestone, a target the investment team is fully committed to.

Investment Manager team: Throughout the past financial year, we strengthened our operating capacity and sharpened the investment sourcing strategy. Firstly, local capacity was added on the African continent supporting the sourcing. Secondly, we began to take a dedicated focus on downstream agribusinesses with a proven and strong track record that are directly or indirectly serving smallholder farmers across the continent. Thirdly, the single transaction volume has been reduced in order to increase the granularity of AATIF's investment portfolio.

New investment: To further de-risk our investments, we started to collaborate where possible with like-minded investors. One of the first transactions based on this principle was the syndicated facility of USD 55 m to GTB – which also allowed AATIF to expand into the largest economy on the continent. While Nigeria's agricultural sector contributes approximately a quarter to the country's gross domestic product, funding towards the sector is, despite many state-funded programs, largely non-existent.

Portfolio update: In April 2016, the bank run on Kenya's Chase Bank caused the bank to be placed into receivership by Kenya Deposit Insurance Corporation. Although the bank resumed basic operations within a few weeks, it remains unclear if and how the bank might continue to operate. AATIF had to create a provision respectively taking into account the uncertainty. For Cape Concentrate, AATIF received the first recovery proceeds from the sale of the factory. The factory has been acquired by Famous Brands, which will continue to operate it providing the basis for employment. With the liquidation on-going, the investment manager believes further recoveries are likely, but will be subject to lengthy legal proceedings.

While the operating environment continued to pose challenges to the investee companies, AATIF's ability to provide patient capital has proven to be highly additional and supportive to all of the existing portfolio companies. However, to deliver on AATIF's mission, it is no longer only about sustainably bridging the funding gap but also about embracing agricultural digitalisation. The barrier of entry into farming technology has dropped, as cloud computing, computing systems, connectivity, open-source software, and other digital tools have become increasingly affordable and accessible. Nigerian entrepreneurs like Zenvus precision farming or the Kenyan FarmDrive, just to name two, start to deliver solutions to smallholder farmers at cost models that farmers can afford. You will find a deep dive into Africa's agribusiness value-chain digitalisation in this year's annual report as well as the digital potential to be tapped and promoted.

Deutsche Asset Management

Deutsche Asset Management continues to believe that private-sector involvement along the agricultural value chain paired with market-based and innovative financing structures, supervised by a strong social and environmental governance system, will continue to be the key success factors for AATIF's effort to improve household incomes in rural Africa. We are aiming to further adapt financial solutions to the needs of local actors in 2017/18 and will strive to continue forming agricultural partnerships that work – for Africa and for AATIF's shareholders.

The Sustainable Investments Team

Letter from the Compliance Advisor

AATIF's aim of unlocking Africa's agricultural potential requires the Fund to accurately measure its contribution to development. With this objective in mind, the AATIF developed a Monitoring and Evaluation (M&E) Framework whose full-fledged implementation was one of the key achievements in 2016/2017. Through partnerships with research institutes, AATIF collected and analysed data from three investments including Wienco in Ghana, Chobe Agrivision in Zambia, and a TDB sub-loan in Zimbabwe. The preliminary findings from the studies underline the relevance of AATIF's investments in increasing agricultural production and productivity and improving living and working conditions of company employees and smallholder farmers. At the same time, impacts with respect to employment creation remain modest. Thus, while we see first results in positive development impact that can be attributed to AATIF, there remain opportunities for increasing the impact of the activities of the Fund.

Aiming at tapping these further development opportunities, AATIF is particularly interested in the role that digital technologies can play in financial service delivery linked to African agriculture as well as in agriculture itself. The rise of digital technologies has profoundly transformed our societies, the world of work and the way of doing business. While the main barrier to accessing digital tools in the past was high costs, particularly for smallholder farmers, they are becoming increasingly affordable. The adoption of these tools offers the opportunity to reach out to formerly unserved populations with financial services as well as value-adding services like weather information and crop prices, to manage crops in real time, and to increase productivity and resource efficiency. Some AATIF investments have embraced digital technology, for payments to smallholders, like Wienco in Ghana, or like Chobe Agrivision for applying the right amount of fertiliser and optimising irrigation by making use of soil sensors and GPS.

There is no doubt that digital finance can help ease access to financial services (e.g. savings, credit, insurance, leasing) for farmers and thereby facilitate increased access to agricultural inputs and better risk management against external shocks (e.g. drought). While AATIF has not directly supported digital finance yet, the Fund is actively looking for partner institutions that are at the forefront or willing to innovate this approach.

Finally, the year 2016/17 was marked by the Fund stepping up efforts to improve its own social and environmental management system further. AATIF launched its own social and environmental capacity-building strategy in December 2016. In 2017, all members of the Board of Directors and the Investment Committee as well as AATIF service providers completed a workshop on the Fund's SEMS. Furthermore, the Investment Manager team has completed two S&E workshops and integrated S&E items into the investment screening process. We will continue the S&E capacity-development process throughout 2017 through topic-specific sessions for the Investment Manager team to grow confidence to be able to identify relevant social and environmental risks and impacts related to potential investment projects.

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 outgrower 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 into 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.

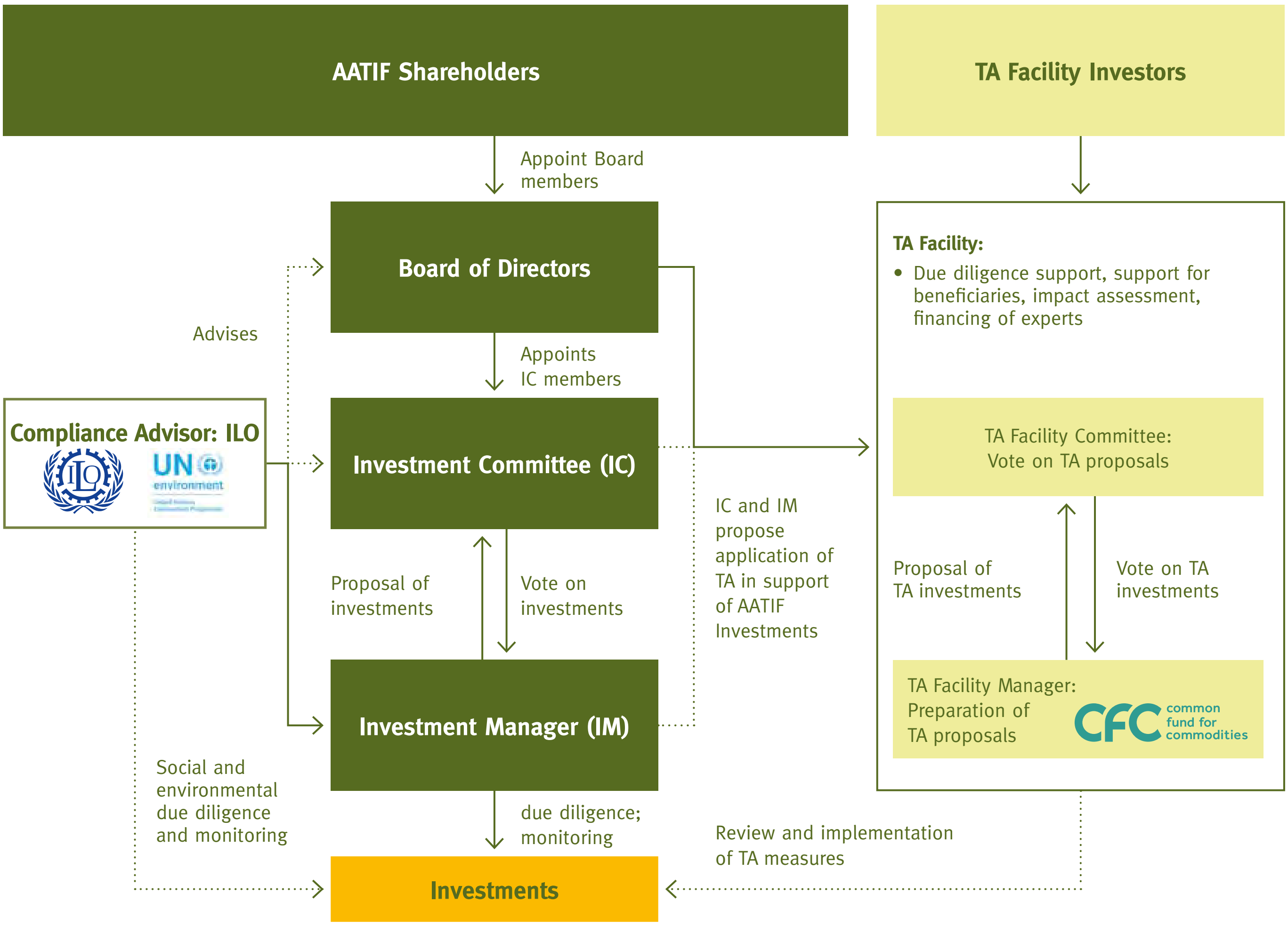
The Board of Directors appoints the Investment Committee, which approves or rejects investment proposals brought forward by the Investment Manager and monitors the activities of the Investment Manager.

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 and 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 customised 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 UN Environment to receive technical input and advice on environmental compliance related to the AATIF investments. Together with UN Environment 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 co-operatives, 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 co-operate with established input providers and offtakers 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 AATIF Impact Framework at Work

AATIF is committed to prioritising investments that contribute to improving food security, create employment and boost local incomes. True to the concept of impact investing, the Fund seeks to track, measure and report on the social and environmental performance of its investments to assess its progress and impact. For this purpose, AATIF identified a set of indicators that include:

- **Increases in agricultural production and productivity levels**
- **Generation of additional employment opportunities**
- **Investee company outreach to smallholder farmers**
- **Increases in farm and overall household income**
- **Improvement in living and working conditions**

Progress along these indicators is measured through a three-level monitoring and evaluation (M&E) framework, which spreads from the analysis of self-reported data of investee companies to rapid appraisals conducted by third parties to long-term in-depth impact evaluations with (quasi-) experimental designs (see Figure 1). The objective of the self-reported data and rapid appraisals is to collect and analyse a selected and limited set of comparable data from each AATIF investment, as a basis for assessing the overall impact of AATIF. In-depth impact evaluations provide AATIF with empirical evidence to assess the effectiveness of funding a particular approach, e.g. outgrower schemes. This provides AATIF with valuable insights and allows the Fund to learn and inform future investments.

Figure 1. AATIF Monitoring and Evaluation Framework

Monitoring/reporting on investments	**Standardised set of indicators** that can be aggregated at the Fund level • **Crop budget form** for all direct investments or investments with involvement of smallholder farmers • **Indicators** for indirect investments	Included in due diligence by Investment Manager
Basic level: Rapid appraisal	**For all investments** • Format can in principle be used for all types of investment • When smallholder farmers are involved (esp. outgrower schemes), a light version of control group assessment to be applied → Use of crop budget form also for selected control farmers, analysis of secondary data	Technical Assistance Facility Manager, in co-operation with Compliance Advisor and external researcher
Increase in depth of analysis + representativity ↓	With increasing intensity, studies can become more extensive: • Depth of analysis has to be adapted to information needs • Prior approval of study outline by BoD	↓
Highly sophisticated level (academic research standards): **Extensive impact evaluation**	Experimental or quasi-experimental approach → Higher statistical validity Not applicable to more than one or two investments Prior approval by BoD	Technical Assistance Facility Manager, in co-operation with Compliance Advisor and external researcher

The operationalisation of the M&E Framework started in 2015, when the Fund partnered with one research institution to conduct two rapid appraisals and to develop a toolkit for future appraisals, and another research institute to conduct a five-year impact evaluation of the Wienco outgrower schemes.

As of March 2017, three reports are completed: a baseline rapid appraisal of the Tanganda Tea Company (a TDB sub-loan), a rapid appraisal of Chobe Agrivision, and a draft baseline of the Wienco cocoa outgrower scheme. The main findings are summarised below.

Supporting tea farmers in Zimbabwe

The Tanganda Tea Company Limited is the largest producer, packer and distributor of tea products in Zimbabwe. The company has an outgrower scheme of small-scale tea farmers, covering approximately 1,000 hectares of land. In 2015, 1,628 smallholder tea farmers supplied tea to the company.

Tanganda received a loan from TDB Bank to improve its operations and expand its agricultural division. TDB's assessment of Tanganda's project proposal was positive both in economic and social and environmental terms. Based on this assessment, AATIF accepted this loan to be financed through the AATIF facility of TDB.

According to the baseline study, tea is the major income source for 92% of outgrower households, along with the sale of other crops, livestock and remittances. The respondents estimated that nearly half of their total income in the previous year was derived from tea, while other crops only contributed, on average, 19%. As the only tea buyer in the district, Tanganda's role is key for supporting these farmers.

In addition to the outgrower scheme, the company maintains a workforce of 5,500 employees. While the overall number of workers is expected to decrease in the future due to mechanisation, Tanganda will continue to be an important provider of jobs in the district. Among the surveyed smallholder tea farmers, 10% said that someone in their household worked as an employee for Tanganda.

The smallholder tea farmers were found to be satisfied with the support that Tanganda provides to them and their communities, not only in terms of tea production and marketing, but also through the company's support to local schools, health clinics and road maintenance. Their main challenges revolved around the cost of and timely access to fertiliser, the low tea price as a result of dollarisation of the economy, the cost of labour and the lack of smallholder mechanisation, recent droughts and pest infestation (usually termites).

High productivity in Zambia

AATIF's investment into the commercial farming business Chobe Agrivision allowed the company to further develop its existing farms in Mkushi by, inter alia, installing irrigation facilities and using conservation farming practices.

The rapid appraisal revealed that the irrigation facilities have had a positive effect on food production and productivity, as the production of maize, soybeans and wheat has increased (by factors of 300 to 600% under favourable conditions), thereby contributing to food security in the country and the region. Similarly, productivity levels have increased with regards to the pre-investment period and are significantly high for all three crops when compared to the African average. While farm revenues differ between the crops and have been affected by low rainfall conditions and lack of irrigation, the trend is one of growth.

Compared to pre-investment levels, the overall number of employees engaged by the company has increased. However, at the same time, the fraction of casual labour contracts has also grown. In addition, the duration of fixed-term contracts was reduced from two years to one. Though the gender balance of permanent staff has not significantly improved, casual workers are increasingly women.

At the same time, living conditions for farm workers have improved. Most employees have been provided with adequate housing and have access to potable water (regularly tested) and to free healthcare and transport in case of labour-related injuries. In addition, workers benefit from the trainings provided by the company on farming methods and can access seeds and other inputs at a reduced price for their own plots of land. Furthermore, both the families of employees and the wider community have benefitted from Agrivision's support of the Katuba School, which resulted in an expansion and improvement of the facilities (e.g. classrooms, toilets) and an increase in the number of students and teachers (due to better accommodation).

Participation in outgrower schemes could result in higher productivity and income

Given that AATIF's investment in Wienco is to support the two associated cocoa and maize smallholder schemes, the objective of the impact evaluation is to provide AATIF with empirical evidence to assess the effectiveness of funding out-grower schemes. While the findings from the baseline data collection provide interesting insights, the results cannot be interpreted as indicative of impacts yet.

The baseline study of the Cocoa Abrabopa Association (CAA) covered three main farmer groups: farmers registered with CAA, farmers who recently dropped out of the association and farmers who have never participated in the scheme ('comparison farmers').

Agricultural production techniques seem to be more sophisticated on plots of farmers registered with CAA in comparison to drop-out and comparison farmers (e.g. they prune the cocoa trees, adequately deal with diseased fruits and plant shade trees). The analysis shows that crop pests and diseases are less common in the group of registered farmers. This could be attributed to the training on good agricultural practice provided by CAA. Furthermore, participants in the CAA outgrower scheme have significantly higher cocoa yields per acre compared to drop-out and comparison farmers (259 kg/acre for active farmers (for plots registered in the programme), 141 kg/acre for drop-out farmers, 102 kg/acre for comparison farmers farmers). This translates into a higher income from cocoa production of active farmers compared to the other two groups (87,970 GHS for active farmers, 42,953 GHS for drop-out farmers, 32,942 GHS for comparison farmers). There is thus some suggestive evidence, that the outgrower scheme increases farmers' productivity and income over time.

While farmers registered in the outgrower scheme seem better off compared to the other two groups, all farmers are highly vulnerable to shocks. Common shocks among surveyed farmers were droughts, unusual timing of rainfall, crop pests and price increase of agricultural inputs. Farmers in all three groups estimate that they would have harvested twice as much if they had not been affected by the shocks mentioned above. The only relevant strategy for farmers to cope with these shocks or to mitigate their impact is to work more. Moreover, income diversification is very low in all three groups.

The results of these first three studies underline the relevance of AATIF's investment to increasing agricultural production and productivity as well as the potential to increase income for smallholder farmers. In 2017, AATIF will engage in further rapid appraisals of some existing and new investments and complete the baseline study of the maize association supported by Wienco in Ghana.

The Digital Agri Smallholder Revolution

New digital technologies and the proliferation of mobile phones in sub-Saharan Africa are creating plentiful opportunities for smallholder farmers with a view of increasing access to finance and/or improving productivity, thereby boosting incomes and enhancing food security. In Kenya, Tanzania and Ghana, there are over 150 ICT4Ag solutions as per a recent study by the Alliance for a Green Revolution in Africa (AGRA) in conjunction with the MasterCard Foundation. Such countries are at the forefront of utilising the momentum offered by an already high mobile use penetration of 72% (in Kenya and Tanzania) and giving an overview of the challenges to overcome as well as the potential to be tapped.[1]

The variety of digital solutions can mostly be classified along three clusters:

(1) International, large-scale, pan-African combined financial and agri digital programmes

(2) Home-grown Fintech solutions

(3) Home-grown agri focused non-financial solutions with a focus on i) agronomics, weather and market; ii) expert advice and extension solutions focusing on helplines, crop management and animal management; iii) Supply-chain management solutions with a focus on logistics, storage, transport and agri dealer stocks; and/or iv) trading platforms with a focus on inputs, commodities, animals, equipment, etc.

Many digital-agri and financial solutions are no longer coming from abroad or foreign made, but are designed and offered by African entrepreneurs. The barrier to entry into farming technology has dropped, as cloud computing, computing systems, connectivity, open-source software and other digital tools have become gradually affordable and accessible. Entrepreneurs are starting to be better positioned to deliver solutions to small-size African farms at cost models that farmers can afford.

This includes but is not limited to aerial images from satellites or drones, weather forecasts and soil sensors allowing farmers to manage crop growth in real time. Automated systems provide early warnings if there are deviations from normal growth or other factors. Zenvus, a Nigerian precision-farming start-up, measures and analyses soil data like nutrients and vegetative health to help farmers apply the right fertiliser and optimally irrigate their farms. The tools are intended to stabilise and increase farm productivity while reducing input waste by using analytics to facilitate data-driven farming practices for small-scale farmers. UjuziKilimo, a Kenyan start-up, uses machine learning and big data to transform farmers into a knowledge-based community, with the goal of improving productivity through precision insights. This helps to adjust irrigation and determine the needs of individual plants. And SunCulture, which has designed drip irrigation kits to pull water from any water source (lake, river, stream, well, borehole, water harvester, etc.) using solar power, makes irrigation scalable and affordable.[2]

Beyond precision farming, financial solutions designed for farmers are blossoming. FarmDrive, a Kenyan enterprise, connects unbanked and underserved smallholder farmers to credit, while helping financial institutions cost-effectively increase their agricultural loan portfolios. Kenyan start-up M-Farm and Cameroon's AgroSpaces provide pricing data to remove price asymmetry between farmers and buyers, making it possible for farmers to earn more.

More innovative fintech and agritech entrepreneurs as well as programmes are listed below. They give an indication on new tools available to help smallholder farms transform from subsistence to profit.

[1] AGRA, Advantech Consulting (2016), Digital Harvest Report

[2] Reprinted from May 2017 HBR web article, "How Digital Technology Is Changing Farming in Africa" by Ndubuisi Ekekwe. hbr.org

A Glimpse into Digital Agri Solutions across the African Continent[3]

Programme	Description	Digital solution focus	Country(ies)	Developer
Wefarm	Launched in Kenya in 2015, it is a free peer-to-peer knowledge-sharing platform that enables farmers to share information with each other via SMS. By utilizing the power of crowdsourcing, the service is able to connect farmers without the internet.	Agritech	Kenya	Home-grown
Ishamba	Launched in 2015, iShamba delivers agronomic information, weather forecasts, market price information to smallholder farmers through three channels: SMS, call center and social media.	Agritech	Kenya	Home-grown
Voto	Integrating USSD, interactive voice calls and SMS channels in local languages the platform, that was established in 2012, allows organizations to perform their mobile engagement with farmers through distributing and collecting information	Agritech	Ghana	Home-grown
Ignitia	Launched in 2013, Ignitia provides daily, monthly and seasonal weather forecasts that are tailored to the tropics through SMS texts disseminated directly to subscribed farmers	Agritech	Ghana	Home-grown
mFarming	Launched in Finland in 2013, mFarming provides smallholder farmers with information solutions (agronomic, weather forecast and market price) and market linkages through USSD, SMS and a web platform. For enterprise clients, it provides a communication and management platform through a web platform.	Agritech	Tanzania	International
mFarms	Launched in 2012, mFarms is a customisable module-based platform that facilitates the establishment and maintenance of business relationships among all VCAs and eases both communication and flow of goods and services among them.	Other	Ghana	Home-grown
Prep-eez	Launched in 2015, Prep-eez provides a range of financial services to SHFs in addition to interactive voice response (IVR) and helpline provision of market linkage, transport solutions and mechanised services.	Fintech	Ghana	Home-grown
MasterCard Foundation's Rural and Agricultural Finance Learning (RAFL) Lab	The Rural and Agricultural Finance Learning Lab fosters knowledge creation, sharing and collaboration that leads to better financial solutions provided to more smallholder farmers and other rural clients.	Agri/fintech	Pan-African	International
Alliance for a Green Revolution in Africa (AGRA's) the Financial Inclusion for Smallholder Farmers in Africa Project (FISFAP)	The Financial Inclusion for Smallholder Farmers in Africa Project is a USD 15 million, five-year project which aims to improve food security and incomes for over 700,000 farmers in Ghana, Kenya and Tanzania.	Agritech	Pan-African	International
The Initiative for Smallholder Finance	The Initiative for Smallholder Finance (ISF) is a multi-donor and investor platform for the development of financial services for the smallholder farmer market. Launched in May 2013 with the intention of making marked progress towards closing the gap between the over $200 billion need in smallholder financing and the current $50 billion supply in Latin America, sub-Saharan Africa and South and Southeast Asia.	Agri/fintech	Pan-African	International
Bill and Melinda Gates Foundation Financial Services for the Poor Programme	BMGF's Financial Services for the Poor Programme aims to play a catalytic role in broadening the reach of robust, open, and low-cost digital payment systems, particularly in poor and rural areas – and expanding the range of services available on these platforms.	Fintech	Pan-African	International

[3] See AGRA, Advantech Consulting (2016), Digital Harvest Report

While emerging digital solutions offer a vast array of opportunities, the 2016 study by AGRA 'Digital Harvest' which assessed the business models of fifteen ICT4Ag solution providers in Kenya, Tanzania and Ghana highlights that there are also challenges to overcome:[4]

- **Reduction of costs for smallholder farmers:** Smallholder farmers have little ability or willingness to pay for services.
- **Fair revenue-sharing models between MNOs and fintech service providers:** Mobile network operators propose unfavorable revenue-sharing models.
- **High costs of capital to fintech service providers:** Patient capital to finance scaling of solutions is lacking.
- **Unclear business models for fintech service providers:** Solutions have no clear revenue model and struggle to fund their growth.
- **Improvement of understanding of the customer and connections to them:** Limited customer segmentation, weak relationship management and limited customer feedback mechanisms reduce user uptake and retention.
- **Trust building in technology for smallholder farmers:** Farmers mistrust or resist innovation and technology if they feel automated payments and push messaging are using their airtime (phone credit). Agritech pioneers must turn farmers into believers by using field demonstrations to show that new technologies can deliver better results.
- **Trust building in technology for extension workers and traders:** Extension workers and traders, who are the potential promoters of the solutions, might fear for their jobs or incomes when trading is automated, prices become transparent or extension messages are digitised. The need for change management at that level is often not recognised.
- **Professionalisation of financial management of fintech service providers:** Solution providers insufficiently track financial key performance indicators as measures of sustainability and have a limited view of their cost drivers.

At the same time critical infrastructure still needs to be established. The African continent does not have a comprehensive soil map to provide soil data and information. The implication is that the smart farming start-ups must build such a map as they introduce their technologies across the continent. Similarly, most farms are in areas with limited connectivity, making full technology integration in real time challenging. As countries such as Ethiopia launch satellites, considering how farmers can benefit from such initiatives will be critical. Improved farm connectivity will usher in a new dawn in agriculture technology on the continent. Digital technology opens vast untapped potential for farmers, investors, and entrepreneurs to improve efficiency of food production and consumption in Africa. From precision farming to an efficient food supply chain, technology could bring major economic, social and environmental benefits.[5]

AATIF, going forward, will be integrating digital solutions as one of the building blocks of the AATIF investment package. As always, the key to success will be a close co-operation and collaboration among the AATIF team incl. the Compliance Advisor and Technical Assistance Manager, AATIF investees including FIs and agribusinesses, digital solutions providers and stakeholders along the agri-value chain to ultimately approach the AATIF goal of increasing income and reducing poverty by providing innovative and patient funding solutions.

[4] See AGRA, Advantech Consulting (2016), Digital Harvest Report. Please also see AGRA on youtube for further information on pros and cons of digital solutions: https://www.youtube.com/watch?v=c2G5iS1JqkE

[5] Reprinted from May 2017 HBR web article, "How Digital Technology Is Changing Farming in Africa" by Ndubuisi Ekekwe. hbr.org

AATIF Investment Portfolio 31 March 2017

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

In 2016/17, AATIF expanded its investment portfolio by providing a USD 20m senior loan alongside DEG and Swedfund as part of a syndicated loan facility to Guaranty Trust Bank (GTB).

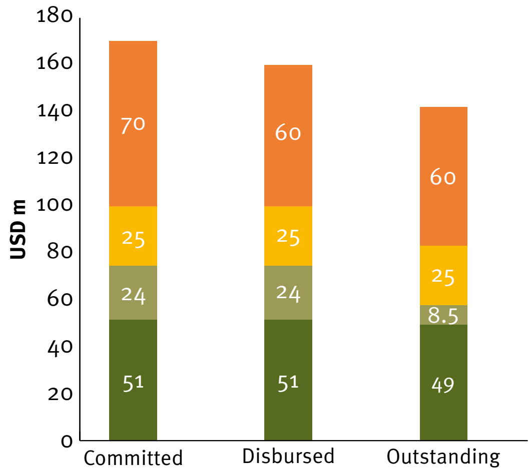
Following this investment, AATIF's disbursed gross loans to partner institutions increase to USD 142m at end of March 2017.

An overview of the current portfolio breakdown is depicted below.

Portfolio Composition by Type of Partner Institution

- Financial Institution – Senior debt
- Financial Institution – Risk sharing
- Direct Investee Company
- Intermediary Investee Company

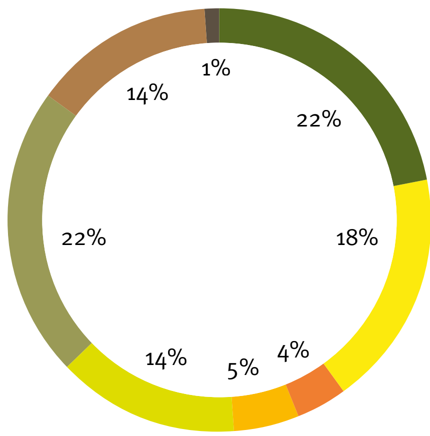
Explanation of change in loans outstanding:
(1) Direct Investee Company: Write off USD 4.0m, Repayment of USD 3.0m and Liquidation of USD 8.0m
(2) Intermediary Investee Company: Repayment of USD 2m



Portfolio Composition by Country Group

- COMESA: Group 3
- Botswana: Group 1
- Kenya: Group 1
- Zambia: Group 1
- Ghana: Group 2
- Mauritius: Group 1
- Nigeria: Group 1
- South Africa: Group 1

Group 1: Rating ≥ B
Group 2: Rating ≤ B-
Group 3: Supranationals



AATIF Investment Portfolio in Detail by Region of Activity

Macro view, sub-Saharan Africa[6]

Economic growth is picking up in sub-Saharan Africa following a sharp slowdown in 2016 (1.3%), forecast at 2.7% YOY in 2017 and 3.5% in 2018 on average, barely exceeding population growth. Prolonged low commodity prices have intensified fiscal pressures on oil and metal exporters and resulted in cuts in public spending. The largest economies, South Africa, Nigeria and Angola, will expand moderately in 2017. While commodity prices (oil, copper, gold, platinum, iron, coal, etc.) have started to strengthen, easing fiscal and external pressures, they are expected to stay far below their 2011–2012 peaks. The droughts hitting most of Southern Africa in 2016 and parts of Southern and East Africa this year have also affected growth and food security. Agricultural output in Southern Africa is further dented by pest infestations.

Oil importers and agricultural exporters continue to experience robust GDP growth. Indeed, strong private consumption and ongoing infrastructure development drive robust growth in a number of these economies while strong capital imports pressure current account balances. The average GDP growth for SSA, excluding the three heavyweights, stood at 4.1% in 2016, with forecasts for 2017 and 2018 at 4.8% and 5.2% respectively. 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, Ghana and Kenya. Significant infrastructure gaps, especially power shortages, remain a major brake to growth, which also highlights massive investment needs.

The region's medium- and long-term outlooks are 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): a population which is bulging, particularly the youth segment, and rapidly becoming more urban – driving fast-growing consumer markets and potentially, in a decade or beyond, one of the largest pools of skilled workers in the world. Many SSA countries continue to attract high levels of FDI.

Agricultural development sub-Saharan Africa

Agriculture remains the backbone of many African economies, generating a quarter of the region's GDP (often significantly more at the 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.

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 and thus highly vulnerable to weather disruptions, as observed recently with the drought in Southern Africa, with major repercussions for agricultural output and hence inflation, food security and export receipts.

Agricultural development is urgently required for Africa to progress in 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 region'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 and newly emerging technology for small- as well as larger-scale agribusinesses will be a key driver of progress.

[6] The Macro views are provided by Dr Claire Schaffnit-Chatterjee, Deutsche Bank AG, Research

Export Trading Group

Export Trading Group (ETG) is 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 in the world with significant presence across 26 African countries, buying crops directly from thousands of smallholder farmers ex-farm gate without intermediaries. ETG provides smallholder farmers with training, agricultural expertise, farming equipment and farming inputs. During the financial year 2016/2017, the proceeds of AATIF's facility have been used by ETG as long-term working capital for the export of crops sourced from smallholders in Africa, such as pulses, sesame seeds and coffee, and import of fertilizers, as well as the financing of capital expenditures related to processing plants and warehouses.

In August 2016, the African Development Bank approved a seven-year US 100 m corporate loan to ETG to finance the company's five-year agricultural investment programme to build fertilizer projects (e.g. in Kenya), (ii) processing plants (e.g. in Tanzania), (iii) multi-commodity warehouses (e.g. in Burkina Faso) and (iv) silos (e.g. in Zimbabwe).

Export Trading Group social and environmental review
In 2016/2017, ETG worked on different fronts to improve its social and environmental management system (internally referred to as the ETG Management system (ETGMS)).

First and foremost, ETG expanded the sustainability team to 11 core members plus appointed site coordinators in every country of operation. Together with IFC, the company held a three-day workshop on the ETGMS as well as IFC's Performance standards. In total, 19 employees participated who had been appointed as sustainability members in their different countries (Ethiopia, Ivory Coast, Kenya, Malawi, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe).

Area of Improvement as per Loan Agreement	Status
ETG shall procure 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 members of the Group by 31 March 2016. The strategy shall guide the implementation of the following items: • Strengthen the Group's sustainability team; • Together with the IFC and the lender, train each member of its board of directors and each country manager in each jurisdiction in Africa by 31 December 2016; • Integrate social and environmental elements into the performance appraisal of the relevant staff of each member of the Group by 31 December 2016.	✓ In progress Training for country sustainability members took place in September 2016 in collaboration with IFC. Health, safety and environment were added as key performance indicators in performance appraisal of S&E champions.
ETG shall immediately inform AATIF when any of the other lenders ceases their engagement with the company, upon which ETG and AATIF shall review both the Social and Environmental Report and the undertakings.	Not triggered

Employment impact	In 2016/2017 period, ETG provided employment to 7,867 people (globally), 86% of whom are directly hired by the company (6,788) and 14% through contractors (1,079). Approximately 19% of all employees are women.
Outreach to smallholder farmers	In 2016/2017, ETG worked with approximately 4,360 smallholders through its outgrower schemes in Tanzania and Zimbabwe.

The workshop provided an opportunity to present country-specific issues and learn from peer experience. Furthermore, ETG implemented numerous country-based workshops through which a total of 562 employees received training on S&E-related matters during 2016/2017. Topics included safety and health skills, first aid, emergency drills, ETGMS and ISO requirements. However, the development of a company-wide S&E capacity-building strategy to guide all capacity development is still outstanding.

The company has managed to steadily reduce the number of occupational accidents, both minor and major injuries, over the past five years through periodic internal audits, timely corrective actions and regular trainings. ETG is judiciously tracking resource use and emissions resulting from its own operations. While energy consumption and GHG emissions have been reduced, diesel, petrol and gas consumption show an upward trend, mainly linked to an increase in the volumes processed and traded by ETG as well as electricity shortages in some countries. While the company has installed solar panels in some small warehouses, there might be scope for shifting to clean energy to further reduce GHG emissions.

Aiming to improve the management of risks along its value chain, the company conducted an assessment following IFC's Global Map of Environmental & Social Risk in Agro-Commodity Production. Through the ETG Farmer Foundation (EFF), the company has continued collaborating with smallholders in Newala (Tanzania) and Guruve (Zimbabwe). EFF works in partnership with different stakeholders, including financial institutions in Tanzania and Zimbabwe, to facilitate access to finance for 4,360 farmers to grow soya and sesame. This collaboration has translated into increased yields and income for the farmers.

Nigeria

Macro view

Nigeria is coming out of recession as oil production and oil prices recover (oil and gas account for 90% of exports and amounted to two-thirds of fiscal revenues before the oil shock) and agriculture sustains its strong performance. The only sector which expanded in 2016, Nigerian agriculture remains dominated by subsistence farming and vulnerable to weather conditions. Following a drop to –1.6% in 2016, GDP is expected to grow at around 1% in 2017 and 2.5% in 2018, supported by Nigeria's market size (190 m people), large oil and gas reserves and the ambitious 2017–2020 Economic Recovery and Growth Plan focusing on private-sector-led diversification. Public debt is low respective to GDP (24%) but high respective to revenue (400%) given the shock to oil receipts and the very low level of tax revenue in the largely informal economy (65% of GDP, according to the IMF). A high interest-to-revenue ratio also highlights concerns about debt affordability. However, debt repayment capacity will be supported by deep domestic capital markets, strengthened FX reserves (stable this year at around USD 30 billion, 4.5 months of import cover) and improved currency stability. Investor confidence is strengthening, and stocks have jumped to three-year high. The socio-political situation remains volatile given Islamist insurgency in the north-east, the history of criminal activity in the oil-rich Niger Delta and concerns about the health of President Buhari, mitigated by Vice President Osinbajo's dynamic approach to economic reform.

Guaranty Trust Bank

As part of a seven-year syndicated loan facility, AATIF granted a loan to GT Bank Nigeria in an amount of USD 20 m, the capital of which is earmarked for granting loans to Nigerian borrowers active in the agricultural value chain. GT Bank is Nigeria's fourth-largest financial institution by total assets, with a market share of around 8–10%, and it is one of the most advanced lenders from a technology standpoint. It started its activities in 1990 and currently employs more than 3,000 staff across Nigeria. Nigeria's primary agricultural sector is heavily supported through state interventions in the form of guarantee and subsidy schemes – historically all targeted to deliver towards the Agricultural Transformation Agenda (ATA 2011–2016). Starting in 2010/2011, the Nigerian government, after years of neglect, began to reform the agricultural sector, with somewhat limited effect as Nigeria still imports significant volumes of food annually. Wastage levels remain high in production areas, reducing supply of feedstock to processing factories and requiring to keep importing supplies. The net effect is a) meagre job growth across the whole agricultural value chain from input production to market systems, and b) continued use of limited foreign currency earning to import vast quantities of food. Agriculture is viewed as a business that can provide a reasonable basis for further wealth and job growth in Nigeria. With that in mind, the policy and strategic focus is now on how to build on the initial progress made and transition Nigeria to a new plane in terms of agribusiness performance. That will be the focus of the proposed new policy regime, the Agriculture Transformation Agenda 2016–2020. The new policy's primary focus will be on closing the demand and supply gaps between crop and livestock production. Gap closing will also include tackling related input, financing, storage, transport and market-access issues present in key value chains. One of the foremost goals is to make Nigeria self-sufficient in a number of priority crops/agricultural sub-sectors like livestock, dairy, rice and sugar production to significantly reduce the current import volume. Following the spirit of public policy that sustainable food production is a national priority which will not happen without profit-orientated investments, GT Bank set itself the strategy to serve those sectors that are downstream from primary farming, i.e., inter alia, food processing, logistics and distribution and packaging. With infrastructure still to be developed across the country, opportunities to lend to ventures with a proven business case are limited, while the processing sector is growing and requires coverage by banks to provide loans and general banking services in order to continue its development.

Nigeria's Agricultural Sector Swot[7]

Strengths

- As the most populous country in Africa, Nigeria has a potentially massive market from which local producers and agribusiness firms can benefit.
- The country has large areas of arable land with the potential to cultivate a variety of crops.
- Agriculture represents around 20% of Nigeria's GDP; agriculture and agribusiness activities provide employment for 70% of the population.
- Nigeria accounts for 5% of global cocoa production and 6% of global cocoa exports.
- A young and growing population provides a large pool of labour for the agribusiness sector.

Weaknesses

- The country relies on imports of food staples.
- Market risk associated with corruption still permeates many levels of Nigerian agribusiness, serving as a disincentive for foreign investment.
- The unreliable power supply hinders the development of local processing of raw goods and limits the relevant investment needed to improve these capabilities, while simultaneously dissuading the cultivation of crops that need heavy processing, such as cocoa and sugar.

Opportunities

- The continuation of recent government efforts to form public-private enterprises in output-inefficient industries is likely to lead to further private investment and increased productivity in industries such as pork production and cocoa.
- A fast-growing population will increase domestic consumption and give producers incentives to become more productive.
- Significant improvements in the reliability of local energy supplies are likely to facilitate investment growth in both agricultural production and processing industries.
- There is the potential to increase Nigeria's share of global cocoa production and exports.

Threats

- The potential for politically charged activism creates an unstable business environment, potentially deterring future investment, particularly in the oil-rich Niger Delta region.
- The result of sustained oil-price reductions in Nigeria could lead to a significant erosion of consumer confidence and, subsequently, investment spending.
- Further instances of import bans, such as the ban on malt barley, may harm exporters and eventually lead to underutilised capacity.
- Failure to clamp down on rice smuggling will hamper efforts to boost local rice production.
- Although much weakened, Boko Haram remains active in the north of Nigeria and has previously launched attacks on the capital, Abuja. The actions of extremist groups have the potential to drive away investment, disrupt trade and send farmers fleeing from their farms in affected regions.

[7] All agricultural sector SWOTs of the AATIF annual report 2016/2017 are based on BMI Research.

GTB social and environmental review

GTB's journey in sustainable finance began when the bank joined the Sustainability Working Group, initiated by the Central Bank of Nigeria, in 2011. Through this engagement, GTB supported the development of the Nigerian Sustainable Banking Principles (NSBP), which, since 2012, have been the binding standards for all financial institutions in Nigeria. These principles[8] call for the integration of social and environmental considerations into decision-making processes in banking; managing the footprint of banks' operations such that they respect human rights and promote financial inclusion and women's economic empowerment; implementing robust and transparent S&E governance practices; building capacity within the banks to implement the principles; collaborating across the sector; and reporting on progress. In 2012, GTB drafted the bank's first Sustainability Policy. However, it is only recently that the bank has made progress translating the policy into working procedures and supporting tools, particularly for managing social and environmental risks, and developed a fully fledged SEMS. Furthermore, the bank has appointed an S&E manager and two coordinators, who are responsible for the day-to-day management of all S&E-related matters. In 2016, the SEMS pilot was started. The bank will incorporate lessons learnt throughout 2017, and full roll-out is scheduled for Q1 2018.

All along the SEMS development and pilot phase, GTB engaged in building the capacity of its staff. For example, the bank introduced a training module on sustainability finance which, by December 2016, 1,583 employees had completed. In addition, the S&E coordinators took part in the Online Training on Environmental and Social Risk Analysis offered by the United Nations Environment Programme.

[8] Central Bank of Nigeria (2012). Circular to all Banks, Discount Houses and Development Finance Institutions: Implementation of Sustainable Banking Principles by Banks, Discount Houses and Development Finance Institutions in Nigeria. Retrieved from: https://www.cbn.gov.ng/documents/circulars.asp

Area of Improvement as per Loan Agreement	Status
GTB shall develop, maintain and further improve the Social and Environmental Management System, and shall at all times conduct its business in accordance with the Social and Environmental Management System.	✓ In progress
GTB shall implement all actions included in the Environmental and Social Action Plan within the time frames mentioned and provide relevant deliverables/compliance indicator evidence.	✓ In progress
GTB shall at all times maintain (i) an Social and Environmental Manager and (ii) an Social and Environmental Coordinator.	✓ Ongoing
GTB shall implement and/or adjust the existing workplace policies and guidelines in accordance with the key principles of the ILO Code of Practice on HIV/AIDS as set out in Schedule 16 (ILO Code of Practice on HIV/AIDS).	Outstanding
GTB shall ensure that its employees actively monitor and screen all projects financed from the proceeds of loans made available by AATIF to ensure compliance in all respects with the social and environmental requirements.	Ongoing

Ghana

Macro view

Growth is accelerating in Ghana (6.1% expected in 2017 and 7.5% in 2018) as new oil and gas developments boost exports and electricity production. Tackling a high and expensive public debt remains a key challenge as new fiscal overruns have delayed the fiscal consolidation process started in 2015 under an IMF arrangement. Public debt is expected to stay over 70% of GDP in 2017 before declining next year. Ghana's external picture is improving. The current account deficit is still large (6% of GDP expected in 2017), but it is shrinking and fully covered by FDI. The cedi remains volatile but has been fairly resilient – depreciating 10% against the US dollar in 2016 and 4% in 2017 until early August. FX reserves have strengthened, boosted by last year's eurobond sale and supported by increased oil and gold exports and a stabilising currency (4.5 months of import cover at end of June prior to upcoming external debt payments). Inflation has been falling steadily (11.9% in July following yearly averages of 17% in 2016 and 2017), and the central bank has cut its policy interest rate three times so far in 2017, to 21% in July (January reading: 25.5%). The smooth proceeding of the December 2016 general elections and the successful transfer of power in January have strengthened Ghana's image as a stable and peaceful country.

Ghana's Agricultural Sector Swot

Strengths

Government support has aided output growth, which BMI expects to continue, albeit at a modest pace.

The country has a diverse agricultural resource base, incorporating cocoa production, aquaculture and fruits and vegetables in addition to grains, softs and livestock.

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, cultivating mostly cereal crops. Rice consumption (second to maize) is rising steadily in Ghana, in line with population growth, urbanisation and changing consumer preferences.

Weaknesses

Fertilizer use remains minimal, impeding yields and output growth.

The aging farmer population threatens the sustainability of food and cocoa production.

Opportunities

Rising domestic and regional incomes create opportunities for producers and, more specifically, for those that also have interests in processing. A forecast for beverage consumption growth represents a massive opportunity, especially for sorghum producers.

A weaker cedi compared to previous years will encourage exports of agricultural goods from the country.

Threats

In the case of cocoa, Ghana's most high-profile commodity, smuggling into Côte d'Ivoire, where prices are often higher, could cause instability for the industry.

Oil revenues could detract from the need for economic diversification and the drive for greater food self-sufficiency.

Diseases are an ever-present threat in the cocoa sector especially and could cause catastrophe for the country's agricultural sector.

Wienco

Wienco (Ghana) Ltd, ('Wienco'), established in 1979, is an importer and distributer of agrochemicals into Ghana, mainly for use in cocoa, cotton and maize production. Wienco supplies inputs on credit to 25,258 smallholder farmers and commercial farms across Ghana. 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 upstream in cocoa, maize and cotton through organising and providing input on credit to outgrower schemes in all three crops.

On 17 October 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 three years. In October 2016, AATIF approved an extension of the Wienco facility up to September 2019. Funding provided by AATIF will continue to finance the provision of inputs and offtake of cotton, maize and cocoa to and from the outgrower schemes of Wienco Ghana.

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 seven cocoa-growing regions (Ashanti, Brong Ahafo, Central, eastern, north-western and south-western),) with the majority of famers coming from the souther-western region. In the 2016/17 season, 13,111 farmers were registered for the CAA scheme, increasing slightly from 12,736 in the past season. In total, the farmers cultivated 36,484.34 ha. All registered farmers are double certified by UTZ and the Rainforest Alliance.

Through the association, cocoa farmers receive regular training on good agricultural practices, record keeping and traceability, responsible use of agro-inputs, human rights and working conditions, environment and hygiene, and climate change and adaptation, as well as quality agricultural inputs. To further extend the services provided, Wienco acquired the Kumankoma Company Limited, a licensed buying company (LBC) in Kumasi, Ghana. This has allowed Wienco to purchase cocoa directly from the farmers and thereby increase the transparency in the cocoa trade in Ghana. While purchasing for the last season is still ongoing it is estimated that Kumankoma will purchase roughly 10,000 tons from the smallholders.

To ease the payment of farmers and increase transparency in the value chain, Kumankoma is seeking to introduce a mobile payment system using MTN and/or E-zwich[9] to pay its farmers directly. In April 2017, a small pilot was initiated with a group of farmers, which will hopefully be scaled up during the 2017/2018 season across all farmers in the cocoa scheme.

[9] MTN is a local telephone network service provider which also offers mobile payment services. E-zwich is the national switch and smart card payment system of Ghana.

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 helped 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 2016/17, a total of 12,147 farmers registered for the scheme, of whom 8,635 cultivated maize and 3,511 cultivated cotton with soya and sorghum as second crops. Maize farmers covered an acreage of 21,615 acres mainly in the Tumu and Wa zones of Ghana and provided 231,368 bags of maize to Wienco. Cotton farmers covered 4,913 acres mainly in the Chereponi district and provided 2,513,163 kg of cotton to Wienco. Beyond inputs being provided, Masara provided trainings on good agricultural practices (GAP), maize and cotton production, safe and responsible use of agrochemicals, and farm management. Technical trainings provided to farmers were accompanied by practical examples demonstrated on small fields developed and maintained by Wienco.

Maize farmers faced a challenging season, which caused repayment rates to drop below 50% in some zones. The key challenge faced by farmers was a late delivery of fertilizer caused by supply difficulties Masara had with its key fertilizer supplier. While a new supplier was found on short notice, it had become too late for fertilizer delivery for some maize zones. This caused farmers to find alternative solutions and therefore also impacted their repayments to Masara. The Masara association undertook intensive ground sensitisation with farmers to explain the reasons for late delivery and adapted its repayment regimes to accommodate the farmers' lower yields. In addition, due to the low yields achieved by farmers, Masara was able to convince the district assemblies to waive the district assembly levy, a tax charged by the district assembly for commodities produced in the district and sold/traded outside of the district.

Cotton registration experienced a slow start in the 2016/17 season, mainly due to a delay in the cotton price setting in Ghana as well as a dissatisfaction among farmers with the price set by the government at GHS 0.9/kg. Only after Wienco Cotton undertook a review of their price and offered farmers a price of GHS 1.9/kg did registration increase. Cotton farmers were not affected by the late fertilizer delivery, and therefore repayment rates were above 90%.

Similar to Kumankoma, Masara is also looking at using mobile money solutions to pay its farmers using either Vodafone or Tigo. In collaboration with Agribusiness Systems International (ASI), Masara is currently implementing a pilot project called the Smallholders Financial and Inclusive Project sponsored by AGRA. Based on the results of this project, Masara will decide if and how payment mechanisms can be changed for the next season.

Wienco social and environmental review

During 2016/17, the implementation of Wienco's S&E Action Plan continued in full swing. The company adopted a new, more comprehensive HR manual in February 2017. In addition to serving Wienco, the company's affiliates will use the manual to update their own HR policies in an effort to streamline processes within the overall company family. Recognising the importance of continuous improvement, Wienco has set the timeline for a renewed revision in 2018.

In the updated HR manual, the company has codified its commitment to not engaging in child labour. In line with this commitment, Cocoa Abrabopa Association (CAA) updated the list of permissible work in cocoa farming for youth aged below 18 years relevant for CAA member farmers' operations. Masara N'Arziki delivered trainings to associated farmers on the same topic, also meeting a requirement for obtaining Cotton Made in Africa certification.

According to the baseline study that AATIF conducted as part of an impact evaluation of the cocoa scheme, the trainings provided to CAA farmers seem to have a positive effect, as farmers who have registered for the scheme apply more sophisticated agricultural production techniques than those who have not. Similarly, crop pests and diseases are less common in the plots of registered farmers.

Technical assistance

As part of its mandate, impact evaluations are being implemented by the AATIF TA Facility. The field visits have been undertaken and baseline data on Wienco's cocoa and maize outgrower schemes has been collected, and the baseline report is currently being elaborated by the German Centre for Evaluation (Ceval HmbH). The baseline report will provide first insights about the CAA and Masara schemes in the context of potential impact; however, a rigorous assessment of impact will only be possible after the collection of mid- and endline data.

Also with funding from the AATIF TA Facility, an expert consulting company will assess the feasibility of introducing innovative 'climate-smart' financing tools to be used by Wienco to encourage outgrower farmers to apply sustainable agronomic practices with adapted incentive systems linked to the provision of input credit. This project will be launched later in 2017.

Area of Improvement as per Loan Agreement	Status
Wienco 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 for achieving milestones.	✓ Ongoing (Last update May 2016)
Wienco to ensure that any contract with staff contracted by the Cotton Outgrower Scheme Wienco Cotton from third parties or employed directly by the Cotton Outgrower Scheme Wienco Cotton complies with Ghanaian laws and to provide evidence that such staff is employed lawfully.	✓
Wienco shall, after no more than 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 the 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 and biodiversity policy. In addition, Wienco shall set up company-wide guidelines on elements that farmer contracts need to cover, 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 birthdays/ages in the group contracts and provide proof thereof by copy of ID card etc.	In progress ✓ S&E responsibilities streamlined ✓ HR manual updated ✓ OSH guidelines updated

	Enrolment as of Feb 2017			
	Association	**Female**	**Male**	**Total**
Outreach to smallholder farmers	Masara N'Arziki (maize)	1,790 (21%)	6,845 (79%)	8,635
	Masara N'Arziki (cotton)	415 (12%)	3,096 (88%)	3,511
	Cocoa Abrabopa	2,478 (19%)	10,633 (81%)	13,111

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.

In Q1 2017, the Investment Manager mandated that an agricultural consultant perform a review of GADCO's activities and the progress made since the successful financial and operational restructuring of GADCO that took place in 2014/2015. The consultant concluded that there are areas where operations seem to run in an orderly and efficient way (e.g. the rice mill), whereas in other areas there is room for improvement (e.g. irrigation). Overall, the impressions gained of the agricultural and milling operations were positive and represent an improvement compared to the status quo before the acquisition by RMG.

Technical assistance
A mission for the TA Facility Manager is scheduled to discuss possible assistance in the reorganisation of GADCO's farm workshop and its IT system.

GADCO social and environmental review
In the last year, we saw the positive impact of the overall restructuring of GADCO also result in strengthened S&E management. In April 2016, GADCO submitted an updated Social and Environmental Management Plan to the Ghana Environmental Protection Agency (EPA). The plan outlines a series of measures in terms of water use, soil protection, biodiversity, waste and agrochemical management as well as occupational safety and health and community livelihood. The plan was approved by the EPA, which has issued a new environmental permit valid until January 2019.

In an effort to improve water management, GADCO installed centre-pivot irrigation covering 37 hectares. The company is gathering information to compare the performance of the centre-pivot versus flood irrigation, measuring water use, water spillage and soil erosion. In addition, the irrigation manager and supervisor attended a water management training. With regards to water quality, the samples taken in September 2016 revealed an excess in some parameters (iron, turbidity and colour). To address this issue, GADCO approached the Water Resource Institute for advice. Furthermore, the company is considering different strategies for improving soil quality, such as the implementation of a fallow system.

GADCO has also taken measures to improve occupational safety and health. The company organised trainings on health and safety needs (18 employees), first aid (24 employees) and fire safety (20 mill employees). The company also acquired new personal protective equipment (i.e. overalls, nose masks, gloves) and first aid kits.

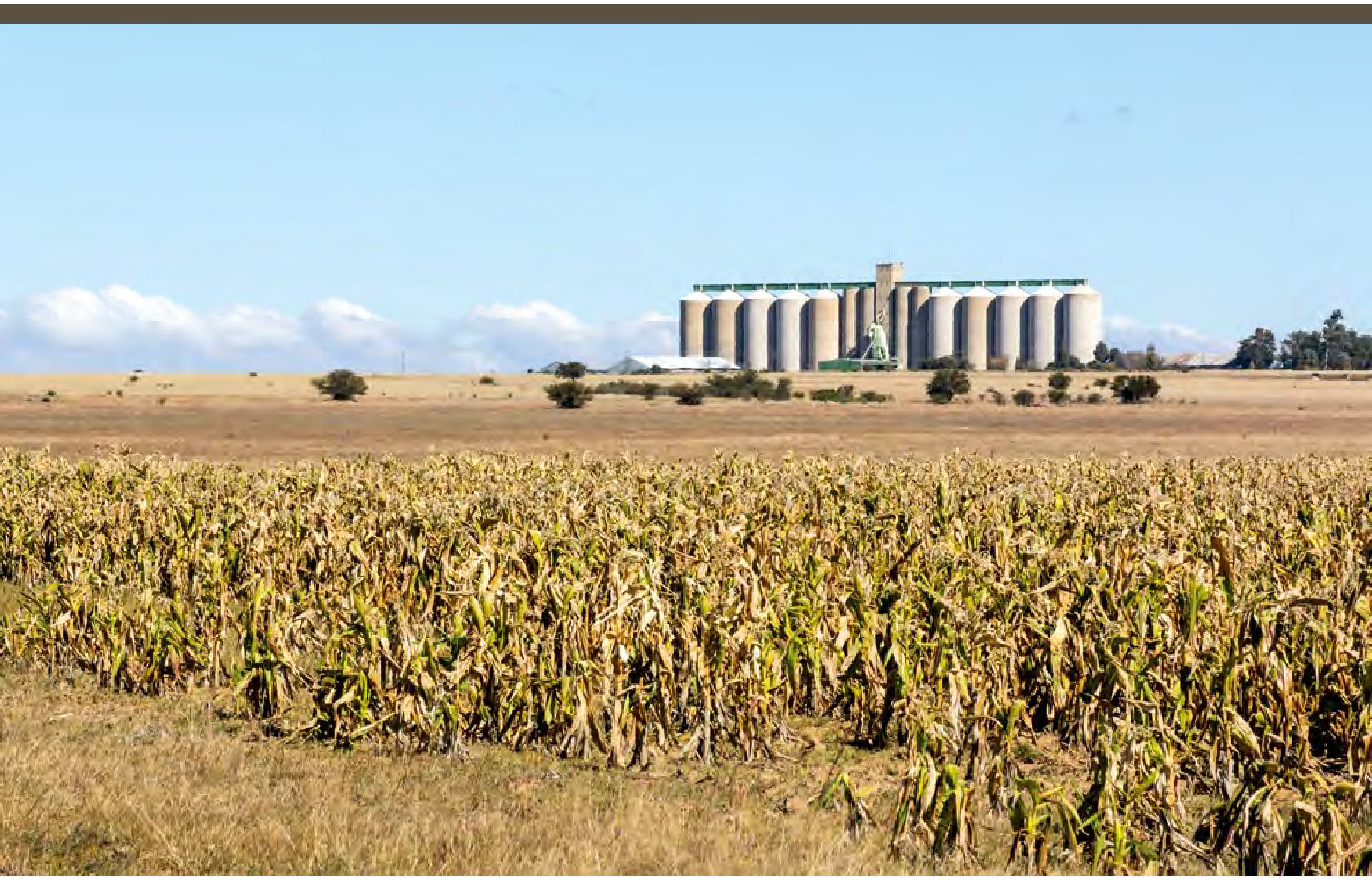
During the 2016 major season (April–September), a total of 568 farmers (385 in Weta and 183 in Asutsuare) enrolled in the Copa Connect Programme. The area farmed reached 610.8 ha (386.9 ha in Weta and 223.9 ha in Asutsuare). This represents a slight increase in both number of farmers and area compared with the previous year. During the minor season (October–March), 374 farmers registered for Copa Connect, farming a total of 386.1 hectares.

Although 90 farmers from the Fievie community, with whom GADCO has a memorandum of understanding, signed up for the Fievie Connect Programme, only 60 planted the land during the major season. Given the good results, this number increased to 74 during the minor season. The company continues holding monthly meetings with the leaders of the 21 surrounding communities to discuss topics of common concern.

Area of Improvement as per Loan Agreement	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 health insurance, and national members of staff are covered by health insurance and are in possession of health insurance cards.	✓
GADCO sets out in writing (i) its human resources policies, (ii) a manual for safety at work and (iii) 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	✓ Plan submitted in April 2016 includes social concerns
GADCO shall ensure that measures to improve the safety of the community are implemented in line with the Social and Environmental Management Plan.	✓ Ongoing activity

Employment Impact	In December 2016, GADCO employed 98 people (six more than December 2015); 93 had fixed-term contracts and five were casuals.				
Outreach to smallholder farmers	**Copa Connect**	**Sep 2015**	**Mar 2016**	**Sep 2016**	**Mar 2017**
	Men	383 (75%)	–	410 (72%)	264 (70%)
	Women	129 (25%)	–	159 (28%)	115 (30%)
	Total	**512**	**–**	**569**	**379**
	Fievie Connect	**Sep 2015**	**Mar 2016**	**Sep 2016**	**Mar 2017**
	Men	–	50 (64%)	38 (63%)	48 (65%)
	Women	–	28 (36%)	22 (37%)	26 (35%)
	Total	**–**	**78**	**60**	**74**

Zambia



Macro view

Largely dependent on copper (70% of exports) and demand from China, Zambia's economy is gradually recovering from the downturn in copper prices combined with a severe power crisis. GDP growth is expected at around 4% in 2017 and 4.5% in 2018 due to higher copper production and prices, increased electricity generation and higher agricultural output – on the back of better rainfall and crop diversification efforts. The fiscal deficit remains wide (7.5% of GDP in 2017), driven by elevated fiscal overruns, and public debt is now close to 60% of GDP, with high servicing costs. Zambia is in discussions with the IMF over an arrangement expected to provide financial support and a much-welcome policy anchor. The government needs to improve fiscal discipline in order to secure the IMF deal. The current account deficit is set to reduce to around 3% of GDP in 2017 as mineral exports pick up. External debt amounts to a fairly high 45% of GDP – although it is predominantly concessional and long-term. The Kwacha recovery and lower inflation prompted the central bank to cut the policy rate twice this year to 12.5% (August reading). The political climate is cooling down since the state dropped charges against the main opposition leader in mid-August – ending a period of unusually high tensions following the elections in August 2016.

Zambia's Agricultural Sector Swot

Strengths

Zambia is among the countries in Southern Africa using agriculture as a way of diversifying its economy. High commodity prices elsewhere have enabled the government to increase sector investment.

Rising disposable incomes, controlled inflation and changing consumer habits are helping to fuel growth in domestic consumption for most agricultural products.

Food security conditions are generally stable in Zambia, which produces a significant proportion of the region's maize.

The cultivation of maize still dominates Zambian agriculture, but wheat, soybeans, sugar and tobacco are gaining importance.

Weaknesses

The country's agricultural sector is fragmented, and the limited use of fertilizers and machinery results in low yields.

The high dependence on government financial support and on movements in global prices makes the sector vulnerable to disruption. A recent export ban could lead to overflowing storage facilities.

The country's lack of strong infrastructure and transportation networks makes it difficult for it to develop an efficient agricultural exports sector.

Opportunities

Zambian maize is likely to benefit from export opportunities as demand in other parts of sub Saharan Africa increases.

BMI's expectations of a weaker currency over the coming years will help Zambian sugar production on the regional export market as it competes with Zimbabwe and Mozambique.

The domestic livestock sector consumes little of the region's maize production. An increase in economic standards could lead to greater demand for domestic meat, which could spur growth in maize output.

Threats

As neighbouring countries face food shortages, attempts to smuggle maize out of Zambian food reserves could erode the country's relative food safety.

A prolonged export ban could lead to domestic gluts and poor returns for farmers.

An outbreak of army worms could reduce yields considerably if not properly dealt with.

Chobe Agrivision

The Chobe 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 (Chobe). The AATIF investment of USD 10 m allowed Chobe to develop the Mkushi farm from about 400 ha to 1,686 ha. The farm development included the installation of irrigation. On 24 October 2015, Chobe repaid the first tranche of the AATIF loan of USD 3 m according to schedule. Based on the successful co-operation over the past five years and the alignment of Agrivision's business model and AATIF's mission, the AATIF IC granted an extension of the remaining USD 7 m loan to Agrivision for a further five years.

Beyond expanding and setting up irrigation facilities at the Chobe farm in Mkushi, Agrivision Africa as a whole has shown substantial developments over the past five years. Agrivision Africa has developed into an integrated agribusiness operating two hubs including Mkushi (Central Province) and Somawhe (North-Western Province), as well as operating Mpongwe Milling, with an annual capacity of 70,000 tonnes of maize and 26,000 tonnes of wheat, 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.

In 2016, after several years of drought, sufficient rain fell to allow Agrivision to fully utilise its farmland on both farms. Overall, Agrivision Africa ended FY 2016 with a net profit. At Somawhe farms, Agrivision cultivated 2,594 ha of soya, 1,272 ha of maize and 2,898 ha of wheat. At Mkushi farms, Agrivision cultivated 2,566 ha of soya, 17ha of maize and 564 ha of wheat. Only a small hectarage of maize was cultivated, as Agrivision was expecting significant market intervention during the election year in Zambia and also saw a greater opportunity in the soybean crop. Furthermore, barley was introduced as a new pilot crop at Mkushi, covering an acreage of 58 ha, to explore possible alternative crops to wheat in the future. The barley was sold to a local brewery in Zambia.

At Mpongwe Mill, Agrivision was able to process 50,563 tonnes of maize and 16,074 tonnes of wheat. To diversify its offtake sources, Agrivision continuously develops new flour mixes meeting the preferences of customers in Zambia and DRC. Additional downstream activities include the installation of moving kiosks which sell the milled maize and wheat flour directly in the villages within 50 km of the mill, meeting significant demand from local communities. Agrivision continues to benefit from its Investment Promotion and Protection Agreement, which gives the right to export up to 80% of their product. Agrivision currently exports wheat flour mixes to DRC. In collaboration with Musika, Agrivision continues to partially source its maize and wheat for the mill from smallholder farmers in the region. In the last season, Agrivision acted as offtaker for approximately 1,800 smallholders.

Technical assistance

Upon request of the farm management, the TA Facility Manager and Compliance Advisor have developed a project to assist Chobe in mitigating the increasingly observed alcohol abuse among farm workers. The intervention took place in 2016 with the support of local expert consultants, who developed an action plan and measures against alcohol abuse in a joint effort with the management and the community. Among the mitigation measures, activities such as theatre, sports, gardening and savings groups were introduced next to a zero-tolerance alcohol policy, with full support of the community. Farm management reports that since then absenteeism and incidents of alcohol abuse have drastically reduced. The TA Facility is in continuous dialogue with Chobe and ready to assist with follow-up measures if needed.

Chobe social and environmental review

In 2016/2017, progress was slow on the implementation of the social and environmental measures, owing to the departure of two of the ESG team members. Thus, some of the activities that had been planned for 2016, such as obtaining Global GAP certification, are still pending. Similarly, while employees receive information on health, safety and environment, no formal trainings took place during the past year. Aware of the relevance of adequately managing social and environmental risks, the company is in the process of recruiting a new ESG manager.

On the other hand, Chobe Agrivision has continued improving its farming methods to increase productivity while ensuring protection of natural resources by implementing precision agriculture. This method entails using GPS and soil moisture sensors to accurately measure the conditions of the different fields and adapt the fertilizer rate accordingly, increasing input efficiency. Furthermore, the company started replacing the geysers in employee houses with solar ones to reduce energy consumption.

Since April 2016, the company has been communicating with various stakeholders and local authorities regarding a community adjacent to the Chobe farms in Mkushi. The community consists of former and current employees of the Tanzania Zambia Railway Authority (TAZARA), which owns the land, but has grown in recent years and was apparently encroaching on part of the land leased by Chobe Agrivision. The company decided to engage a surveyor to conduct a beacon identification exercise, as the borders between Chobe Agrivision and TAZARA land were not clear. In June 2017, it was confirmed that none of the said community structures are on Chobe Agrivision land.

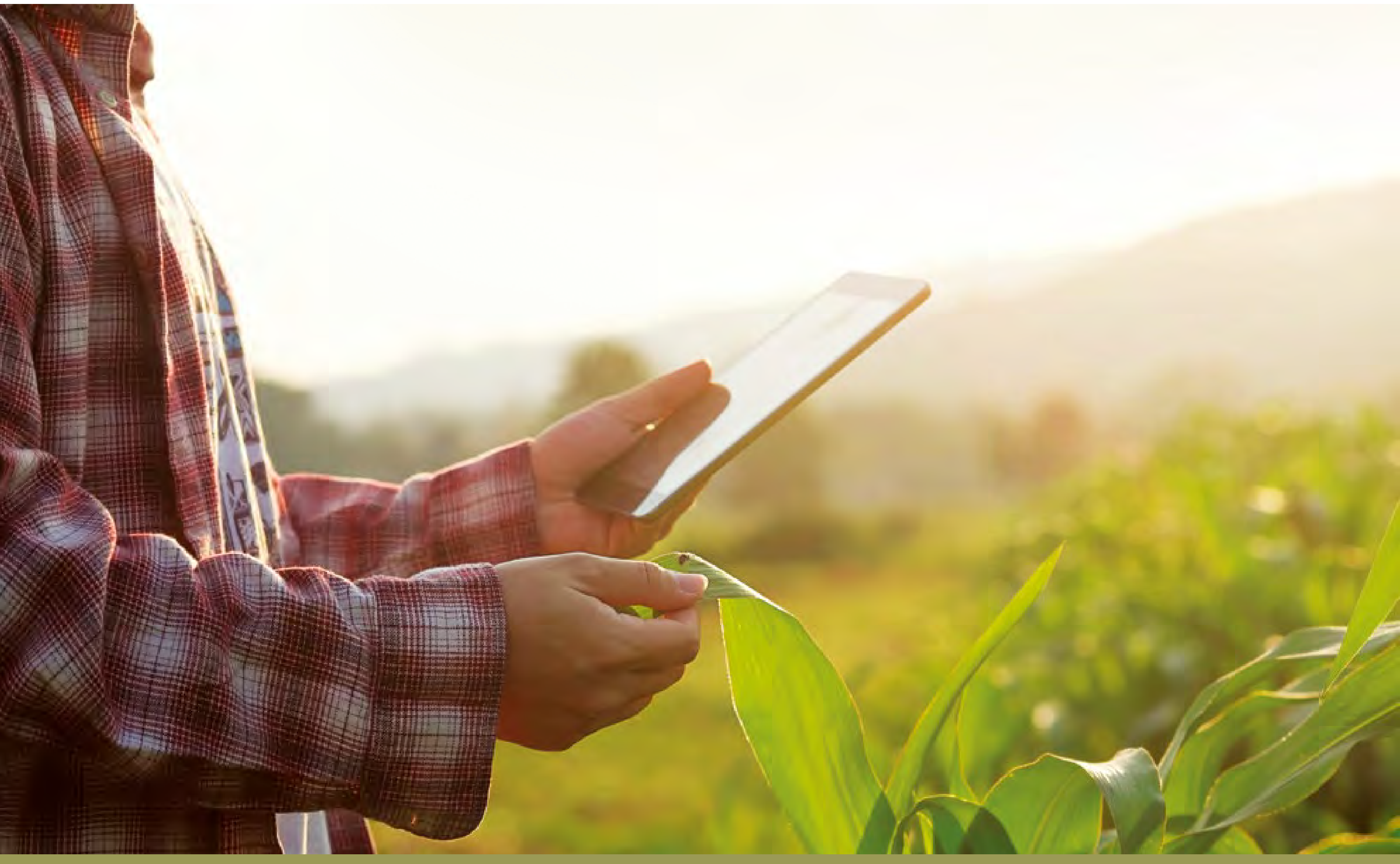
Area of Improvement as per Loan Agreement	Status
Apply minimum wage as per Zambia Employment Act to casual workers.	✓
Adjust registration forms for casual workers to ensure no underage workers are hired.	✓
Ensure that rat poison and mosquito spray are stored in closed storage indicating that the contents are 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.	✓ Ongoing activity
Ensure that workers and their families are provided with one insecticide-treated mosquito net per household and that these are regularly insecticide treated. Investigate the correctness of and if necessary adjust the mosquito spraying schedules.	✓ (2011–2015) Discontinued as no longer receiving bed nets from government health centre
Ensure that children of families working at the Chobe Agrivision have access to at least primary school.	✓ (2015)

	As of December 2016	Somawhe	Mkushi	Mpongwe Mill
Employment Impact	Fixed-term	202	136	189
	Casuals	246	79	10

Botswana

Macro view

Botswana's economy, producing 20% of the global diamond output, relies on the precious stone for 88% of exports and 37% of government revenue. GDP growth is picking up (4.5% expected in 2017, close to 5% in 2018), boosted by some recovery in the diamond sector as well as an increase in public investment – as per the Economic Stimulus Programme, launched in 2016 to reduce unemployment and income inequality and promote private-sector development. Thanks to higher diamond earnings, the fiscal balance is expected to be only barely negative in 2017. Public debt remains low, at around 15% of GDP. In large surplus, the current account is expected to be 6% of GDP in 2017. Botswana's FX reserves are substantial, covering more than 10 months of imports. External debt is low, and Botswana remains a net external creditor. The pula's crawling peg to the rand and a basket of major currencies helps to keep inflation low, near the lower band of the 3%–6% target range. Botswana's political scene has been remarkably stable since independence in 1966. Internal tensions within the ruling Botswana Democratic Party and the formation of a new opposition coalition point to deeper competition in the political arena for the next election in October 2019. The only African country rated in the A range, Botswana is a mature democracy with relatively high World Bank governance indicators and a conducive business environment, although the electricity supply remains unreliable.



Agricultural Sector Swots for BancABC operational hubs

Strengths

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 maize and wheat, grown in the wet eastern region. Food security conditions are generally stable across the region; however, the issue has become more acute in the aftermath of the 2016 droughts.

Mozambique

The sector is vital to national well-being, employing around 80% of the working population and contributing around 23% of Mozambique's GDP; Mozambique has a large amount of arable land with huge agricultural potential; soil quality, climate and access to water make the central and northern regions particularly well suited to agricultural development.

Weaknesses

Botswana

The high dependence on government financial support and on movements in global prices makes the sector vulnerable to disruption.

Mozambique

The poor state of the country's infrastructure makes it costly for farmers to transport their products, both for domestic consumption and for export. The grain sector continues to suffer from problems associated with variable rainfall, including drought and flooding. Irrigation facilities are limited throughout much of the country. Mozambique is a net importer of agricultural produce, relying on imports for key commodities such as maize, rice and poultry. Food security remains a concern, and the country continues to suffer from supply shortfalls of major foods.

Opportunities

Botswana

The region's agricultural sector is likely to benefit from export opportunities as demand in other parts of sub-Saharan Africa increases.

Mozambique

Mozambique's sugar sector in particular is benefitting from unrestricted access to the EU market; Mozambican producers are considerably more cost competitive than other major sugar exporters such as Brazil. Development potential is especially high in the fertile northern regions, which account for the bulk of the country's agricultural surplus. The Beira Agricultural Growth Corridor initiative aims to expand the productive capacity of Mozambique's central region.

Threats

Botswana

A repeat of bad weather due to El Niño could cause more disruption in the region's agricultural production and particularly damage the important maize crop. This could decrease the region's food security.

Mozambique

A weak global economy could significantly reduce domestic and international demand while diminishing Mozambique's ability to facilitate vital food imports. A rise in feed costs could have a damaging impact on Mozambique's poultry and livestock sectors.

Zimbabwe

The agricultural sector makes up a large proportion of Zimbabwe's labour force and contributes 18% of GDP and 40% of export earnings annually. The government has encouraged diversification in agricultural production, with the main segments being tobacco, cotton, sugar, maize, tea, coffee and beef. Generally rising disposable incomes, controlled inflation and changing consumer habits are helping to fuel growth in domestic consumption for most agricultural products.

The agricultural sector continues to be subject to land disputes. The country's agricultural exports are dependent on trade agreements signed with the US and the EU.

Relatively high domestic sugar and maize prices will very likely provide farmers greater incentives to plant and allow them greater access to fertilizer and crop protection, thereby reducing crop loss.

An outbreak of army worms could reduce yields considerably if not properly dealt with. Ongoing government indigenisation programmes could lead to reduced investment in the industry and ultimately lower growth.

Tanzania

The agricultural sector is vital to national well-being, employing around 80% of the working population, accounting for 60% of exports and contributing around 40% of the country's GDP. On a national level, Tanzania is generally self-sufficient in maize, its most important food crop. Several regions frequently produce a surplus of the grain, and the country exports to neighbouring states, such as Kenya.

Tanzania's topography and climatic conditions limit cultivated crops to only 4% of the land area. Although the volume of all major crops has increased over the past few years, food security remains a concern, particularly in the northern and north-eastern regions. As a sugar producer, Tanzania still has a relatively low yield per hectare compared with other regional producers, such as Kenya and South Africa. A lack of access to credit remains a problem for farmers, reducing their ability to invest in equipment, seeds, pesticides and fertilizers that would otherwise improve harvests.

Through its Agricultural Sector Development Programme, which is backed by international donors, the government is implementing a food security project. This has the potential to significantly raise the quality and yield of major food crops over the next few years. Tanzania's encouraging economic conditions will drive growth in the food industry, as higher GDP per capita and sustainable household spending will drive an increase in consumer spending over our newly extended five-year forecast period to 2020/21.

A forecast weak currency (against the US dollar) over the next few years will make imports and agricultural inputs more expensive. Although increased investment in biofuel crops could lift industry investment, it could also serve to undermine the availability of food crops such as rice. The illegal duty-free importation of rice from Thailand and Pakistan could potentially add volatility to prices, thus adding an extra dimension of uncertainty.

ABC Holdings (BancABC)

ABC Holdings Limited registered in Botswana, a wholly owned subsidiary of Atlas Mara Limited, is the holding company of five banks operating under the BancABC part of the Atlas Mara brand in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. Atlas Mara is a London Stock Exchange – listed financial services group focused entirely on sub-Saharan Africa with a goal to be sub-Saharan Africa's premier financial institution through organic and inorganic growth by combining global institutional knowledge with extensive local insights. In addition to the five BancABC-presence countries listed above, Atlas Mara also has a banking investment in Nigeria and a subsidiary bank in Rwanda.

On 17 December 2013, AATIF signed a USD 25 m agricultural-funding and risk-sharing agreement with BancABC. Only shortly after, in late 2014, Atlas Mara acquired ABC Holdings Limited. In 2016, BancABC acquired Finance Bank of Zambia Plc and merged it with the existing Zambian BancABC subsidiary in 2017 to create one of Zambia's largest banks in terms of branch network and its fifth-largest bank in terms of assets.

Atlas Mara has continued to roll out a comprehensive programme to strengthen BancABC's end-to-end credit processes in terms of sustained and profitable loan-book growth. Agricultural sector funding is a growing business line for the Atlas Mara group. As of 31 March 2017, BancABC has on-lent the entire USD 25 m of the AATIF facility. Typical transactions include the funding of cotton processing, wheat and maize milling, pasta and biscuit manufacturing, acquisition and sale of seeds, chicken farming, sugarcane schemes and dairy farming. Atlas Mara aims to be a positive disruptive force in the markets in which it operates by leveraging technology to provide innovative and differentiated product offerings and focused customer service and by accelerating financial inclusion in the countries in which the company operates. As such, the group's fintech strategy for agricultural financing is to (1) support the existing agricultural initiatives delivered via their network banks using technology (namely the Internet and mobile phones) and (2) launch new, cost-effective financial solutions dedicated to supporting farmers and smallholders who do not have formal access to lending.

Atlas Mara has prioritized four agricultural initiatives which are to be implemented through BancABC:

- **Digital working capital/agricultural asset finance** through boards and structured co-operative alliances: The initiative includes short-term working capital/long-term asset finance credit lines provided to farmers and smallholders who trade their produce through selected commodity boards and structured co-operatives.
- **Mobile micro insurance** for a wide range of coverage areas including crop and weather insurance and livestock health insurance: The initiative leverages the Atlas Mara partnerships with Blue Marble Microinsurance to distribute mobile-phone-based microinsurance products.
- **Dedicated agricultural payment wallet services** operated through Atlas Mara Digital Bank to promote financial inclusion: The initiative includes digitisation of B2P and G2P payments in agriculture to drive rural growth into unserved/underserved segments.
- **Smart farming management tool** that leverages diverse data sets delivered on a single mobile phone application: The Internet, remote-sensing technologies and cloud-based data-sharing platforms deliver key agriculture and farm-related data on farmers' mobiles for smart action and resource management to reduce farming costs, improve crop yield and boost returns.

Atlas Mara, through its subsidiary BancABC, views AATIF as one of its important long-term partners and continues to explore additional ways to work with the AATIF team to improve its agricultural capabilities for the mutual benefit of both organisations.

BancABC social and environmental review

In 2016, BancABC finalised the upgrading process for its social and environmental management system (SEMS). Key milestones included the adoption of its Sustainability Policy, the development of its Social and Environmental Management System Manual, the appointment of a Sustainability Officer and the development and launch of an S&E capacity-building strategy. The support given by BancABC's management throughout the process mirrors the bank's commitment to managing the social and environmental risks and impacts related to the institution's activities.

After the Sustainability Officer was appointed in September 2016, he contributed to the completion of the SEMS documentation and supported the preparation of training materials and training sessions on S&E management.

The implementation of the S&E capacity-building strategy started in November 2016 with a train-the-trainer session attended by two representatives from each of the five countries of operation, who had been appointed as S&E champions. The training combined theoretical lectures and case-study exercises, mostly drawn from BancABC's own investment portfolio. In the weeks that followed, the in-country S&E champions adapted the sessions to suit their respective audiences and delivered the content to their colleagues. In total, 73 bank employees were trained. The feedback on the SEMS documentation received during the highly interactive sessions proved useful to finalise them.

In addition to finalising the SEMS documentation and completing the first round of internal S&E trainings, BancABC began further strengthening the skills of the Sustainability Officer to effectively perform his duties. Thus, during the first quarter of 2017, the bank requested additional support from AATIF's TA Facility for this purpose.

Area of Improvement as per Loan Agreement	Status
BancABC to commit to sustainable development of its activities on a higher organisational level, i.e. in its vision or mission statement, and to clearly outline its commitment in strategic planning documents.	✓ (2016)
BancABC to develop an action plan that clearly outlines the milestones and timeline for the implementation of a group-wide SEMS.	✓ (2015)
BancABC to develop a group-wide Social and Environmental Policy. Such Policy needs to: • Contain objectives for 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.	✓ (2016)
BancABC to elaborate the project classification that it uses to: • Cover social and 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.	✓ (2016)
BancABC to develop an S&E capacity-building strategy and have trained all relevant staff.	✓ Ongoing
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 (=SMEs). Before on-lending AATIF funds to SMEs or within the microfinance sector, BancABC to consult with the AATIF Compliance Advisor to extend the bank's SEMS to cover these business segments.	Not triggered

Technical assistance

After receiving TA Facility support in upgrading its SEMS to international benchmark standards through an external consultant, BancABC has appointed an internal candidate to move permanently to the new position of Sustainability Officer.

In a follow-up intervention, the TA Facility now finances on-the-job coaching and formal training measures for the Sustainability Officer with the goal of the officer growing into a fully qualified and capacitated specialist for the bank.

Trade Development Bank Known as Preferential Trade Area Bank (PTA)

PTA within the context of COMESA's agricultural sector development[10]

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 400m people and the GDP around USD 400 billion. The market integration is driving sub-regional co-operation 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 2016–2020 strategy stresses the importance of regional co-operation and coordination and recognises the need for a holistic approach encompassing the key elements of agricultural development: markets, inputs, institutions and infrastructure. Special focus is given to agroprocessing, as agroprocessing and agri-food systems are acknowledged to increase income and createemployment along the food chain.

Initiatives of the 2016–2020 agenda to promote industrial development comprise:

1. Identifying and promoting investments in sectors of high potential with customised incentives for more value addition.
2. Promoting MSMEs performance in industrial linkages and cluster development.
3. Increasing investment in agriculture and agribusiness activities through facilitating the Comprehensive Africa Agriculture Development Programme process.
4. Encouraging public-private partnerships (PPPs) to develop basic infrastructure for industrial development.
5. Enhancing co-operation in combating illicit trade and counterfeiting.
6. Strengthening standardisation and quality assurance.
7. Promoting climate-smart agriculture.
8. Promoting women and youth entrepreneurship in industrialisation development.
9. Promoting environmental sustainability in industrial development.

TDB investment update

During Q4 2016, the bank re-branded itself to Trade and Development Bank (TDB). Established in 1985 as PTA Bank, TDB 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. TDB operates out of four hubs: Headquarters Bujumbura, Burundi; Regional and Corporate Support Centre Nairobi, Kenya; Regional Office Harare, Zimbabwe and Mauritius.

In May 2016, TDB signed a memorandum of understanding with Ethiopia's Ministry of Foreign Affairs for the establishment of a regional TDB office in Addis Ababa. During TDB's annual meeting, which took place in May 2016, Mr Claver Gatete, Rwanda's minister of finance and economic planning, was appointed the new chairperson of TDB's Board of Governors.

TDB's net profit increased from USD 95 m in 2015 to USD 101 m in 2016 and its loan book increased by 11%, mostly driven by an increase in project financings.

As of 31 March 2017, TDB has on-lent USD 30 m from the AATIF facility. Lending facilities have been primarily directed towards the dairy, sugar and tea sectors. The sub-borrowers have been monitored through visits by TDB between Q3 2016 and early 2017.

Technical assistance

The TA Facility is undertaking a rapid appraisal of the social and developmental impact of the AATIF loan extended to TDB. For this purpose, a single sub-loan has been selected (extended by TDB to the Tanganda Tea Company in Zimbabwe), for which an external specialist has now delivered a baseline study.

TDB social and environmental review

2016/17 was the first year of full implementation of TBD's updated Social and Environmental Management System (SEMS). Great emphasis was placed on monitoring social and environmental risks in their portfolio. With the aim of

[10] Comesa Website, Medium Term Strategic Plan 2016-2020

ascertaining how socially and environmentally compliant the financed operations are, the bank engaged an external consultant to conduct a desk review of 26 projects as well as a comprehensive assessment of five high-risk projects. While the analysis didn't reveal any major flaws that could affect operations, TDB shared the results with the assessed clients so they could learn from them and ensure that non-compliances are remedied.

The bank has continued building the capacity of its staff to implement the SEMS. In September 2016, the TDB organised an environmental and social risk training, attended by 47 participants from relevant departments, covering risk, compliance, legal issues and portfolio management. In addition, four employees completed the Online Training Course on Environmental and Social Risk Analysis (ESRA) offered by the United Nations Environment Programme.

According to TDB, the bank has contributed to the creation of 129,295 direct jobs and 984,933 indirect jobs across all countries of operation. Furthermore, many financed projects in agriculture are seen to have positive effects in terms of resource efficiency and waste minimisation (mainly in the sugar sector) and access to finance for outgrowers (e.g. the tea, sugar and dairy sectors). The results of the rapid appraisal baseline that AATIF conducted on the TDB sub-loan in Zimbabwe confirm the positive effect of outreach to smallholder farmers.

Area of Improvement as per Loan Agreement	Status
TDB 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 2013–2017.	✓ (2012)
TDB 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, (ii) in accordance with additional requirements and milestones as mutually agreed between TDB and AATIF, such as amendments to TDB's operational guidelines for trade finance, and (iii) maintain and further improve the implemented social and environmental management system and conduct its business in accordance with the social and environmental management system.	✓ Ongoing activity
TDB 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 30 June 2013.	✓ Ongoing activity
TDB 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.	✓

Chase Bank Kenya

Chase Bank (Kenya) Limited ('Chase Bank') started as a privately owned bank, incorporated in Kenya in 1996 and licensed and regulated by the Central Bank of Kenya. Its core focus is the financing of SME business, including agriculture, health care, education and transport. Chase Bank operates across Kenya with more than 50 branches. AATIF committed a loan of USD 10 m to Chase Bank, of which the first USD 5 m tranche was disbursed in October 2012 the second in September 2013. At that time, Chase Bank was just beginning to establish a dedicated agricultural desk. The AATIF loan allowed Chase Bank to intensify its agricultural footprint by on-lending the AATIF funding to more than 200 beneficiaries producing and processing fruits, vegetables, cereals, horticulture and/or dairy; these loan activities yielded promising developmental impact.

In April 2016, completely unrelated to AATIF's loan, Chase Bank experienced a bank run following a divergence in views between auditors and management related to its 2015 financial statements. As a result of this dispute, there were inaccurate social media reports and two of the bank's directors resigned. These events motivated depositors to withdraw funds and caused liquidity difficulties for Chase Bank. Consequently, it was not able to meet its financial obligations.

On 6 April 2016, the Central Bank of Kenya (CBK) placed Chase Bank under receivership and appointed the Kenya Deposit Insurance Corporation (KDIC) as the receiver. The receiver KDIC immediately appointed KCB Bank Kenya Ltd. as the administrator of Chase Bank to resume partial operations. Under this administrative receivership, Chase Bank Kenya reopened its 62 branches on Wednesday 27 April 2016 after only a three-week closure and has since then continued most of its activities. After CBK/KDIC decided that the business franchise of Chase Bank should preferably be sold, under a going concern assumption, they announced the 'Commencement of Process for an Investor to Take an Equity Interest (EOI)' on 30 March 2017.

At the time of writing, the receivership was temporarily prolonged by order of the Kenyan High Court for a period of six weeks beyond the statutory time limit to 7 October 2017. This measure was necessary as no bidder had shown an interest in acquiring Chase Bank under a going concern assumption and concluded a transaction. Therefore, on 6 October, CBK/KDIC publicly presented a non-binding offer by the State Bank of Mauritius (SBM) for the purchase of selected assets and liabilities of Chase Bank under a good bank–bad bank resolution concept. The stated concept is highly detrimental to the financial interests of the senior lenders and may not adequately reflect the interests of all stakeholders of the bank. Therefore, the senior lenders have approached CBK/KDIC and inquired about the possibility of finding a going concern solution for the bank with the active involvement of the senior lenders.

While the outcome of the restructuring process of Chase Bank is highly uncertain, AATIF will strive to ensure the maximum recovery of its loan to Chase Bank, working with the senior lenders group.

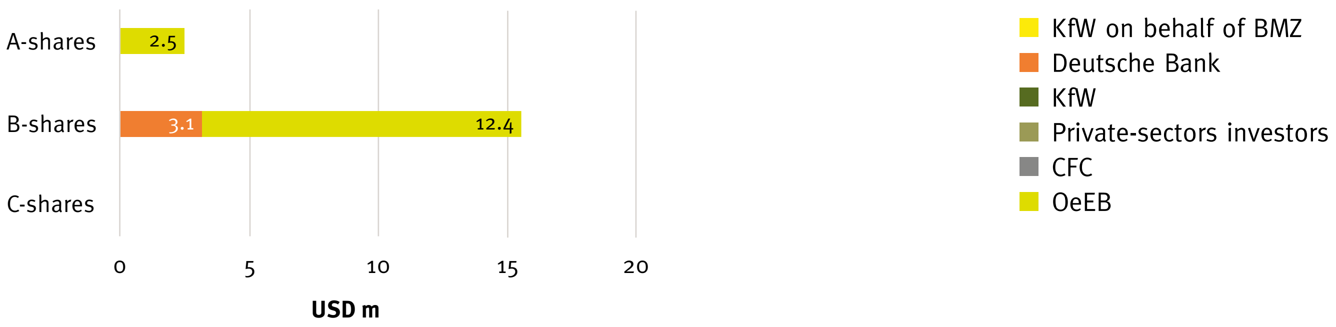
Cape Concentrate

In the last annual report, we reported on the stop of operations at the tomato plant, as no sufficient tomato supply could be secured. As no reasonable perspective for a restart of operations in the company could be identified, the company was put into liquidation on 12 January 2016. Subsequently, the tomato plant was sold to Famous Brands and has been used to produce tomato paste on a limited scale, keeping possibilities for scaling up operations open. AATIF, however, will not be involved in the operations of the plant anymore. AATIF has received USD 1.5 m from the liquidation proceeds.

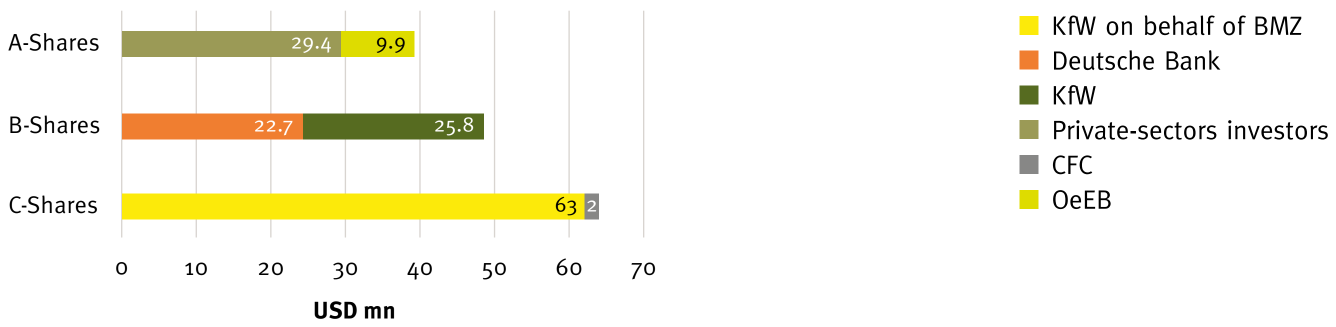
AATIF Funding Sources

Funding overview: During the financial year 2016/2017, the AATIF C-shares cushion has been enhanced by a USD 11 m investment from BMZ, bringing the C-shares NAV to USD 65 m as of 31 March 2017.

Undrawn Commitments



NAV as of 31/03/2017



Financial Statements

Statement of financial position

USD	31 Mar 2017	31 Mar 2016
ASSETS		
Non-current assets		
Gross loans to Partner Institutions	137,025,462	104,515,323
Loan loss allowance	(6,750,000)	(9,350,000)
Loans to Partner Institutions	**130,275,462**	**95,165,323**
Current assets		
Loans to Partner Institutions	5,000,000	25,478,486
Interest accruals on loans	1,368,474	503,036
Other receivables and prepayments	4,436,663	3,498,860
Cash at bank	15,542,571	6,382,303
Total assets	**156,623,170**	**131,028,008**
LIABILITIES		
Current liabilities		
Current liabilities at fair value through profit or loss	–	1,333,901
Accrued expenses	740,101	1,416,338
Other payables	–	79,748
Redemption payable to holders of redeemable ordinary shares	–	332,887
Distribution to holders of redeemable ordinary shares payable	2,869,757	1,993,150
Total liabilities excluding net assets attributable to shareholders	**3,609,858**	**5,156,024**
Non-current liabilities		
Class A shares – Tranche 1	23,306,276	23,639,876
Class A shares – Tranche 2	4,000,000	4,000,000
Class A shares – Tranche 3	2,000,000	–
Class A shares – Tranche 4	9,900,000	–
Class B shares – Tranche 1	25,858,000	25,858,000
Class B shares – Tranche 2	22,718,366	19,578,732
Net assets attributable to holders of redeemable shares	**87,782,642**	**73,076,608**
Total liabilities	**91,392,500**	**78,232,632**
EQUITY		
Class C shares – Tranche 1		
Share capital	75,021,434	64,100,434
Profit/(loss) for the year	(374,736)	(6,873,958)
Retained earnings	(11,305,058)	(4,431,100)
Class C shares – Tranche 2		
Share capital	1,980,198	–
Profit/(loss) for the year	(91,168)	–
Retained earnings	–	–
Total equity	**65,230,670**	**52,795,376**
Total liabilities and equity	**156,623,170**	**131,028,008**

Statement of comprehensive income

USD	For the year ended 31 Mar 2017	For the year ended 31 Mar 2016
INCOME		
Interest income on loans	7,471,808	6,297,236
Upfront management fees and success fees on loans	408,500	370,000
Change in unrealised gain on financial liabilities at fair value through profit or loss	1,333,901	1,220,391
Realised gain on exchanges	116,936	221,964
Change in unrealised gain on exchanges	1,175,935	686,125
Other income	1,183,531	366,360
Total income	**11,690,611**	**9,162,076**
EXPENSES		
Direct operating expenses	(1,720,182)	(1,493,311)
Investment management fees	(1,733,515)	(1,468,781)
Performance fees	(596,329)	(376,008)
Realised loss on financial liabilities at fair value through profit or loss	(1,501,150)	(640,758)
Realised loss on exchanges	(921,914)	(3,783)
Change in unrealised loss on exchanges	(147,145)	(1,185,165)
Realised loss on loans	–	(4,033,610)
Loan loss allowance	(2,400,000)	(4,300,000)
Other expenses	(266,523)	(550,771)
Distribution to holders of redeemable ordinary shares	(2,869,757)	(1,983,847)
Total expenses	**(12,156,515)**	**(16,036,034)**
Operating loss	**(465,904)**	**(6,873,958)**
Loss for the year	**(465,904)**	**(6,873,958)**
Other comprehensive income	–	–
Total comprehensive income for the year	**(465,904)**	**(6,873,958)**

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

USD	Net assets attributable to shareholders
As of 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 of 31 March 2016	**73,076,608**
Issue of redeemable shares (Class A)	11,900,000
Redemption of redeemable shares (Class A)	(333,600)
Issue of redeemable shares (Class B)	3,139,634
Redemption of redeemable shares (Class B)	–
Increase in net assets attributable to shareholders from transactions in shares	**14,706,034**
Change in net assets attributable to shareholders from operations	–
As of 31 March 2017	**87,782,642**

Statement of changes in equity

USD	Net assets attributable to shareholders
As of 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 equity attributable to shareholders from transactions in shares	**1,614,984**
Decrease in equity attributable to shareholders from operations	(6,873,958)
As of 31 March 2016	**52,795,376**
Issue of non-redeemable ordinary shares (Class C)	12,901,198
Redemption of non-redeemable ordinary shares (Class C)	–
Increase in equity attributable to shareholders from transactions in shares	**12,901,198**
Decrease in equity attributable to shareholders from operations	(465,904)
As of 31 March 2017	**65,230,670**

Supplementary information

USD	31 Mar 2017	31 Mar 2016	31 Mar 2015
Net asset value per share (USD)[1]			
Class A shares – Tranche 1 (redeemable shares)	40,000.00	40,000.00	40,000.00
Class A shares – Tranche 2 (redeemable shares)	40,000.00	40,000.00	40,000.00
Class A shares – Tranche 3 (redeemable shares)	40,000.00	–	–
Class A shares – Tranche 4 (redeemable shares)	40,000.00	–	–
Class B shares – Tranche 1 (redeemable shares)	20,000.00	20,000.00	20,000.00
Class B shares – Tranche 2 (redeemable shares)	20,000.00	20,000.00	–
Class C shares – Tranche 1 (non-redeemable shares)	8,124.75	8,202.78	9,270.79
Class C shares – Tranche 2 (non-redeemable shares)	9,525.13	–	–
Number of shares			
Class A shares – Tranche 1 (redeemable shares)	582.6569	590.9969	599.3369
Class A shares – Tranche 2 (redeemable shares)	100.0000	100.0000	100.0000
Class A shares – Tranche 3 (redeemable shares)	50.0000	–	–
Class A shares – Tranche 4 (redeemable shares)	247.5000	–	–
Class B shares – Tranche 1 (redeemable shares)	1,292.9000	1,292.9000	922.5858
Class B shares – Tranche 2 (redeemable shares)	1,135.9183	978.9366	–
Class C shares – Tranche 1 (non-redeemable shares)	7,759.8804	6,436.2752	6,262.0738
Class C shares – Tranche 2 (non-redeemable shares)	198.0198	–	–

Statement of cash flow

USD	For the year ended 31 March 2017	For the year ended 31 March 2016
Operating loss before tax	**(465,904)**	**(6,873,958)**
Adjustments for non-cash items		
Non-cash items related to unrealised foreign exchange	(2,362,691)	(721,351)
Loan loss allowance	2,400,000	4,300,000
Interest income	(7,471,808)	(6,297,236)
Operating profit after adjustments for non-cash items	**(7,900,403)**	**(9,592,545)**
Net changes in operating assets and liabilities		
Net (increase)/decrease in other receivables and prepayments	238,132	(55,765)
Net decrease in accrued expenses and accounts payable	(755,985)	(63,001)
Net increase/(decrease) in redemption payable to holders of redeemable ordinary shares	(332,887)	332,887
Net increase in distribution to holders of redeemable ordinary shares payable	876,607	413,174
Net cash flow used in operating activities	**25,867**	**627,295**
Cash flow from investing activities		
Cash paid on loans to partner institutions granted	(20,000,000)	(30,000,000)
Cash received on loans to partner institutions matured/restructured	2,821,202	7,034,677
Interest received	6,606,370	6,118,130
Net cash flow from investing activities	**(10,572,428)**	**(16,847,193)**
Cash flow from financing activities		
Proceeds from issue of Class A shares	11,900,000	–
Payments from redemption of Class A shares	(333,600)	(333,600)
Proceeds from issue of Class B shares	3,139,634	26,985,016
Proceeds from issue of Class C shares	12,901,198	1,614,984
Net cash flow provided by financing activities	**27,607,232**	**28,266,400**
Net (decrease) in cash and cash equivalents	9,160,268	2,453,957
Cash and cash equivalents at the beginning of the year	**6,382,303**	**3,928,346**
Cash and cash equivalents at the end of the year	**15,542,571**	**6,382,303**

Contact Information

www.aatif.lu
info@aatif.lu

Imprint

Publisher:
Africa Agriculture and Trade Investment Fund
31 Z.A. Bourmicht
L-8070 Bertrange
Grand Duchy of Luxembourg

The macro sector development view was provided by Dr Claire Schaffnit-Chatterjee, Deutsche Bank AG, Research. The agricultural SWOTs are provided by BMI Research.

Disclaimer

The Fund is a public limited-liability company (société anonyme) qualifying as an investment company with variable capital – specialised investment fund (société d'investissement à capital variable – fonds d'investissement specialise) established under the laws of the Grand Duchy of Luxembourg and in particular the law of 13 February 2007 relating to specialised investment funds (as amended), having its registered office at 31 Z.A. Bourmicht, L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Trade and Companies (Registre de Commerce et des Sociétés) under number B 162.831. The Fund is reserved to certain Eligible Investors as defined in the issue document dated December 2015 (the 'Issue Document').

The information given in this report constitutes neither an offer nor a product recommendation; it is provided for individual information purposes only. This report is neither an issue document as specified by law nor the management report. The Issue Document is obtainable at the registered office of the Fund. Please request the Issue Document and read it carefully and seek advice from your legal and/or tax advisor before investing.

The distribution of the Issue Document and the offering of the Fund's shares may be restricted in certain jurisdictions. Neither the Issue Document nor this report constitutes an offer or solicitation in a jurisdiction where to do so is unlawful or where the person making the offer or solicitation is not qualified to do so or where a person receiving the offer or solicitation may not lawfully do so. It is the responsibility of any person in possession of the Issue Document or this report and of any person wishing to apply for the Fund's shares to inform themselves of and to observe all applicable laws and regulations of relevant jurisdictions. Distribution of the Issue Document or this report by an unauthorised person is forbidden and shall be solely at that person's own risk. Investors should inform themselves and should take appropriate advice as to possible tax consequences, foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence, domicile or other eligible laws and which might be relevant to the subscription, purchase, holding, redemption or disposal of the shares of the Fund.

The shares of the Fund have not been and will not be registered under the United States Securities Act of 1933 as amended from time to time (the '1933 Act') or the securities laws of any of the states of the United States, for offer or sale, directly or indirectly, in the United States of America, except pursuant to an exemption from the registration requirements of the 1933 Act as part of their distribution, and the Fund has not been and will not be registered under the United States Investment Company Act of 1940.