aatif
Africa Agriculture and Trade Investment Fund

Increasing Income. Improving Food Security.

AATIF Annual Report 2017/18

Contents

Abbreviations

AATIF	Africa Agriculture and Trade Investment Fund
ACFTA	African Continental Free Trade Area (ACFTA)
BMI Research	A Fitch solutions research company
BMZ	German Federal Ministry for Economic Cooperation and Development
CAA	Cocoa Abrabopa Association
CFC	Common Fund for Commodities
COMESA	Common Market for Eastern and Southern Africa
ESG	Environmental, Social and Governance
ESRA	Environmental and Social Risk Analysis
ETG	Export Trading Group
FI	Financial Institution
GADCO	Global Agri-Development Company
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GAP	Good Agricultural Practice
IC	Investment Committee
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IM	Investment Manager
KfW	Kreditanstalt für Wiederaufbau
LIBOR	Intercontinental Exchange London Interbank Offered Rate
m	Million
MDGs	Millennium Development Goals
MFI	Microfinance Institution
MOFA	Ministry of Food and Agriculture
OECD	Organisation for Economic Co-operation and Development
PIs	Partner Institutions
S&E/E&S	Social and Environmental
SEMMP	Social and Environmental Management and Monitoring Plan
SEMS/ESMS	Social and Environmental Management System
SDGs	Sustainable Development Goals
SME	Small and medium enterprises
TA Facility	Technical Assistance Facility
TAFM	Technical Assistance Facility Manager
TDB	Trade Development Bank
TOR	Terms of Reference
USD	US dollars
UN	United Nations
UN Environment	United Nations Environment Programme
YIAAP	Youth in Agriculture and Aquaculture Programme

Letter from the Board

Dear Reader,

What do you think makes for a good agricultural fund that is active on the African continent? First of all, a good fund delivers compelling business results. It should undeniably also take the necessary measures to remain successful tomorrow and far into the future. Similarly to you though, we also know that there is much more than that, needed from a fund that invests across the agricultural value chain on a continent that has great needs when it comes to addressing poverty and hunger. Such a fund needs to continually provide innovative solutions, technical assistance while advancing high social and environmental (S&E) standards.

S&E, Technical Assistance, Innovation, Results: Where does AATIF stand?

We believe we can say that we are at the forefront when it comes to S&E practices. Along the agri/food value chain, S&E risks abound, enhanced in some African countries by weak and incompletely enforced regulation. Due to our collaboration with the International Labor Organization (ILO) and the United Nations Environment Programme (UN Environment), AATIF has been in a position to proactively address and respond to needs and requests from AATIF investees, investors and the public. We believe that good cooperation and communication with AATIF stakeholders as well as the public is key to make funds such as AATIF, success stories. To increase the Funds S&E capacity, the entire AATIF governance including the Board, the Investment Committee and the Investment Manager have undertaken a S&E training series which will continue in 2018/2019. Thus, the impact of our collaboration partner ILO/UN Environment is increased by enabling knowledge dissemination as the fund continues to build its footprint.

Many measures advised on by the ILO/UN Environment depend on the support of the AATIF Technical Assistance (TA) Facility for their implementation. The TA Facility is managed by the Common Fund for Commodities (CfC). Our investees while asked to achieve set S&E milestones often lack the means. This is where the AATIF TA Facility steps in. The TA Facility provides – just to name a few – S&E capacity building measures to achieve compliance with the Fund's guidelines or provides training on improving agronomic/management/credit analysis skills. As we are very pleased with the impact we can create by providing TA alongside AATIF funding, we would like to use the opportunity to allow you a deep dive into the TA Facility Managers activites with this years annual report.

In 2017/18 AATIF established a foundation named the AATIF Innovation Facility Foundation to advance innovative, small start-up-projects which are lighthouse projects for the region. Investees must have the potential to grow into AATIF investments over time. The foundation is capitalized by a grant from the German government under its special initiative 'One world no hunger'. Economically it is managed separately, thus not impacting the risk profile of AATIF. Its first investee is the Agricultural Leasing Company Zambia Limited, which will promote much needed small-scale agricultural mechanization.

Portfolio development

In 2017/18 AATIF closed 2 transactions, one with the direct investment company Coopers-K-Brands and one with the MFI MyBucks. Gross assets under management reduced slightly from USD 147 to 131m following scheduled redemptions.

AATIF like other agri funds and agrifinancial service providers is facing a plethora of agri sector challenges; also reflected in its provisions. Weather, commodity prices and pests, but also political decisions are taking a toll on African agribusinesses. It is not without reason that critical regional market players scale down their agricultural lending engagement.

The funding needs remain, and AATIF continues to actively identify investment opportunities. The agri transaction pipeline built by the Investment Manager demonstrates the willingness and entrepreneurial drive in the region to reduce import dependence. Fully cognizant of the diversity of risks brought along by any of these investments, AATIF's focus is on quality rather than quantity. This is reflected in sometimes very long project preparation periods, as well as a large 'drop-out'-ratio of possible investments.

Investor commitment

AATIF needs private sector engagement to achieve scale. Moving forward, private sector investors invested and interested in Notes and senior tranches will benefit from an additional buffer of EUR 30 m in C-Shares (junior tranche) which has been committed by the European Commission.

The year ahead

In the year ahead, we plan to further grow our asset base with a focus on stepping into transactions linked to building local processing capacity or feeding into the same with collateralized commodity transactions supervised by a collateral manager. Our objectives for the next year are ambitious. Hence we see this report again as a synopsis on our way to further build AATIF as a powerful vehicle in our shared desire to enhance responsible agricultural lending.

To achieve our aspirations, the AATIF team incl. Technical Assistance Facility Manager, Compliance Advisor, Investment Manager and Investment Committee will work hand in hand 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,

Five years after the first capital had been paid in by private sector investors, the Fund redeemed maturing shares. The redemption marks an important milestone – the AATIF structure has proven to be vigorous with the Fund being in a position to redeem maturing shares using liquidity from the investment activities while guarding a solid level of credit protection. With the first redemptions made, the fund now enters its second investment cycle.

On the basis of the existing portfolio of investments, most of which is maturing 2018–2021, the Investment Manager is guided by three principles:

Granularity: The size of new investments is expected to be lower with new investments generally starting as low as USD 5m. We expect the average investment size to reach USD 10-15m going forward which is to support a higher granularity in the investment portfolio.

Diversification: While financial institutions will always remain an important part, significant effort went into identifying direct investment opportunities in the agri-sector. This includes expanding the offer of investment products i.a. by way of offering products to support trade activities.

Cash Flow Turnover: AATIF is able to raise more capital from the private sector backed by the additional C-Shares commitment from the European Commission. In order to maximize the leverage of the C-Shares capital contribution, new investments are generally structured using amortizing debt instruments that return capital already during the lifetime of the investment. Capital which can already be re-invested at that point in time.

The strategy to scale down the single investment size has proven to produce a tangible pipeline of transactions. Transactions tend to develop slowly and a large number of potential opportunities were screened to single out those that are pursued. At the same time, the number of transactions in due diligence has continuously grown and surpassed a value of USD 150 m as of August 2018.

Overall, in 2017/18 the macroeconomic situation has been volatile across the continent, depending on the region, this entailed political instability, trade restrictions or pressure on margins. Over the past year USD LIBOR steadily rose reaching 2.3% by August 2018 (1.3% September 2017).

On the back of these developments, the need for stable and long term orientated capital has not diminished. Projects and ventures along agricultural value chains require time to produce positive social outcomes. Delivering AATIF's mission is not only about bridging funding gaps but also about innovative practices which offer ways to enhance value chains alongside reaching social and environmental objectives. This includes products and practices that respond to the challenges of climate change or make use of the value digital solutions offer. You will find across this year's annual report deep dives and examples where and how AATIF's investees supported by AATIF team members move ahead to make a difference.

DWS continues to believe that private-sector involvement is a key success factor for AATIF's efforts to improve household incomes in rural Africa. Together we adapt financial solutions to the needs of local actors and will strive to continue forming agricultural partnerships that work.

Your Sustainable Investments Team

Letter from the Compliance Advisor

As every preceding AATIF year so far, the last one has been dynamic on the social and environmental side. Why? We have seen three remarkable achievements: progressing on impact, on investment readiness, and on building internal capacity.

First and foremost, AATIF Partner Institutions are maturing and thus the Fund puts more attention on the impact achieved. In 2017/18, AATIF has completed four assessments on supporting different crops and business models including smallholder schemes and commercial farms, and has contracted out a series of new rapid appraisals to be undertaken over the next years. The Fund is learning about what works, such as pro-actively addressing concerns of and involving farming communities in designing solutions like Agrivision did in dealing with alcohol abuse. This knowledge is becoming available to other stakeholders along the agricultural value chain.

Second, new Partner Institutions are getting ready to join the AATIF family – some of them receiving investment-readiness support and thus benefit from advice to improve on social and environmental matters. Why should we recommend to potential new Partner Institutions to wait for all financial conditions to be in place before social and environmental impacts are worked on and create delays later on? The AATIF social and environmental assessment reports prepared during the due diligence identify S&E gaps, outline improvement areas and suggest activities. Over the last year, we have lent a hand, e.g., to a financial institution moving along the improvement path and create progress before any facility agreement is signed.

Lastly, the growth of the Fund necessitates further training on sustainability topics. We held three additional (in person and online) workshops reaching out to the Investment Manager team digging deeper on environmental matters as well as re-designing S&E screening templates and training on their use all of which resulted in increased social and environmental management capacity. Capacity building will remain an ongoing activity and we are looking forward to continuing with the same energy among all who started the path together – and welcoming new comers.

AATIF Highlights

Join us in discovering AATIFs milestones since inception in 2011:

12

transactions closed

AATIF since 2011 (i) provided funding to four FIs which have seasonally extended loans to more than 250 agribusinesses, (ii) supported three Intermediary and four Direct Investee Companies and (iii) signed a commitment towards funding with one MFI.

USD 160 m

disbursed since Fund inception

Thereof into FIs for on-lending into the agricultural sector USD 85 m

Thereof to Intermediary and Direct Investee Companies USD 75 m

CFC common fund for commodities

38

approved Technical Assistance Projects

Since its inception, the AATIF TA Facility Committee has approved 38 technical assistance projects with a total budget of EUR 2.42 m. By December 2017, 27 projects have already been completed, which benefitted 9 AATIF Partner Institutions with ultimate beneficiaries in 9 African countries.

›15

Countries impacted

AATIF has provided funds to Partner Institutions across the continent incl. investments in Ghana, Nigeria, Kenya, Zambia directly and many more countries indirectly by way of supporting on-lending with pan-African players as ETG, PTA and BancABC.

USD 47.6 m

invested in smallholder schemes

Impact at work

In 2017/18, AATIF has completed four assessments on supporting different crops and business models including smallholder schemes and commercial farms, and has contracted out a series of new rapid appraisals to be undertaken over the next years in collaboration with the Technical Assistance Facility Manager and Compliance Advisor.

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 sharing 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.

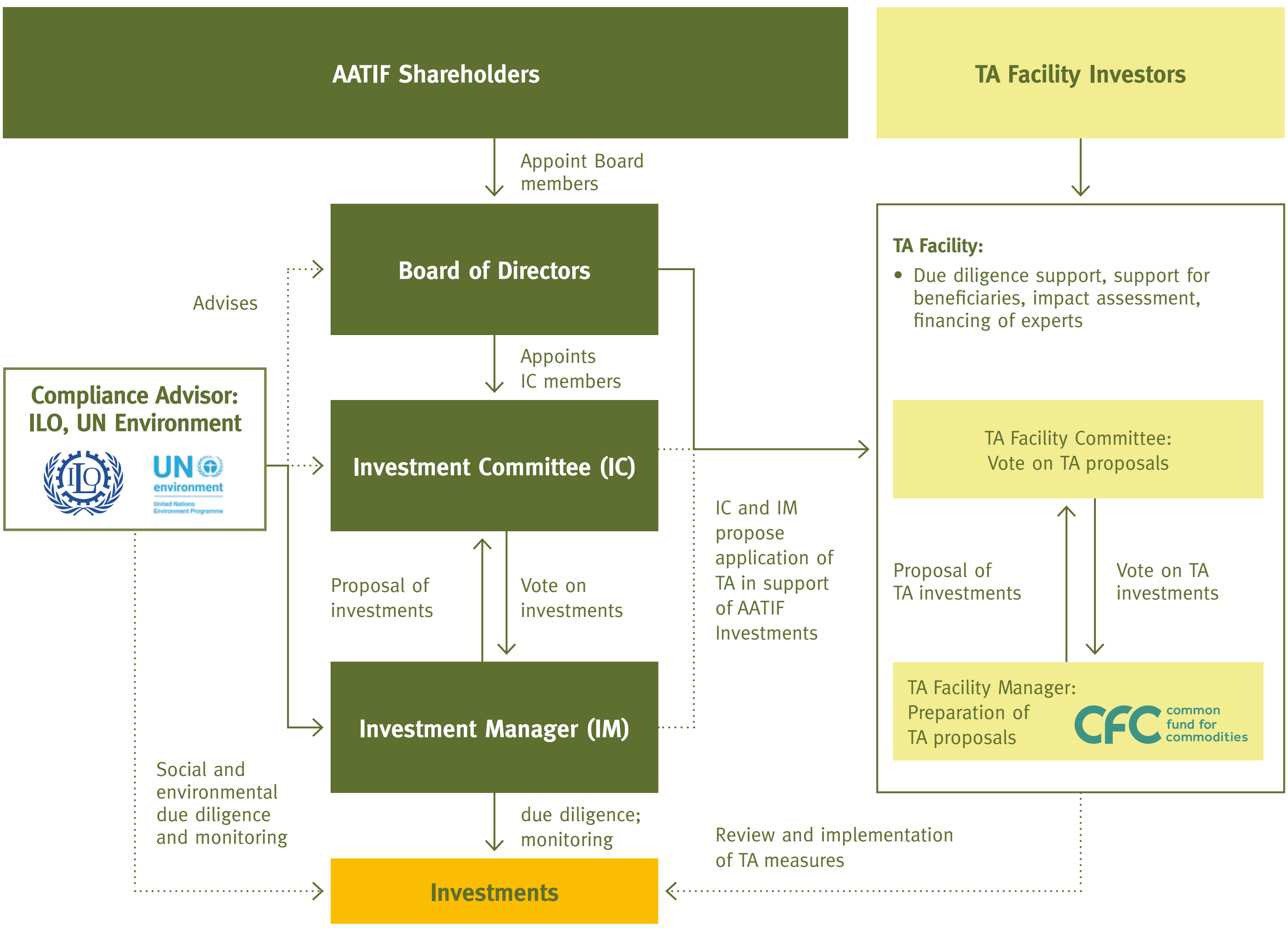
The Board of Directors appoints the Investment Committee, which approves or rejects investment proposals brought forward by the Investment Manager and monitors the activities of the Investment Manager.

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. An in-depth overview of the TA Facility at work is provided on p. 18.

To assess an Investment's compliance with the Fund's Social & Environmental Safeguard Guidelines, the Fund has partnered with the International Labour Organization (ILO), a specialized United Nations agency with the 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 as well as the Fund's Development Policy Statement and has signed an agreement with the United Nations Environment Programme (UN Environment) to receive technical input and advice on environmental topics related to the AATIF investments. In concert 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 Innovation Facility

History and rationale

At the end of 2017, AATIF set up the AATIF Innovation Facility which has been established to promote projects that are particularly innovative in the African agricultural sector. KfW, on behalf of BMZ, the German Federal Ministry for Economic Cooperation and Development, has been the first donor to this facility and has granted an initial amount of approx. USD 7 m. The AATIF Innovation Facility allows AATIF to venture into early stage/high risk market segments and offer new instruments to clients in this segment (e.g. equity).

How it works

The AATIF Innovation Facility is a separate vehicle from AATIF. This allows the AATIF Innovation Facility to be a highly flexible instrument and AATIF to broaden its impact and support hitherto untested ideas. Some companies benefitting from the AATIF Innovation Facility's support, may with time mature into partners for AATIF's regular, direct financing activities.

The AATIF Innovation Facility was set up as a fiduciary account held by Citibank in Luxembourg. Since fiduciary accounts only allow for the receipt and disbursement of grants, AATIF has set up a foundation acting as the investment vehicle of the AATIF Innovation Facility in Mauritius (the AATIF Innovation Facility Foundation). Donations made to support innovative projects with equity or debt will be transferred to the AATIF Innovation Facility Foundation, which is supervised by its council (consisting of representatives of KfW and the IM).

Progress to date

Agricultural Leasing Company Zambia Limited in Zambia
The first innovative project to be financed via the AATIF Innovation Facility is the Agricultural Leasing Company Zambia Limited (AgLeaseCo). AgLeaseCo is a leasing company for the agricultural sector in Zambia, focusing on small and medium scale farmers. The company was recently founded (in December 2017) by KfW and is the first leasing company in Zambia with a dedicated focus on the agricultural sector and, in general, one of the very few financial institutions serving the smallholder segment.

AgLeaseCo's work is complementary to work that the German government is already doing in Zambia. The German government is investing in the agricultural sector in Zambia through KfW and GIZ. Its initiatives include increasing the penetration of mechanisation for small-scale and medium-sized farms in an effort to reduce the reliance on animal and human effort and to increase the area of productive land and its output. The key objective for the mechanisation initiative is to increase the volume of land in Zambia that is being productively farmed. Many farmers have access (either through ownership or rental) to more land than they have the ability to farm manually or with animal support.

Farmers in Zambia often face limited access to funding from the financial sector. Reasons include that most banks are reluctant to take agricultural risks on their books paired with farmers having insufficient collateral to pledge as security.

It is against this backdrop that AgLeaseCo was created. It will be a new leasing company in Zambia that will offer financial leases to farmers to enable them to lease equipment such as tractors (both four-wheel and two-wheel), rippers, planters and sprayers and at a later point in time also storage solutions and irrigation equipment. BMZ's initial donation to the AATIF Innovation Facility was used to provide AgLeaseCo with equity and debt. In the first half of 2018, AgLeaseCo has applied as a non-bank financial institution with the Bank of Zambia, signed cooperation agreements with equipment suppliers and worked on its pipeline of farmers qualifying to lease equipment. Ultimately, the mechanisation of agricultural production in Zambia will improve yields and incomes for farmers.

AgLeaseCo operations

AgLeaseCo shall offer fixed rate Kwacha leases to farmers. AgLeaseCo will also provide support to its customers through training on the use and maintenance of the leased equipment and also help with critical husbandry issues such as: soil preparation, choice of seeds, seeding techniques, fertilisers, pesticides.

AgLeaseCo will commence operations with a small team of staff in Lusaka and then increase the number of employees as new business volumes grow. The leasing company will have local representation in the important farming areas of Zambia, starting with the Eastern and Southern Provinces.

Sustainability of the AATIF Innovation Facility

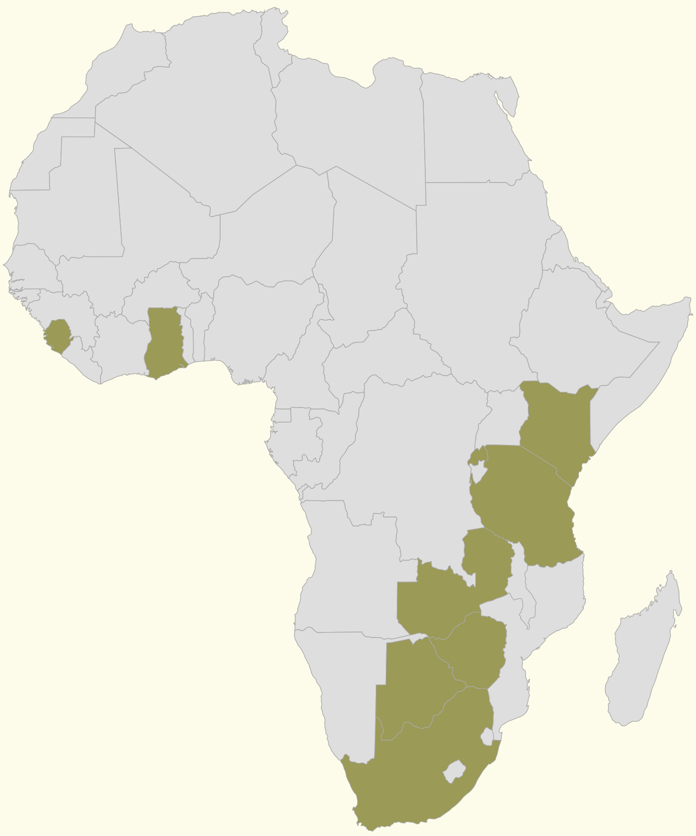
Funds earned by the AATIF Innovation Facility Foundation from its investment activities shall be re-invested – either into existing or new projects (all of which need to meet the AATIF mission and the innovative character of the AATIF Innovation Facility).

The AATIF Technical Assistance Facility at work

Mandate

The AATIF Technical Assistance Facility (TA Facility) is a part of AATIF and accompanies the Fund's financing activities, with technical assistance support for AATIF's investees to maximize their development potential and to achieve compliance with the Fund's Social and Environmental Safeguard Guidelines. Additionally the TA Facility conducts rapid appraisals on AATIF investments and also pursues research and development activities to promote agri-finance in Africa all in close collaboration with the Fund's Compliance Advisor.

African countries where TA Facility support has been provided



Structure

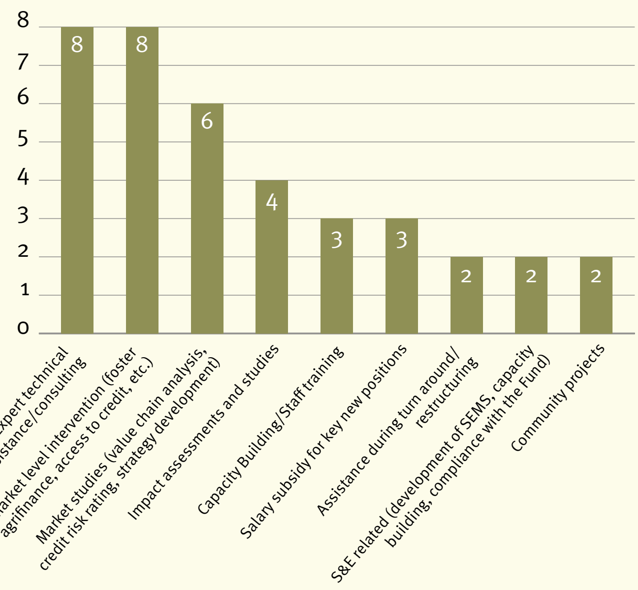
The TA Facility is managed by the Common Fund for Commodities (CFC). The CFC is an intergovernmental financial institution established within the framework of the United Nations, and is specialized in development projects for the global agricultural commodity sector. Two CFC staff members are fully dedicated to the identification, development and management of AATIF TA Facility interventions.

To ensure that AATIF's Technical Assistance directly supports the mission of the Fund, the TA Facility Manager is directly supervised by the TA Facility Committee, which consists of representatives of TA Facility Donors, Fund sponsors and independent experts.

In regular meetings, which are also attended by AATIF's Investment Manager and Compliance Advisor, new projects are approved, the ongoing portfolio of activities is being discussed and progress is monitored.

The TA Facility is financed with an initial contribution of EUR 6 m provided by the German Ministry for Cooperation and Development (BMZ). Besides donor funds, the AATIF Board can decide to allocate income of AATIF to the TA Facility when needed.

Scope of TA projects



Workshop organization and staff training in Ghana

Implemented by: GADCO

TA Project: GADCO's farming machinery are second hand imports and from a wide variety of manufacturers. Staff is not sufficiently trained and the farm workshop lacked leadership and organization. This forced GADCO to often turn to expensive and distant external service providers for diagnostics and repair. The TA Facility therefore co-finances a temporary senior machinery Workshop Manager for a period of two years to train and develop staff, establish work flows and processes to substantially reduce overall downtime of GADCO machinery.

Climate Smart Financing for Smallholders Farmers

Implemented by: F3 Life

TA Project: The TA Facility financed a feasibility study to develop climate-smart financing instruments for cocoa and maize outgrowers associated with WIENCO. It was tested, if financial incentives could be linked to the adoption of specific sustainable and climate-smart management practices, with the ultimate goal of improving climate resilience of smallholder farmers. The study has shown that a climate-smart financing program is feasible in the analysed context and has a high potential to secure better yields and reduce farmers' vulnerability to climate change effects.

Performance and projects since inception

Since its six years of existence, the AATIF TA Facility Committee has approved 38 technical assistance projects with a total budget of EUR 2.42 m. By December 2017, 27 projects have already been completed, which benefitted 9 AATIF Partner Institutions with ultimate beneficiaries in 9 African countries.

TA Facility interventions are diverse in size (ranging from EUR 7,000 to EUR 500,000) and scope. Technical Assistance can be deployed throughout the complete "lifetime" of an AATIF investment and can even take place prior to the investment transaction close. TA interventions can be more conventional assistance such as, providing expert services to address specific business related challenges and opportunities, or

Rehabilitation of Katuba School

Implemented by: Chobe Agrivision/Chayton

TA Project: The TA Facility co-financed the rehabilitation of the Katuba School with the ultimate goal of ensuring access to basic school education for children living on Agrivision's farm premises. The school had insufficient facilities to accommodate the number of school children, no electricity and was often flooded during rainy seasons. As a direct result of the intervention, the quality of educational services has improved and the number of school children, also from neighbouring villages, has led to an increase in the attendance rate.

Improvement of S&E Management Systems

Implemented by: EOH Consulting

TA Project: The TA Facility contracted an expert consultant to support BancABC in upgrading the existing basic Social and Environmental management elements into a full-fledged Social and Environmental Management System. As a result, adapted S&E policies and processes were integrated as a standard procedure into the bank's credit procedure and a Sustainability Specialist was appointed to overlook the new S&E department. As a follow-up project, the TA Facility contracted a coach and trained the Sustainability Specialist to develop into a fully qualified and capacitated Sustainability Manager for BancABC.

The AATIF Technical Assistance Facility at work

market analyses. Measures have since included (i) setting up a community mobilization and awareness campaign to mitigate alcohol abuse amongst workers on a remote farm, (ii) refurbishing a school for farm workers children and (iii) helping with the organization of a rice farm machine repair shop. The TA Facility has also assisted Kenyan financial institutions to link up to an innovative credit risk scoring system in addition to analyzing the feasibility of introducing climate smart financial products for cocoa and maize farmers' associations.

Another field of frequent assistance to investees is to implement a sound Social and Environmental Management System (SEMS), which is a frequent condition for receiving AATIF funding. While it is important that the ownership for the development of such a system is with the AATIF investee, the TA Facility in close collaboration with the Fund's Compliance Advisor assist with pointed expert advice and backstopping and also provide coaching and capacity building of staff members assigned to manage the new or upgraded system.

Mitigation Measures Against Alcohol Abuse

Implemented by: Individual consultants

TA Project: The TA Facility contracted a group of expert consultants to capacitate Chobe farm managers to implement mitigation measures to manage an identified alcohol abuse problem amongst farm workers. The intervention progressively led to reduction of absenteeism at work and more community engagement due to decreased consumption of alcohol.

Since development impact is a core feature of AATIF, the TA Facility routinely assigns external experts to conduct ex-ante and ex-post rapid appraisals of each AATIF investee. This is complemented by occasional in-depth impact evaluations where impact of selected investments is more rigorously assessed to ensure higher statistical validity at a scientific level.

Impact Evaluation of WIENCO Ghana Out-grower Schemes

Implemented by: CEval

TA Project: The TA Facility contracted a consortium of consultants to undertake an in-depth impact evaluation of Wienco's cocoa and maize outgrower schemes. Having commenced in 2016, the evaluation will compare data collected in three points in time and is expected to conclude in 2021.

The TA project portfolio is growing steadily in line with AATIF's loan portfolio growth over the last years. In 2017 alone, 12 new TA interventions have been approved by the TA Facility Committee. For 2018 this number is expected to increase even further.

AATIF Investment Portfolio 31 March 2018

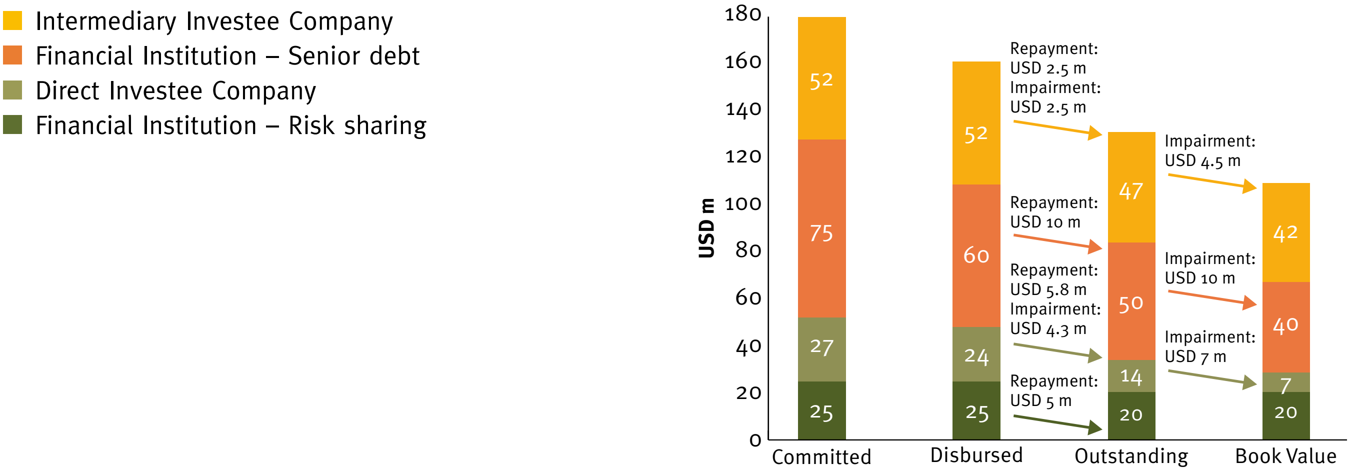
At the end of the financial year, AATIF's investment portfolio included 3 direct investments in agricultural companies in Africa, 3 indirect investments in local and regional banks and 2 indirect investments in agribusiness intermediary companies who act as aggregator for smallholder farmers.

In 2017/18, AATIF expanded its investment portfolio by providing a USD 4 m senior loan commitment to Cooper-K-Brands of which USD 0.6 m were disbursed in February 2018. In addition a commitment of USD 5 m was granted to the MFI MyBucks.

Following the on-schedule repayments of TDB (USD 10 m), BancABC (USD 5 m) and Agrivision (USD 1.4 m) the disbursed gross loans to Partner Institutions reduced from USD 147 m to USD 131 m.

An overview on the current portfolio breakdown is depicted below.

Portfolio Composition by type of Partner Institution



Portfolio Composition by Country

The country allocation of the investment is linked to the place where the legal residency of the investee/the economic risk bearer is registered.

AATIF Investment Portfolio in Detail by their region of activity

Macro view, sub-Saharan Africa[1]

In the past year, African economies have continued to be resilient and tides are turning with most African economies gaining momentum. Global and domestic shocks in 2016 slowed the pace of growth in Africa, but signs of recovery were already being seen in 2017. Real output growth is estimated to have increased 3.6 percent in 2017, up from 2.2 percent in 2016, and to accelerate to 4.1 percent in 2018 and 2019. This recovery has been faster than expected especially among non-resource–intensive economies. The recovery in growth could mark a turning point in net commodity-exporting countries, among which the long decline in export prices shrunk export revenues and worsened macroeconomic imbalances. Non-resource-intensive economies showed more resilience than commodity exporting countries.

Further economic diversification is needed to solve the continent's problems. The African Development Bank recommends macroeconomic efforts to create incentives and business environment for the private sector to play its role effectively. Proposed policies should aim at ensuring external competitiveness to avoid real exchange rate overvaluations and get the full benefits of trade and improve fiscal revenue. Africa's median inflation rate is expected to fall in 2018 and 2019 and remain in single digits.

The recent signing of the African Continental Free Trade Area (AfCFTA)[2] agreement in Kigali in March 2018 by 44 countries, heralds the beginning of a key stage in regional integration on the continent. It will still take a while from ratification to implementation but the goal of the agreement according to the African Union is to "enhance the dignity and well-being of Africa's farmers, workers, entrepreneurs, particularly women and youths, as it will create more jobs, bring more investments and prosperity for the continent with the view of prioritizing the production of value-added goods and services, that are "Made in Africa". The potential for increased intra-african trade is high.

With external official development assistance sharply lower, and greater appetite for debt to finance infrastructure and social sectors, many African governments have turned to international capital markets to meet their financing needs. The result: A build-up of debt, much on commercial terms. Despite the increase, debt levels for most countries have not yet breached the traditional threshold indicators.

Dollar interest rates are expected to edge up and bond spreads widen, increasing the risk of sudden halts in private capital flows. Major investments in infrastructure, financed principally by external borrowing, have raised concerns about a currency and maturity mismatch in debt service, as revenue streams accrue predominantly in local currencies and debt obligations mature before these streams begin. With the notable exception of the CFA franc used by 14 African countries, which is pegged at a fixed exchange rate against the euro, most African currencies have lost about 20–40 percent of their value against the dollar since the beginning of 2015.

All in all, the continent's resilience should enable the region to continue to grow over the years. The continent's major challenge will be to ensure that the macroeconomic growth translates into job opportunities for its young and growing population.

[1] African Economic Outlook 2018, African Development Bank

[2] African Union, 2018 March 1, AU Member Countries Create History by massively signing the AfCFTA Agreement in Kigali

MyBucks (Pan-Africa)

MyBucks S.A. is a pan-African FinTech company based in Luxembourg that delivers seamless financial services through technology. Through its brands GetBucks, GetSure and Opportunity Bank the company offers impact loans, unsecured consumer loans, banking solutions as well as insurance products to customers.

MyBucks has experienced exponential growth since its inception in 2011 and today has operations in twelve African and two European countries as well as in Australia.

MyBucks aims to ensure that its product offering is accessible, simple and trustworthy, in comparison to traditional, non-technological methods, ultimately working towards enhancing the benefits to the customer. The MyBucks' product offering enables customers to manage their financial affairs easily and conveniently.

On 30th June, 2017 the Frankfurt-listed FinTech, MyBucks S.A. signed a USD 5 m term loan facility agreement with the Africa Agriculture and Trade Investment Fund ("AATIF") which will be used to increase MyBuck's agricultural loan portfolio in Uganda and Mozambique.

The financing agreement sets a new milestone in MyBucks' strategy to enhance financial inclusion and to promote sustainable development in Africa. Through its virtual banking offering, MyBucks can serve a significantly larger population and diversify its product offering. AATIF's support further signifies the impact MyBucks' digital strategy is making in these markets in driving financial inclusion.

In Uganda and Mozambique less than a third of the population have access to financial services at present and around 70 % and 80 % of the population in Mozambique and Uganda, respectively, live in rural areas.

MyBucks wants to break the logistical barriers that keep a vast majority of the population in these two countries from accessing the financial services sector. MyBucks is currently in the process of launching its digital banking platform in Mozambique and Uganda and will leverage its technology to finance the local agricultural value chain activities. MyBucks expects its subsidiaries in Mozambique and Uganda to be key contributors to the MyBucks performance in 2018, and this facility provides a great platform for its strategic initiatives.

AATIF targets to provide technical assistance to MyBucks to help the company improve its capacity in the agricultural lending sector, with measures ranging from training to support in establishing proper social and environmental safeguards.

At the date of writing, the loan facility awaits disbursement subject to MyBucks fulfilling certain conditions.

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 2017/2018, 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 November 2017, Japanese conglomerate Mitsui announced the purchase of a minority stake in ETG for a price of approx. USD 265 m. No fresh capital will be injected into ETG but shares will be sold by the existing management and existing shareholders Pembani Remgro Infrastructure Fund (who will remain a shareholder) as well as Standard Chartered Private Equity (who will divest their investment in ETG). Mitsui's move is aimed at geographically diversifying its revenue base, similarly to Japanese Mitsubishi which acquired a minority stake in Olam in 2015.

Export Trading Group social and environmental review
Throughout 2017/2018, ETG maintained its efforts to continuously improve its social and environmental management system (internally referred to as the ETG Management System "ETGMS").

First and foremost, ETG maintained the sustainability team and ensured that every country operation had at least a site coordinator appointed. ETG conducted specialized Environmental, Health and Safety trainings in five country operations, namely Ethiopia, Mozambique, Tanzania, Zambia and Zimbabwe. Keeping up the good trend observed in the last years, no fatal accidents were reported. However, there was a slight increase in the number of accidents and the numbers of persons affected with regards to the previous year.

In April 2018, a new Head of Sustainabilty joined the ETG family seamlessly taking over from the former team leader who had initiated and built up ETG's S&E management system over the years. Together with AATIF, the new Head of Sustainability determined capacity building as the highest priority and assured the Fund of his full backing moving forward on the second half of 2018.

Despite an increase on energy consumption and GHG emissions in 2017/2018, both show a downward trend in the last 5 years.

The company organized several meetings in six countries (Ethiopia, Ivory Coast, Mozambique, Uganda, Tanzania and Zambia) for farmers and communities on good agricultural practices and safe fertilizer use, but also to address concerns related to ETG's operations. Furthermore, the company has started developing a Stakeholder Engagement Policy.

Area of improvement as per loan agreement	Status
ETG shall ensure that the country level social and environmental policies, procedures and templates of each member of the Group comply with all laws applicable in each jurisdiction in Africa in which each member of the Group conducts its business;	✓ Ongoing
ETG shall develop an internal social and environmental capacity building strategy for relevant members of the Group by 31 March 2016. The strategy shall guide the implementation of the following items: • strengthen 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 in the performance appraisal of the relevant staff of each member of the Group by 31 December 2016;	✓ In progress In-country trainings conducted Capacity Building strategy in progress
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 2017/2018 period, ETG provided employment to 9,581 people in Africa, 30% of which are directly hired by the company (2,817), and 70% through contractors (6,747).

Kenya

Macro view[3]

The pace of expansion in the Kenyan economy is set to improve in the coming quarters driven by greater political stability and a likely improvement in credit growth. GDP growth is expected to rise to 5.4% in 2018 up from 4.8% in 2017. However, fiscal consolidation will limit opportunities for government-led growth. Although the political truce between President Uhuru Kenyatta and the leader of the opposition will offer some short-term tailwinds to the Kenya's political environment, underlying tensions will remain. Dissatisfaction among opposition supporters will likely fester owing to violence in the wake of the general election, and ethnic tensions will continue to pose structural threats to stability.

Kenya's budget deficit is expected to narrow in the coming quarters as the government implements consolidation in the face of rising debt servicing costs and seeks to improve relations with the IMF. The deficit is expected to fall from 9.4% in 2017 to 7.4% and 6.1% in 2018 and 2019. While this helps to stabilise the public debt burden, the government's fiscal position will continue to face a number of key risks. Inflation in Kenya will pick up in the coming months after a period of comparatively low price growth, limiting scope for further rate cuts. Inflation is expected to be 7.0% in 2018 from 4.5% in 2017 but will dip to 6.5% in 2019. The likely removal or modification of the rate cap will further lessen the need for easing to boost lending.The Kenyan shilling will see greater stability in the short term given a more peaceful political environment and ongoing mild dollar weakness. However, downward pressures will likely build up in the longer term with the exchange rate moving from 103.30 KES/USD in 2017 to 107.00 in 2018 and 110.00 in 2019.

The Kenyan economy remains vulnerable to volatility in external financial markets. A substantial downturn in China, which is a major financier of Kenyan infrastructure projects, could weigh on investment into the country. Additionally, rising political tensions surrounding the 2017 general elections could result in delayed investment decisions. If the government fails to make the appropriate reforms to fiscal policy following the election and continues to expand the public debt burden, investor sentiment could start to decline amid growing fears of an unsustainable debt servicing bill.

[3] All Macro views and agricultural sector and development SWOTs of the AATIF annual report 2017/18 are based on BMI research.

Kenya's agricultural sector SWOT

Strengths

Agriculture in Kenya is fundamentally important to the economy, representing a significant proportion of GDP and employment.

A variety of climatic conditions allows the country to produce a wide range of agricultural goods, including grains, sugar cane, coffee and tea.

The country has a large, young population, implying a steady supply of labour for farms.

Rising disposable incomes and changing consumer habits are helping to fuel growth in domestic consumption.

Weaknesses

The industry is largely fragmented, and most producers are subsistence farmers and small holders.

Less than 20% of Kenya's total land area has sufficient fertility and rainfall to be cultivated.

Low mechanisation and infrequent use of fertiliser makes Kenya's agricultural sector very dependent on weather conditions.

Opportunities

The country's agricultural sector can benefit from a large population as well as low consumption levels for its main crops, which leaves plenty of room for growth in the future

The government plans to increase support to farmers in the form of financial assistance, the introduction of more disease-resistant seeds would improve yields and production in the long term.

The extension of the safeguard against unlimited sugar imports to 2019 gives the sugar industry a further year to modernise.

Liberalisation of genetically modified seed usage could lead to increasing yields over the coming years but also to increased concerns of GMO opposing investors

New government programs could increase rainfed production if properly implemented

Threats

Droughts in the region would be detrimental for yields, especially for grains. This could once again endanger the country's food safety.

The impact of the generally subdued outlook for European demand could pose a threat to growth of the agricultural sector.

Cooper-K-Brands

Cooper-K-Brands Kenya Ltd ("CKL") is a leading animal health and agricultural inputs company in Eastern Africa, and is the franchise distributor of the 'Coopers' range of products. CKL has delivered high quality products and solutions for livestock farming in Kenya since 1906 and has recently ventured into crop protection products to expand its product offering to farmers as well as capture more value from the markets it currently serves. The goal of the company is to contribute to the transformation of the agricultural sector in Africa by developing and delivering innovative and affordable animal health and crop protection products within easy reach of every farmer in the markets it has operations.

AATIF concluded a USD 4 m facility to enable CKL finance a new plant for minerals and nutritional supplements for livestock, thereby increasing local value addition. The company made the first drawdown from the approved facility in February 2018 to start paying contractors, who have to complete the project by December 2018. The new plant is projected to start production in the first quarter of 2019 and should contribute to employment creation while securing supplies for CKL whose sales were sometime in the past affected by supply interruptions.

The key markets for CKL are Kenya, Uganda, Rwanda, Burundi and Tanzania with the company exploring to expand into other markets such as Ethiopia. Within Kenya, CKL has developed a sub-distributor model that ensures its products get to the end users i.e. farmers. This is done through a network of 13 Strategic Business Partners (regional distributors) who then wholesale the products to over 6,000 stockists that deliver products to farmers on a daily basis. The transaction is AATIF's first investment into animal health and veterinary products hence diversifying the existing portfolio and expanding the fund's profile with a company active in importation, production and distribution of the said products into the East African region. AATIF considers the investment in CKL as a strategic partnership in enabling the objective of the fund in fostering local value addition, increasing farmers' productivity and incomes which further contributes to reduction in poverty.

CKL Social and Environmental Review

The nature of importing, producing and distributing animal health and agricultural inputs exposes CKL to a number of S&E risks. However, the company has a strong system in place to manage the same. S&E-related policies and procedures are adapted to the size of the business, responsibilities are clearly assigned, and capacity building is a continuous task shared across employment categories. The company's current manufacturing facilities in Nairobi are certified GMP (Good Manufacturing Practice).

In the reporting period, CKL duly conducted and submitted to the relevant authorities environment management self-audits, safety, health and environment audits, a fire risk audit, and risks assessment of the workplace. No major accident was reported within the year. The company conducted training across all functional departments like a fire and emergency response awareness training. Furthermore, all members of the Safety, Health and Environment (SHE) committee, first aiders and fire marshals received tailored training. In mid-2018, the company had a 7-member SHE team, 12 trained first aiders and 10 fire safety marshalls.

Foundation stone laying for the minerals and nutritional supplements plant.

In 2017, CKL developed and communicated the procedures of reporting grievances to the public by launching an anonymous web-based platform where employees and other stakeholders in the business can report any matters related to corruption or bribery within the business.

In relation to the construction of the new factory, CKL has taken measures to avoid negative impacts in line with the social and environmental management plan prepared as part of the Environmental and Social Impact Assessment. This include installing screens to contain dust, placing barrier tapes around excavated areas, and having firefighting equipment and first aid kits available.

In addition to constantly striving to improve its S&E footprint by maintaining a strong Social and Environmental Management System, CKL is engaging with civil society. The company continued its Eco-Care Programme through which it raised and transplanted 180,000 tree seedlings in 2017 and mentored three schools in environmental preservation. Furthermore, CKL trained staff on growing own vegetables and 50 staff members participated in the first half of 2018 as part of the Feed Africa initiative.

Area of Improvement as per loan agreement	Status
Complete ESIA for the new production project site at Kiambu Site in line with relevant regulations and Tatu City Limited SEA approved conditions and submissions of draft ESIA report.	✓
Obtain NEMA licence for the new production project site at Kiambu Site.	✓
Implement conditions attached to its NEMA license for the new production project at the Kiambu Site.	Ongoing
At all times, employ qualified personnel responsible for managing Safety, Health And Environment issues and Quality Assurance.	Ongoing
Follow Good International Industry Practice on Safety, Health and Environment, and Quality Assurance; and submit relevant documents to the lender, including, but not limited to, Safety Health and Environment committee minutes, internal and external Safety Health and Environment audit reports, and capacity building activities.	Ongoing
By no later than the indicated deadlines, address recommendations of the 2016 annual audit reports and each subsequent annual audit report in relation to safety, health and environmental matters.	Ongoing
By no later than 30 June 2018, update the human resources policy in relation to the role of the human resources manager and the grievance mechanisms, includes a provision for union membership and collective bargaining, and increases details of employment conditions in either its human resources policy or employment contracts (e.g. through an annex).	
Address staff anxiety related to company relocation.	
Apply for effluence disposal licence to the sewer line at the Kiambu Site where relevant	
Observe the riparian reserve bordering the Kiambu Site.	✓
Immediately inform the AATIF of any land-related conflicts as soon as the same comes to the Borrower's knowledge, including, without limitation, unauthorised use of or trespass to the Kiambu Site by Maasai or other nomads or unplanned settlements arising on land bordering the Project Land	Not triggered

Employment impact	As of June 2018, CKL had a total workforce of 154, among them 120 man and 34 women. More than 2/3 of the workforce are on permanent contract (105) while 45 employees work on fixed-term contracts and 4 interns. In addition, CKL employed 19 casuals for short assignments and offered 7 placements for technical vocational education training.

Nigeria

Macro view

Accelerating oil production, an increase in fiscal spending and a stable exchange rate regime is expected to fuel Nigeria's economic recovery over the coming quarters. Following a low growth figure of 0.8 % in 2017 (-1.6 % in 2016), GDP is expected to grow at around 3.2 % in 2018 and 3.8 % in 2019. Consumer price inflation is expected to drop in parallel from 15.4 % in 2017 to 8.5 % in 2019. Prospects for broad-based growth remain weak and the upcoming general election in February 2019 offers little scope for meaningful change.

Nigeria's improving balance of payments dynamics present an attractive opportunity for much-needed exchange rate reform, however it also makes a reform less necessary. Recent signals that Nigeria's central bank will maintain its currency peg in 2018 and 2019 reaffirm the BMI view that policymakers will press ahead with monetary easing in 2018. The NGN/USD exchange rate is expected to remain stable moving around 305.00 this year and in 2019. The current disinflationary trend is likely to continue on the back of a stable exchange rate and the continued normalisation of food price growth. Nigeria's current accounts surplus is expected to rise with the country's oil sector recovering. The current account balance as a percentage of GDP is likely to rise from 0.6 % in 2017 to anticipated figures of 1.7 % this year and 1.8 % in 2019. Rising import growth and a less constructive outlook for the hydrocarbons industry will see this surplus gradually narrow from 2019.

Key risks moving forward include insecurity with violent groups such as Boko Haram and the Niger Delt Avengers undermining economic activity across the country. Continued economic growth is also highly dependent on power sector reforms for long-term productivity gains. Any slowing down or stalling of such reforms would lead to lower long-term trend growth. The economy remains vulnerable to a shock via sudden exchange rate reform. Although most foreign exchange is now accessed via the more flexible parallel and the Nigerian autonomous foreign exchange rate (NAFEX), fuel is still bought using the official exchange rate, which could increase in price should the central bank implement a large devaluation.

Guaranty Trust Bank (Nigeria)

In 2016, AATIF provided a 7 year syndicated loan facility to Guaranty Trust Bank of Nigeria ("GT Bank") for an amount of USD 20 m, which was earmarked for providing loans to Nigerian borrowers active in the agricultural sector. GT Bank is Nigeria's fourth largest financial institution by total assets with a market share of around 8–10 % while 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 form of guarantee and subsidy schemes.

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.

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 or packaging. The GTB exposure in the agriculture grew by 12 percent respectively from December 2016 to 2017. Facilities granted were utilised i.a. for the purchase of grains, the development of an aqua feed mill, plantation expansions and the construction of a fertilizer plant. These projects provide a means of livelihood, economic empowerment and indirectly impact the development of the nation.

Nigeria's agricultural sector SWOT

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.
- A high turnover of administrative and policy regimes hampers institutional memory and policy learning by policymakers and technocrats
- 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

- Government efforts to aid sugar production – such as incentives for local producers and high tariffs on refined sugar imports – in conjunction with privatisation and investment efforts could herald the start of a robust national sugar industry.
- 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.
- 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.

GT Bank Social and Environmental Review

In 2017, GTB completed piloting the new Environmental and Social Risk Management System (ESMS). In addition, the bank approved the integration of the social and environmental risk management into the credit approval process and started to fully roll out the new procedures across all business segments in 2018. In 2017, the bank's overall portfolio comprised of 11.5 % high, 21 % medium, und 67.5 % low S&E risk transactions.

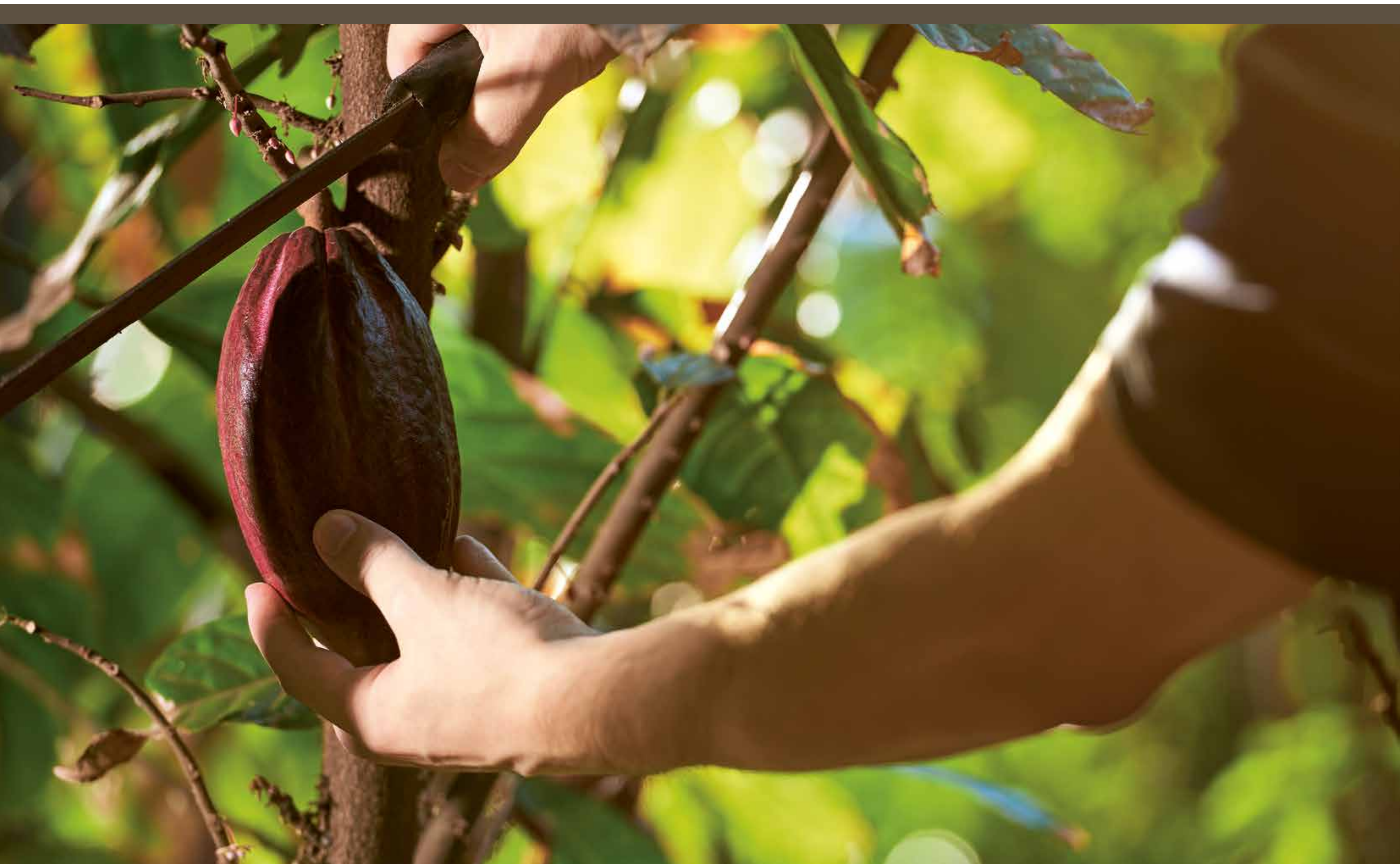
After the initial huge training effort in 2016 (1,583 employees), GTB trained an additional 360 staff members in the application of the ESMS in 2017. These activities raised the percentage of trained staff to 96 %. Among the trainings was a 2-day workshop offered in collaboration by the GTB inhouse E&S coordinator with IFC for employees in corporate bank teams, risk management and legal. In addition, the bank developed an online training module on environmental and social risk management for relationship officers.

Over the last year, GTB continued its engagement with the sustainable finance sector. First and foremost, by endorsing and reporting to the Central Bank as well as in the GTB Annual Report 2017 progress achieved against the Nigerian Sustainable Banking Principles[4] (NSBP). The principles were developed in 2012 through the Nigerian Sustainability Working Group initiated by the Central Bank of Nigeria. In addition, GTB continues its engagement with the UNEP Finance Initiative. In order to reduce its overall environmental footprint, the bank has started a number of initiatives including utilising LED bulbs in its offices, implementing a car-pooling system, and using skype for business resulting in an estimated 10 % reduction of business trips.

[4] https://www.cbn.gov.ng/out/2012/ccd/circular-nsbp.pdf

Area of Improvement as per Loan Agreement	Status
GTB shall develop, maintain and further improve the Environmental and Social Management System, and shall at all times conduct its business in accordance with the Environmental and Social Management System.	✓ Ongoing
GTB shall implement all actions included in the Environmental and Social Action Plan within the timeframes mentioned and provide relevant deliverables/compliance indicators evidence.	✓ Ongoing
GTB shall at all times maintain (i) an Environmental and Social Manager and (ii) an Environmental and Social 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).	✓ Ongoing
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 Environmental and Social Requirements.	✓ Ongoing

Ghana



Macro view

Growth in Ghana is expected to be slower but more broad-based in the coming years (7.4% and 6.5% in 2018 and 2019 down from 2017 figure of 8.4%), as the oil sector decelerates while growth in the manufacturing and service sectors ramps up. Eased credit conditions and greater investment should help to drive forward non-oil growth, making the country's economic expansion more sustainable. The Bank of Ghana is expected to maintain its easing cycle in order to stimulate credit growth in the non-oil economy. As the pace of disinflation slows in the coming years (8.2% in 2018 and 2019 from 11.8% in 2017), the pace of easing will likely also decelerate, leading to only gradual cuts in the rest of 2018 and 2019. Ghana's current account deficit is believed to narrow in the short-term (with current account deficit as a percentage of GDP at 4,6% in 2017 to 1.8% in 2018 and 2.1% in 2019), largely due to a strong performance of oil exports. The combination of narrowing current account shortfalls and rising investment inflows would support a recovery of foreign reserves, further improving the country's external position.The Cedi is likely to continue to trade sideways over the next six months, as monetary easing slows and significant foreign reserves enable the central bank to prevent major depreciation. However, over a longer-term basis, the Cedi looks set to appreciate gradually due to positive macroeconomic fundamentals and a strengthening trade balance. The exchange rate will move from 4.52 GHS/USD in 2017 to 4.55 in 2018 and 4.42 in 2019. The government's decision to lift a ban on small-scale mining, announced in May 2018 and to be implemented before the end of the year, will add headwinds to the fight against illegal mining (known in Ghana as galamsey). The ongoing prevalence of galamsey could threaten Ghana's agricultural production, in turn increasing the risk of social unrest and heightening potential for ethnic tensions between the influx of Chinese workers into Ghana and the local populations.

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") is a wholly owned subsidiary of RMG Concept Limited ("RMG"), a strategic investor with operations across 17 countries in Western Africa (including Ghana) working in partnership with several thousands of smallholder farmers. The company was established in 1979. It is an importer and distributer of agro-chemicals into Ghana, mainly for use in cocoa, cotton and maize production. In addition, the company provides inputs on credit to smallholder farmers and commercial farms across Ghana. Wienco organized the Cocoa Abrabopa Association (CAA), which operates in Dunkwa (4 h west of Accra) since December 2007. This was followed by the establishment of the maize association Masara N'arziki (in Northern Ghana) in 2010 and the establishment of a cotton division within Wienco that is carrying out its smallholder business under a government concession after the Ghana Cotton Company in 2010 discontinued its operations. Since 2006, Wienco has been strategically moving up-stream in cocoa, maize and cotton through organizing and providing input on credit to out-grower schemes in all three crops.

In October 2013, AATIF disbursed a USD 6 m and EUR 9 m senior loan to Wienco. AATIF's financial commitment has allowed Wienco to significantly expand the scope of its smallholder operations in the past 3 years. 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 off-take 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, Western North and Western South) with the majority of farmers however coming from the Western South region. As of the first quarter of 2018, 9,157 (7,286 males; 1,871 females) farmers were registered for the CAA scheme while further registrations are still on-going. In total the farmers cultivated 29,387 ha. The exact amount of tonnage will be confirmed at the end of the season, while for the 2016/17 season 9,909 tons of cocoa were sold to the Kumankoma Company Limited (licensed cocoa buying company of Wienco Ghana).

During the 2017/18 seasons CAA made the following achievements:

- After the initial trial in the last season, farmers were for the first time registered on MTN mobile money and/or Ezwich. Individual farmers are now paid directly through Ezwich/MTN, instead of letting the cash flow through the collectors.
- During the 2017/18 season, the main trainings provided up to now have been on "Sensitization on Recoveries", "Sensitization on Registration", "Good Agricultural Practices" and "Certification Standards". The training sheets shows an attendance of 100 % of the farmers in all topics. Further trainings are being provided throughout the remainder of the season.
- CAA succeeded to retain UTZ and Rainforest Alliance Certifications for all CAA members.
- CAA managed to maintain the Cocoa Abrabopa Pension Scheme (CAPS), which is in place since 2013. The objective of the scheme is twofold - to provide benefits that will ensure retirement income security for members of CAA and to serve as a source of livelihood promotion for members of CAA.
- CAA managed to get a UTZ smart licensing and a gender project grant. The smart licensing UTZ grant is used to enable the digitalization of all CAA field activities over the next 1-2 years. The second component focuses on a two-year project promoting female cocoa farmers.
- A member of CAA won the International Cocoa of Excellence Award on fine flavour and quality.
- CAA introduced a 30 % down payment for inputs. CAA farmers have to pay the 30 % of the input credit in advance to reduce the financial exposure of CAA and its default risk.

During the year, CAA had to deal with the following challenges:

- Non-payment of Membership Fees by some farmers, contributing to about 95 % of current outstanding balances.
- Refusal of some farmers to bring cocoa to the warehouse for recoveries due to some precedent in which cocoa brought to the warehouse didn't reflect on the accounting software

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 stabilize farmers' revenues by producing different crops and reduce the diversion of inputs as each farmer will have the possibility to receive inputs for maize, cotton, soya and sorghum. Furthermore, all registered cotton farmers are certified under the 'Cotton Made in Africa' Initiative. In 2017/18 a total of 7,860 farmers registered for the scheme of which 3,789 (595 females; 1,194 males) cultivated maize and 4,071 (326 females; 3,745 males) cultivated cotton. Maize farmers covered an acreage of 15,634 acres mainly in the Tumu and Wa zones of Ghana and provided 11,892 tons of maize to Wienco. Cotton farmers covered 6,753 acres mainly in the Cherepani zone and provided 2,656 tons of cotton to Wienco. Beyond inputs being provided, Masara provided trainings on knowledge enhancement on Good Agricultural Practices (GAP), Maize and Cotton Production, Safe and Responsible use of Agrochemicals and Farm Management and were accompanied by demonstration farms to show practical examples.

During the year 2017, Masara undertook the following developments:

- Masara's conventional classification structure for maize farmers underwent a change with the inclusion of a larger acreage production group towards medium scale production. During the 2017 season, a significant proportion of farmers cultivated more than 10 acres (15 – 50 acres). In total over 30% of the land cultivated by maize farmers in the 2017 season came from such larger farmers. This is in line with Masara's long term objective of increasing acreage of cultivation (beyond 10 acres) while decreasing individual membership numbers to enable a more efficient management of the association and further maximize farmer returns. This approach is meant for areas where Masara has been present for several years and, thus, where farmers already had the opportunity to join the association. The objective is to expand the capacity of existing farmers rather than attracting new farmers. That said, Masara farmers who paid their credit will always be part of the association, if they wish, regardless of their land size.
- Masara undertook intensive sensitization activities in the Sissala area in Ghana to re-activate interest in Masara for cotton farming. Sissala area was chosen since cotton farming used to be a traditional occupation about two decades ago.

- To attract more farmers Wienco Cotton introduced various incentives to farmers such as increasing the quantities of cotton seed delivered per unit (from 20 kg to 30 kg at no cost to the farmer), more flexibility on input packages, which enabled farmers to select particular inputs that better suit their land, soil type and agronomic practices and a higher off-take price at Ghs 1.60/kg cotton seed. These incentives had the combined effect of requiring only 195 kg seed cotton to repay a unit of cultivated cotton farm inputs, which is a significant drop from the 2016 figure 355 kg seed cotton/unit.
- Nestlé Ghana Limited and Masara held discussions about partnership opportunities that would lead to Nestlé sourcing high quality maize produce from Masara to feed its manufacturing plant in Ghana. Both parties are planning together a quality assurance system to ensure that the eventual delivery of maize meets prescribed quality standards. To facilitate the process, Nestlé and Masara agreed to conduct trainer of trainers' capacity development activities for the targeted farmers. Up to now, two trainings have been done. The number of farmers involved were 75.
- Masara collaborated with the Youth in Agriculture and Aquaculture Programme (YIAAP) of the Ministry of Food and Agriculture ("MOFA") in Ghana to facilitate access and delivery of quality inputs for maize farmers.

During 2017, there were some challenges that affected Masara, such as:

- Occasional delays in the delivery of inputs to members of the association (maize farmers). The delay was linked to the decision of the Government to subsidize inputs.
- Increasing competition from state agencies, such as MOFA/district assemblies providing ready alternatives with flexible repayment regimes that attracted some Masara member maize farmers. Masara however remained competitive as it was able to reduce the costs of its input package by 10 % in 2017. Yields were partially reduced due to army worm infestation in maize farmers' fields. To mitigate the pest as much as possible, Masara provided farmers with two additional sprayings (free of charge).

Technical Assistance

Baseline data for the in-depth impact evaluation of Wienco cocoa and maize outgrower schemes was collected in early 2017. The responsible evaluator, the German Centre for Evaluation (Ceval GmbH), has submitted the first draft of a consolidated cocoa baseline study in June 2017 and a first draft of the respective maize study in late 2017, which is currently under review.

The baseline reports provide first insights of the Wienco Cocoa Abrabopa Association (CAA) and Maize Farmers' Association Masara N'Aziki (Masara) schemes in the context of potential impact. However, a rigorous assessment of impact will only be possible after the collection of mid- and end-line data. The mid-term data collections are scheduled for Q4/2018 for cocoa outgrowers and Q1 2019 for maize outgrowers.

Also with funding of the AATIF TA Facility, a specialized consulting company assessed the feasibility of introducing innovative 'climate smart' financing tools for Wienco with the goal to encourage outgrower farmers to apply sustainable agronomic practices with adapted incentive systems linked to the provision of input credit. The consultant undertook a field mission to Ghana in October 2017. The final study was approved in March 2018 and its results discussed in a presentation together with Wienco. The study has confirmed the viability of introducing climate smart lending tools to both maize and cocoa farmers. Amongst the different structures presented by the consultant for a concrete pilot project, the option of a third party credit provider extending funding directly to the farmer's association was found to be the most suitable and viable. The parties are currently in discussion whether to pursue a pilot project and on the best way forward to identify an interested investor.

Following a visit from the TA Facility Manager to Wienco in May 2017, a new project was approved to support RMG (whose subsidiaries are AATIF investees Wienco and Gadco) in improving accounting and IT related training and capacity building measures. This intervention is expected to increase the efficiency and effectiveness of the accounting and finance unit of the RMG Group, focusing on the subsidiaries Wienco and Gadco in Ghana. As part of this project, during October and November 2017, RMG successfully implemented a new financial software and received user-training that immediately allowed for fast and more efficient financial data conciliation across all of RMG's subsidiaries. The TAFM, together with RMG management, is currently elaborating detailed TOR for the planned capacity building activities related to accounting and IFRS.

Wienco Social and Environmental Review

During 2017/18, RMG, Wienco's parent company, developed Group Guidelines on Occupational Safety and Health and on the Minimum Content of Contracts with Outgrowers. Both sets of guidelines have been shared with the different subsidiaries and associations, including Cocoa Abrabopa and Masara N'Arziki, and serve as a guide to develop or improve the existing policies and contracts with farmers, respectively. In addition, the Group has started working on a social and environmental monitoring document that will be progressively adapted to all subsidiaries.

In an effort to better understand farmers' needs, Cocoa Abrabopa conducted a survey and identified the following needs priorities: access to water facilities, access to sanitation facilities, and basic amenities at a closer distance (schools, clinics and libraries). In response to these needs, the association constructed mechanized boreholes in 25 communities spread over 5 (out of the 6) of its operational regions between October 2017 and March 2018.

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 towards achieving milestones.	✓ Ongoing (Integrated into annual report)
Wienco to ensure that any contract with staff contracted by the Cotton Out-Grower Scheme Wienco Cotton from third parties or employed directly by the Cotton Out-Grower Scheme Wienco Cotton complies with Ghanaian laws and provide evidence that such staff is employed lawfully.	✓
Wienco shall, no later than after 18 months, develop and implement a social and environmental management system (including sufficient staffing and staff training) that allows the company to access and manage the social and environmental risks related to its operations. Among others, action items (for WIENCO and/or affiliates) shall address transformation of staff handbook into a human resources policy, ensuring anonymity of grievance mechanism, "no child labour" commitment and measures, occupational safety and health policy, waste handling policy, biodiversity policy. In addition, set up company-wide guidelines on elements that farmer contracts need to cover and ensure that these guidelines are implemented and support affiliates to engage in innovative risk sharing arrangements that go beyond group liability. All affiliates shall require farmers to provide information about their birthday/age in the group contracts and provide proof thereof by copy of ID card etc.	In progress ✓ Company wide guidelines on farmer contracts

Employment Impact		December 2017
	RMG	30 (4 women)
	Wienco	48 (9 women)
	Cocoa Abrabopa	99 (12 women)
	Masara N'Arziki	95 (6 women)
	Total	**272 (31 women)**
	All staff have permanent or fixed-term contracts.	

Outreach to smallholder farmers	Enrolment as of March 2018			
	Association	**Female**	**Male**	**Total**
	Masara N'Arziki (maize)	595 (16%)	3,194 (84%)	3,789
	Masara N'Arziki (cotton)	326 (8%)	3,745 (92%)	4,071
	Cocoa Abrabopa	1,871 (20%)	7,286 (80%)	9,157
	Total	**2,792**	**14,225**	**17,017**

GADCO

In June 2012, AATIF provided a loan to GADCO to finance a rice mill as a first step for GADCO to develop an integrated value chain. The farm consists of a nucleus which is surrounded by land used by smallholders to grow rice. Traditionally, rice production within Ghana suffered from the stigma of being considered low quality. Hence rice for retail use is largely imported. GADCO developed its brand under which rice from the nucleus farm and the community farmers is being sold in the local market.

Following operational challenges experienced in 2014 and early 2015, GADCO announced in July 2015 that it was acquired by RMG.

Operations resumed successfully under GADCO's new management on the nucleus farm. The GADCO smallholder scheme (Copa Connect) has successfully been merged with RMG's smallholder scheme (Fievie Connect Program) for rice.

Nucleus farm operations

In the first quarter of 2018, Gadco had planted 132 ha of rice on the nucleus farm to be harvested during the main season, while 146 ha were harvested from the previous minor season producing roughly 451 tons of rice and 216 tons of by-products (husk, bran and sortex).

Fievie Connect Program

During the 2017 / 18 minor season 58 community members farmed a total of 72.1 ha of land previously prepared and planted by GADCO staff. Although the number of farmers decreased in comparison to the previous season, the number of ha assigned to the farmers has increased. Furthermore, farmers were allowed to farm in groups of 2–3 people. As a result, farm sizes now range from 0.9 ha to 5.3 ha (2.5 ha is the largest plot farmed individually). Due to drainage problems, in part of the Fievie land during the rainy season, the 2018 major season could not take place. The minor season will start in August.

Copa Connect Smallholder Program

During the 2017 major season (April – September), 480 farmers participated in the Copa Connect Programme. A total of 439.4 ha of land were farmed, supplying 1,015.51 tons of gross paddy. In addition to Weta (277 farmers) and Asutsuare (96 farmers), the programme expanded to a new location: Aveyime (107 farmers). However, due to delays in the payments to farmers, no Aveyime farmers joined for the minor 2017 / 2018 season. The total number of farmers registered in both seasons decreased in comparison to the previous seasons.

Technical Assistance

Following a mission of the TA Facility Manager to Ghana in May 2017, one new TA project has been approved to support the reorganization of the Gadco's farm workshop. The objective of this project is to co-finance the salary of a temporary senior workshop manager who will train and develop staff, establish work flows and processes that will substantially reduce downtime of Gadco's farm machinery.

Gadco successfully selected and hired a new Workshop Manager, who commenced his duty in October 2017 for a period of two years. In December 2017, it was reported that already four tractors and one combine have been revived, and a preventive maintenance scheme was put into place, which lead to a substantial increase in mechanization capacity.

GADCO Social and Environmental Review

In line with its Environmental and Social Management Plan, GADCO continuously monitored its social and environmental impacts during 2017. This included conducting biannual water quality tests, tracking energy and fuel use as well as waste generated, following an Integrated Pest Management approach to make adequate use of agrochemicals, and doing direct planting (zero-tillage) in 40% of the land. As per the requirements of the Ghana Environmental Protection Agency, the Annual Environmental Report was submitted in January 2018.

In addition, GADCO provided orientation to new employees on topics including their rights and obligations, occupational, safety and health measures and procedures in place, and potential hazards and emergencies. During 2017, the company organized trainings for staff on the safe use of inputs, water management, fire-fighting, integrated pest management, and the emergency action plan.

Area of Improvement as per loan agreement	Status
GADCO shall apply the daily minimum wage as approved by the Ghanian government.	✓
GADCO shall ensure that employment contracts comply with national labour and employment law.	✓
International staff members are covered by a health insurance and national members of staff are covered by a health insurance and are in possession of health insurance cards.	✓
GADCO sets out in writing (A) its human resources policies, (B) a manual for the safety at work and (C) an emergency plan. All members of management and staff have been trained and are familiar with the procedures established in these three documents	✓ In progress, Occupational Health and Safety Guidelines have been approved by RMG
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"	✓
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 2017, GADCO employed 101 people (7 women), 88 had a fixed-term contract and 13 were casuals.				
Outreach to smallholder farmers	**Copa Connect**	**Sep 2016**	**Mar 2017**	**Sep 2017**	**Mar 2018**
	Men	410 (72%)	264 (70%)	345 (72%)	156 (64%)
	Women	159 (28%)	115 (30%)	135 (28%)	87 (36%)
	Total	**569**	**379**	**480**	**243**
	Fievie Connect	**Sep 2016**	**Mar 2017**	**Sep 2017**	**Mar 2018**
	Men	38 (63%)	48 (65%)	–	40 (69%)
	Women	22 (37%)	26 (35%)	–	18 (31%)
	Total	**60**	**74**	**–**	**58**

Zambia

Macro view

The risk of instability in Zambia has receded in the short term following the release of opposition leader Hakainde Hichilema, who has been held for over four months on treason charges. Hichilema's arrest and an increased tension within the ruling Patriotic Front (PF) party over President Edgar Lungu's willingness to run for a third term at the 2021 presidential elections makes BMI believe that Zambia's reputation as a beacon of democracy and stability can fall under threat in the medium-longer term.

Zambia's budget deficit may expand in 2018 as the government attempts to dismantle domestic arrears, before narrowing gradually thereafter. Fiscal revenues are expected to be bolstered by rising copper prices and production, while efforts to improve financial management will slow expenditure growth. Pressures on Zambia's external accounts are expected to moderate in the next two years (with current account balance as a percentage of GDP moving from a deficit of -2.6% in 2017 to -0.9% and -0.7% in 2018 and 2019 respectively) as the country's crucial copper industry benefits from higher prices and rising output, offering tailwinds to the trade and financial account. Increasing concerns over Zambias debt sustainability will increase risk going forward, potentially weighing on the country's investment attractiveness. The Bank of Zambia (BoZ) is likely to keep its policy rate unchanged over the next two years. Rising inflation (7.9% and 8.3% in 2018 and 2019 up from 6.1% in 2017) and stronger economic growth is expected to limit the scope and impetus for further easing.

Rising debt servicing costs and a failure to cut the sizeable public sector wage will weigh on Zambia's ability to enact significant fiscal consolidation in the coming quarters. Recent allegations that the country may have far more external debt than is being reported will only further exacerbate Zambia's fiscal woes, undermining investor sentiment and ramping up borrowing costs.

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.

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

A de-facto export ban due to non availing of export licenses could lead to domestic gluts and poor returns for farmers.

Lower food prices could slow the rate of investment into the sector as returns diminish.

An outbreak of crop pests as the sudden death syndrome (2017) or the army worm (2016) could reduce yields considerably if not properly dealt with.

Chobe Agrivision

The Chobe transaction has been AATIF's first investment which was 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 400ha to 1,686ha. The farm development included the installation of irrigation. On October 26 2015, Chobe Agrivision repaid a first tranche of the AATIF loan of USD 3m reducing the AATIF exposure to USD 7m. In October 2016, the loan was extended by an additional 5 years. The first tranche of the extended facility of USD 1.4 m was repaid according to schedule in October 2017.

Agrivision Zambia is a vertically integrated agribusiness focused on cultivating and processing staple food crops in Zambia. The company operates out of two hubs incl. Mkushi (Central Province) and Somawhe (North-Western Province). While the business started off as a pure grower of maize, wheat and soy, vertical integration is continuously pushed to reduce dependence on soft commodity price movements. In 2014 Chobe acquired the milling operation Mpongwe Milling situated in Kitwe, 180 km from the Somawhe farm with an annual capacity of 70,000 tons of maize and 26,000 tons of wheat. Mpongwe processes the majority of the produce of both farming hubs as well as maize from smallholder farmers in the region.

After a successful and profitable 2016, 2017 was challenging at three ends including (i) water availability at Mkushi, (ii) crop diseases as the sudden death syndrome affecting the soya crop, (iii) the Zambian government closing borders with the result that profitable contracts with DRC offtakers could not be realized. At Somawhe farms Agrivision cultivated 3.100ha of soya, 806ha of maize and 2,900ha of wheat. At Mkushi farms Agrivision cultivated 2.088ha of soya, 374ha of maize and 799ha of wheat. While the hectarage of irrigated wheat farmed in Mkushi increased from 564ha in 2016 to 799ha, Mkushi was limited in utilizing available ha under irrigation (max: 1.700ha). Rains are improving after the drought and dry-spells experienced since 2014, but the rainy season still did not allow for sufficient runoff from the catchment area to the dams to enable normal irrigation in the dry season. Agrivision continues to take steps to improve water security for the Mkushi farms and move into more profitable crops with the most efficient use of the available water for irrigation. These include sorghum, barley and seed maize. 103ha of rainfed sorghum and 48ha of barley were grown for supply to the breweries in 2017. If this proves profitable, additional land will be planted subject to contracts with the brewing companies. Seed maize was planted on contract at presently 50ha to explore possible alternative crops to reduce the dependency on wheat in the future.

At Mpongwe Milling, Agrivision was able to process 38.687 tons (2016: 50,563 tons) of maize and 24.335 tons (2016: 16,074 tons) of wheat. The maize mill results have been largely reduced as a function of government intervention in the maize market with maize input prices up while off-take prices remained largely stable in Zambia and export bans not allowing to benefit from profitable contracts closed with DRC maize meal importers. On the wheat mill, results improved with Agrivision making progress on the biscuit mixes. The focus for the wheat mill is to leverage on a biscuit mix which was introduced following the collaboration with Bühler end of 2016. While the demand was irregular in the beginning, it has since late 2017/early 2018 become steadier. In collaboration with ZNFU Agrivision continues to source the majority of its maize for the mill from smallholder farmers in the region.

Technical assistance

The TA Facility is undertaking an ex-post rapid appraisal of the social and developmental impact of the AATIF loan extended to Chobe Agrivision. The ex-post rapid appraisal data collection took place in late 2016 and the final study with the impact analysis was delivered and approved in June 2017. Key findings are that there has been considerable growth in production and productivity for all crops especially maize, alongside the generation of additional employment opportunities and substantial improvement on working and living conditions. A summary of the study can be found on AATIF's website.

Agrivision Social and Environmental Review

In 2017, Agrivision recruited a Certification Manager to lead the Global Good Agricultural Practice (GAP) certification process. The audit was completed in Q2/2018. As part of the preparation process, nine managers and five junior staff were trained in managing the Global GAP.

While the position of ESG Manager remains vacant at the Agrivision level, the Certification Manager is now also responsible for implementing and monitoring environmental, health and safety issues at the farms. Consequently, the company made various improvements in terms of occupational safety and health since he assumed his position. An Occupational Health and Safety Committee was established to promote cooperation between management and the employees with the ultimate goal to improve and maintain good and safe working conditions. Furthermore, safety talks were held frequently and a training on first aid conducted and certified by the Zambia Redcross Society. Lastly, Agrivision also updated its procedures and equipment for handing hazardous waste.

Finally, the company has continued embracing the use of new technologies. For example, in 2017 a manager was trained in the operation of an agricultural drone to improve production processes.

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 is stored in a closed storage, indicating that its content is hazardous or in an area marked as hazardous.	✓
Set up and implement a system for managing occupational safety and health, which also includes active worker participation.	✓ 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 2017	Somawhe and Mkushi	Mill	Total
Employment Impact	Fixed-term	525 (38 women)	187 (11 women)	712 (49 woman)
	Casuals	254 (41 women)	30	284 (41 woman)
	Total	**779 (79 woman)**	**217 (11 women)**	**996 (90 woman)**

Botswana

Macro view

Economic growth is set to accelerate over the coming quarters in Botswana as the country's key mining sector recovers from a recent slowdown. An increasing focus on capital expenditure in government budgets will offer further support to the country's real GDP growth (expected to rise to 4.5 % and 4.7 % in 2018 and 2019 as compared to 2.4 % in 2017). Botswana is expected to benefit from continued political stability in the run up to the 2019 general elections, as an economic recovery will temper social tensions in the short term. Meanwhile, new president Mokgweetsi Masisi is believed to increase spending on major capital development projects in a bid to distance himself from his predecessor, which will also bolster the country's business environment. The Bank of Botswana (BoB) is likely keeping its policy rate unchanged over the next two years, ending a gradual monetary easing cycle which began in January 2013. Rising inflation (5.5 % in 2018 compared to 3.2 % in 2017) will limit the scope of easing, while a broad economic recovery is expected to reduce impetus. Botswana's reputation for political stability is likely to go largely unchallenged over the coming months, despite the growing uncertainty surrounding the 2019 general election. This will see the country remain an attractive destination for foreign investment, buoying the government's efforts to diversify the economy.

agricultural sector SWOTs for BancABC operational hubs

	Botswana	Mozambique
Strengths	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.	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	The high dependence on government financial support and on movements in global prices makes the sector vulnerable to disruption.	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	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 corn output. The region's agricultural sector is likely to benefit from export opportunities as demand in other parts of sub-Saharan Africa increases.	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	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.	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.

For Zambia see Agrivision.

	Zimbabwe	Tanzania
Strengths	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 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. The country lies in a good geographical position and could benefit from increased exports to Asia. This will incentivize production increases for select agricultural crops.
Weaknesses	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.	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. Significant depreciation of the Tanzanian shilling, especially over the past six months, will weigh on imports of agricultural inputs such as fertilizer.
Opportunities	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.	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.
Threats	An outbreak of pests as the sudden death syndrome and the armyworm 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.	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, which is registered in Botswana, is the parent company of a number of Sub-Saharan banks operating under the BancABC brand in Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. The group is fully owned by Atlas Mara.

BancABC offers a diverse range of financial services including personal, business, and corporate banking, as well as asset management, stockbroking, and treasury services.

Guided by its core values, BancABC is pursuing its vision to be the preferred banking partner in Africa by offering world class financial solutions to the benefit of all its stakeholders. The agricultural sector development for each operational hub is summarised on p. 52 while an update on the transactional milestones can be found below.

BancABC transactional milestones:

On 17 December 2013, AATIF signed a USD 25 m funding and risk sharing agreement with BancABC, of which USD 5 m were repaid on schedule in December 2017.

In 2015, the acquisition of BancABC Holding by Atlas Mara was finalized. Atlas Mara's goal is to achieve a top 5 position in the markets in which it operates through both organic and acquisition-led growth.

In 2016, BancABC acquired Finance Bank of Zambia Plc and merged it with the existing Zambian BancABC subsidiary to create one of Zambia's largest banks in terms of branch network and the fifth largest bank in terms of assets. The merger was largely completed in 2017, a last milestone achieved with reaching the minimum capital requirement of Kwacha 520 m by way of a USD 10 m capital injection of the groups parent Atlas Mara in June 2018. As of today, BancABC is still a young agricultural sector player. Progress has been made with regards to (i) digital offering, (ii) agri-team capacity and (iii) agri-portfolio growth.

Digital strategy

Atlas Mara is introducing digital offerings through BancABC. The Group's fintech strategy for agricultural financing is to support the existing agricultural initiatives delivered via their network banks using technology (namely the internet and mobile phones) and launch new, cost-effective financial solutions dedicated to support farmers and smallholders who do not have formal access to lending.

Agri-team capacity

BancABC has strengthened its agricultural team and created a centre of excellence in Zimbabwe currently employing six full time agricultural-relationship officers including a Senior agribusiness manager (who also assists other BancABC agribusinesses in the region), an agribusiness manager and three field monitors.

Agri-portfolio growth

The agricultural portfolio of eligible agricultural loans for AATIF reporting purposes as of 31 March 2018 comprised of 25 committed transactions with a committed value of USD 121 m of which USD 73 m are outstanding.

Technical Assistance

In 2017, an expert consultant contracted by the TA Facility started to provide on-the-job coaching to a recently appointed BancABC Sustainability Specialist to grow into a fully qualified and capacitated S&E Manager for BancABC.

In parallel, the BancABC Sustainability Specialist has undertaken formal online courses, which will serve as basis to develop an internal S&E training curricula at BancABC country level. Further participation in instructor-led courses are currently under discussion.

Through TA Facility support, BancABC has institutionalized S&E into its core operations with the appointment of the sustainability specialist as part of its credit committee. BancABC also identified and appointed a staff member as deputy sustainability specialist, who started joining the coaching activities.

BancABC Social and Environmental Review

Following the upgrade of BancABC's Environmental and Social Management System in 2016, the focus in 2017 was building the capacity of the Sustainability Officer to ensure an effective implementation of the same (see Technical Assistance section above).

In order to evaluate the effectiveness of the bank's upgraded Environmental and Social Management System, BancABC and the AATIF Compliance Advisor collected social and environmental data from bank clients. Unfortunately, several factors affected the data collection process resulting in a low response rate. However, a general conclusion emerges from the data analysis: bank staff still need further capacity building to adequately manage social and environmental risks in their portfolio. Following the conclusion of the study, the bank shared its experience regarding the implementation of an Environmental and Social Management System in a workshop on sustainable finance that took place in Lusaka in December 2017 and that brought together 30 stakeholders of the Zambian financial sector.

Area of Improvement as per Loan Agreement	Status
BancABC to commit to sustainable development of its activities on a higher organizational level, i.e. in its vision or mission statement and clearly outline its commitment in strategic planning documents.	✓ (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 Environmental and Social Policy. Such Policy needs to: • contain objectives of why the bank is engaging in environmental and social management, • outline the standards with which projects have to comply, • clarify responsibilities for policy implementation, and • propose an environmental and social training strategy for staff.	✓ (2016)
BancABC to elaborate the project classification that it uses to: • cover social along environmental impacts, • review the eligibility criteria and SEMS requirements in its project classification, and • adjust the tool based on staff feedback in order to make it respond to staff needs.	✓ (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, consult with the AATIF Compliance Advisor to extend the bank's SEMS to cover these business segments.	✓ credit appraisals for all proposed sub-loans submitted for review

Eastern and Southern African Trade and Development Bank known as Trade Development Bank (TDB) formerly known as PTA

TDB within the context of COMESA's agricultural sector development[5]

The Common Market for Eastern and Southern Africa (COMESA) is one of the largest regional economic groupings in Africa and currently includes 19 countries which are extremely diverse in socio-economic development, ranging from Ethiopia to the Seychelles. The combined population is over 400 million people and the GDP around USD 400 billion. The market integration is driving sub-regional cooperation and setting the stage for economic, social and political cohesion in Africa. Agriculture plays a critical role in the COMESA region, as a key growth driver, accounting for over 30% of GDP and providing a livelihood for over 80% of the region's labour force. The COMESA agricultural 2016–2020 strategy stresses the importance of regional cooperation and co-ordination and recognises the need for a holistic approach encompassing the key elements of agricultural development: markets, inputs, institutions and infrastructure. Special focus is given to agroprocessing as agro-processing and agri-food systems are acknowledged to increase the income and create employment along the food chain.

Initiatives of the 2016–2020 agenda:

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.

With the African Continental Free Trade Area (ACFTA) signed in March by 44 countries and expected to come into effect at the end of 2018, it remains to be seen what will happen to some of the COMESA safeguards that have been in place for some of its member states to date. For example, Kenya is one of the countries that have been enjoying COMESA safeguards on sugar for over 10 years even after exhausting the allowable limits. ACFTA once fully implemented, will allow free movement of goods from one country to another. COMESA has proposed looking at safeguards on a case by case basis to determine what happens to them after ACFTA is operational[6].

TDB Investment update

Established in 1985, 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: Headquarter Bujumbura, Burundi; Regional and Corporate Support Centre Nairobi, Kenya; Regional Office Harare, Zimbabwe and Mauritius.

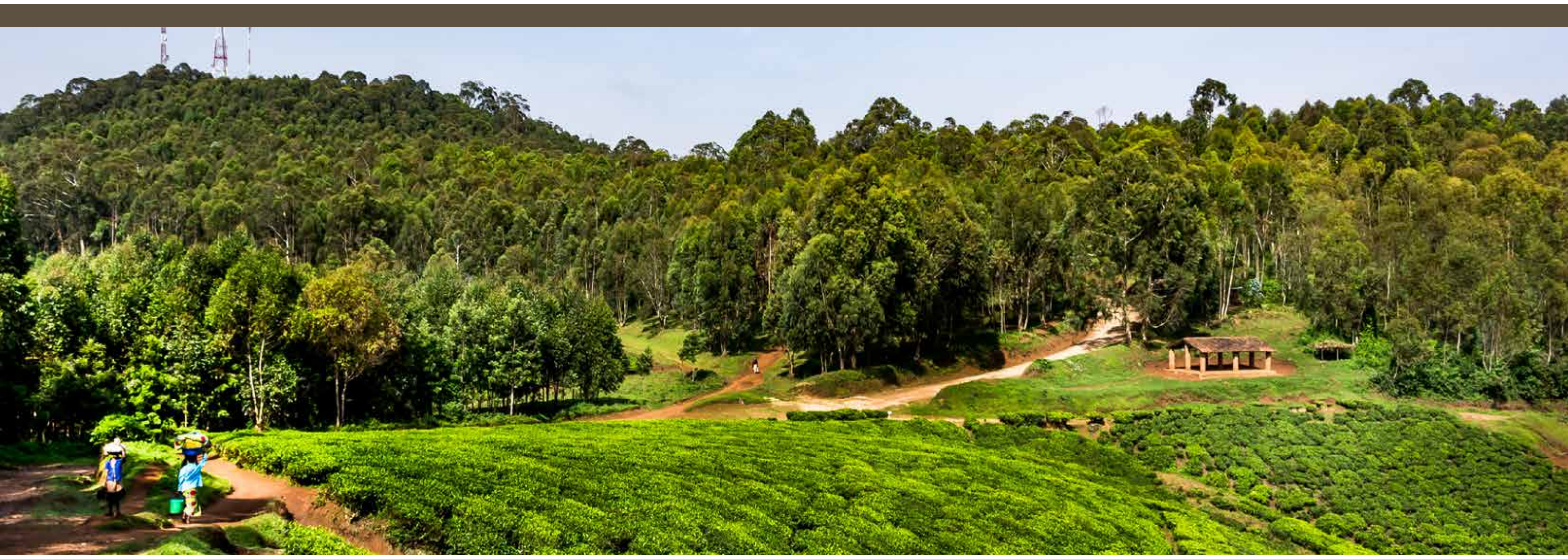
During Q2 2017, TDB has issued a 2nd tranche of a bond maturing in March 2022 thereby increasing the notional by USD 200m to USD 700m.

In November 2017, it was reported that TDB intends to further strengthen its financing activities in Rwanda, focusing in the next five years on sectors such as manufacturing, infrastructure and agribusiness. The bank has provided financing of up to approx. USD 470m for energy and transport and now commits to expand its reach to the agribusiness and manufacturing sector.

As of 31 March 2018, TDB has on-lent USD 30m of the AATIF facility. Lending facilities have been primarily directed towards the dairy, sugar and tea sectors.

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

[6] Business Daily (June 2018), Comesa cues African states against protectionism as free trade set to take effect



Technical Assistance
The TA Facility is undertaking a rapid appraisal of the social and developmental impact of the AATIF loan extended to TD Bank (formerly PTA Bank). For that, a representative single subloan has been selected (extended by TD Bank to the Tanganda Tea Company in Zimbabwe). The baseline data collection took place in March 2016 and the final baseline report was accepted in November 2016. Key findings are that the investment has the potential to secure tea outgrower income and jobs in the extremely challenging macroeconomic environment prevailing in Zimbabwe. The endline data collection will take place in early 2019. A summary of the baseline report can be found on AATIF's website.

TDB Social and Environmental Review
TDB has been working throughout the past year to improve its Environmental and Social Management System (ESMS). In order to enhance the effectiveness of the ESMS tools, and facilitate their implementation, the bank started developing, with external support, sector-specific guidelines for various target sectors, including agribusiness, hospitality, manufacturing and infrastructure. The guidelines for agribusiness were finalized at the end of 2017.

With regards to building internal capacity of its staff, the bank organized a workshop to present the results of the Environmental and Social Annual Monitoring visits undertaken during the previous year, where some of the bank's high-risk transactions were assessed. 26 staff members from various departments participated in the workshop.

Given the increase in the number and size of transactions with high environmental and social risks, the bank has decided to recruit a full-time E&S specialist. The specialist will be in charge of implementing and monitoring E&S issues as well as capacity building activities.

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 through 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, and (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
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 June 30, 2013.	✓ Ongoing
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 **6th April, 2016**, the Central Bank of Kenya (CBK) placed Chase Bank in receivership ("CBLR") and appointed the Kenya Deposit Insurance Corporation (KDIC) as the receiver. The receiver KDIC immediately appointed KCB Bank Kenya Ltd. as the administrator of CBLR to resume partial operations. Under this administrative receivership,

On **27th April, 2016** CBLR reopened its 62 branches after only a three-week closure and has since then continued most of its activities.

On **30th March, 2017** after CBK/KDIC decided that the business franchise of CBLR 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 **5th October 2017**, the receivership period was prolonged by order of the Kenyan High Court beyond the statutory time limit of 6th October 2017 until further notice. This measure was necessary as no bidder had shown an interest in acquiring CBLR under a going concern assumption. Therefore, CBK/KDIC had to agree to a transaction with SBM Kenya Limited (SBM Kenya) that would see it take only the good books of CBLR. SBM Kenya is a wholly owned subsidiary of SBM Holdings Limited of Mauritius.

On **6th October, 2017** CBK/KDIC publicly presented a non-binding offer by the SBM) for the purchase of selected assets and liabilities of Chase Bank under a good bank – bad bank resolution concept.

On **6th January, 2018** SBM submitted a binding offer to be structured as a "Transfer and Exclusion" scheme meaning that selected assets/liabilities by SBM Kenya will move to SBM.

On **17th April, 2018**, lenders were informed by CBK/KDIC about the closing of the SBM transaction by the end of June 2018.

On **6th July, 2018**, the Central Bank of Kenya (CBK) announced that SBM Bank (Kenya) Limited has commenced the acquisition of certain assets and assumption of certain liabilities of CBLR This announcement followed CBK's approval on June 13, 2018, for SBM Kenya to acquire certain assets and liabilities of CBLR as provided under Section 9 of the Banking Act and under the Central Bank Prudential Guidelines. Approval of this scheme was subsequently granted by the Cabinet Secretary, National Treasury on June 28, 2018, as provided under Section 9 of the Banking Act.

On **17th August, 2018**, the acquisition and assumption process will be completed. SBM Kenya will assume 75 percent of the value of deposits under moratorium at CBLR, all non-moratorium deposits at CBLR, and will take-up over majority of CBLR branches and employees. 50 % of the 75 % deposits that will have moved to SBM will be immediately available to the depositors; while the other 50 % will be availed in 3yrs. The remaining 25 percent of the value of moratorium deposits along with other assets and liabilities remains in CBLR, coming primarily from recoverable assets of the related parties/directors originating from doubtful loan transactions.

Outlook: The restructuring scheme enacted by CBK/KDIC is highly detrimental to the financial interests of the senior lenders and does not adequately reflect the interests of all stakeholders of the bank. The senior lenders are in constant contact with CBK/KDIC to inquire about the possibility of finding solution for the remnant bad bank entity with the active involvement of the senior lenders to maximize recoveries for lenders and other creditors.

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. Recoveries at present though are expected to be limited. The loan to Chase Bank Kenya is fully provisioned.

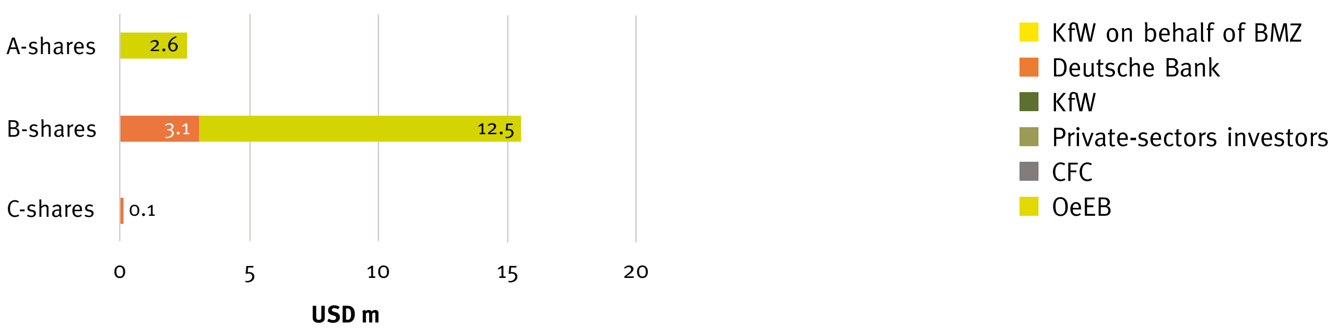
Cape Concentrate

In the annual report 2016/207, 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 1.5m from the liquidation proceeds and has undertaken legal steps to recover additional means from the business rescue manager.

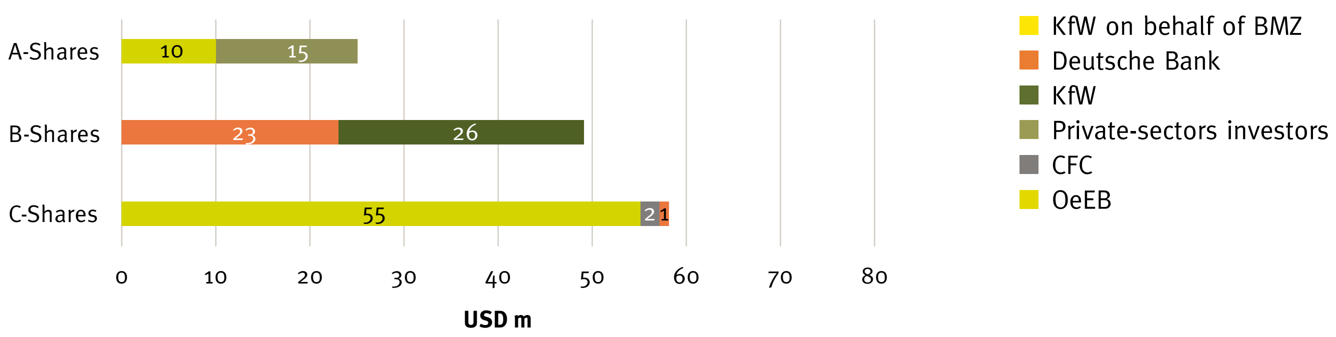
AATIF Funding Sources

Funding overview: During the financial year 2017/2018, the European Commission agreed to commit EUR 30 m to the AATIF C-Shares tranche. The European Commission already disbursed the first tranche of approximately EUR 10 m to KFW in Q1 2018. KFW has been negotiating the contract on behalf of the European Commission with AATIF in Q2 and Q3 2018. The forwarding of the first tranche to the AATIF account is expected for Q4 2018.

Undrawn Commitments



NAV as of 31/03/2018



Financial Statements

Statement of financial position

USD	31 March 2018	31 March 2017
ASSETS		
Non-current assets		
Gross loans to Partner Institutions	99,697,989	137,025,462
Loan loss allowance	(11,643,070)	(6,750,000)
Loans to Partner Institutions	**88,054,919**	**130,275,462**
Current assets		
Gross loans to Partner Institutions	31,265,323	10,000,000
Loan loss allowance	(10,379,597)	(5,000,000)
Loans to Partner Institutions	20,885,726	5,000,000
Interest accruals on loans	1,384,633	1,368,474
Other receivables and prepayments	741,313	4,436,663
Cash at bank	36,419,921	15,542,571
Total assets	**147,486,512**	**156,623,170**
LIABILITIES		
Current liabilities		
Accrued expenses	1,360,844	740,101
Redemption payable to holders of redeemable ordinary shares	12,624,700	–
Distribution to holders of redeemable ordinary shares payable	3,296,391	2,869,757
Total liabilities excluding net assets attributable to shareholders	**17,281,935**	**3,609,858**
Non-current liabilities		
Class A shares – Tranche 1	12,631,076	23,306,276
Class A shares – Tranche 2	–	4,000,000
Class A shares – Tranche 3	2,000,000	2,000,000
Class A shares – Tranche 4	9,900,000	9,900,000
Class B shares – Tranche 1	25,858,000	25,858,000
Class B shares – Tranche 2	22,718,366	22,718,366
Net assets attributable to holders of redeemable shareholders	**73,107,442**	**87,782,642**
Total liabilities	**90,389,377**	**91.392.500**
EQUITY		
Class C shares – Tranche 1		
Share capital	75,021,434	75,021,434
Profit / (loss) for the year	(8,708,639)	(374,736)
Retained earnings	(11,679,794)	(11,305,058)
Class C shares – Tranche 2		
Share capital	1,980,198	1,980,198
Profit / (loss) for the year	(257,514)	(91,168)
Retained earnings	(91,168)	–
Class C shares – Tranche 3*		
Share capital	854,783	–
Profit / (loss) for the year	(22,165)	–
Retained earnings	–	–
Total equity	**57,097,135**	**65,230,670**
Total liabilities and equity	**147,486,512**	**156,623,170**

* This tranche has been launched on 1 October 2017.

Statement of comprehensive income

USD	For the year ended 31 Mar2018	For the year ended 31 Mar 2017
INCOME		
Interest income on loans	7,833,436	7.471.808
Upfront management fees and success fees on loans	294,429	408,500
Change in unrealised gain on financial liabilities at fair value through profit or loss	–	1,333,901
Realised gain on exchanges	2,345,202	116,936
Change in unrealised gain on exchanges	1,449,960	1,175,935
Other income	22,197	1,183,531
Total income	**11,945,224**	**11,690,611**
EXPENSE		
Direct operating expenses	(1,767,865)	(1,720,182)
Investment management fees	(1,182,955)	(1,733,515)
Performance fees	(435,924)	(596,329)
Realised loss on financial liabilities at fair value through profit or loss	–	(1,501,150)
Realised loss on exchanges	–	(921,914)
Change in unrealised loss on exchanges	(3,695,350)	(147,145)
Realised loss on loans	(250,000)	–
Loan loss allowance	(10,272,667)	(2,400,000)
Other expenses	(32,390)	(266,523)
Distribution to holders of redeemable ordinary shares	(3,296,391)	(2,869,757)
Total expense	**(20,933,542)**	**(12,156,515)**
Operating loss	**(8,988.318)**	**(465,904)**
Loss for the year	**(8,988,318)**	**(465,904)**
Other comprehensive income	–	–
Total comprehensive income for the year	**(8,988,318)**	**(465,904)**

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

USD	Net assets attributable to shareholders
As at 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 at 31 March 2017	**87,782,642**
Issue of redeemable shares (Class A)	–
Redemption of redeemable shares (Class A)	(14,675,200)
Issue of redeemable shares (Class B)	–
Redemption of redeemable shares (Class B)	–
Increase in net assets attributable to shareholders from transactions in shares	**(14,675,200)**
Change in net assets attributable to shareholders from operations	–
As at 31 March 2018	**73,107,442**

Statement of changes in equity

USD	Net assets attributable to shareholders
As at 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 at 31 March 2017	**65,230,670**
Issue of non redeemable ordinary shares (Class C)	854,783
Redemption of non redeemable ordinary shares (Class C)	–
Increase in equity attributable to shareholders from transactions in shares	**854,783**
Decrease in equity attributable to shareholders from operations	(8,988,318)
As at 31 March 2018	**57,097,135**

Supplementary information

USD	31 Mar 2018	31 Mar 2017	31 Mar 2016
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
Class A shares – Tranche 3 (redeemable shares)	40,000.00	40,000.00	–
Class A shares – Tranche 4 (redeemable shares)	40,000.00	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	20,000.00
Class C shares – Tranche 1 (non-redeemable shares)	7,040.44	8,124.75	8,202.78
Class C shares – Tranche 2 (non-redeemable shares)	8,239.16	9,525.13	–
Class C shares – Tranche 3 (non-redeemable shares)*	9,740.70	–	–
Number of shares			
Class A shares – Tranche 1 (redeemable shares)	315.777	582.657	590.997
Class A shares – Tranche 2 (redeemable shares)	–	100.000	100.000
Class A shares – Tranche 3 (redeemable shares)	50.000	50.000	–
Class A shares – Tranche 4 (redeemable shares)	247.500	247.500	–
Class B shares – Tranche 1 (redeemable shares)	1,292.900	1,292.900	1,292.900
Class B shares – Tranche 2 (redeemable shares)	1,135.918	1,135.918	978.937
Class C shares – Tranche 1 (non-redeemable shares)	7,759.880	7,759.880	6,436.275
Class C shares – Tranche 2 (non-redeemable shares)	198.020	198.020	–
Class C shares – Tranche 3 (non-redeemable shares)*	85.478	–	–

* This tranche has been launched on 1 October 2017.

Statement of cash flow

USD	For the year ended 31-Mar-18	For the year ended 31-Mar-17
Operating loss before tax	**(8,988,318)**	**(465,904)**
Adjustments for non cash items		
Non cash items related to unrealised foreign exchange	2,245,389	(2,362,691)
Loan loss allowance	10,272,667	2,400,000
Realised loss on loans	250,000	–
Interest income	7,833,436	(7,471,808)
Operating profit after adjustements for non cash items	**11,613,174**	**(7,900,403)**
Net changes in operating assets and liabilities		
Net (increase)/decrease in other receivables and prepayments	–	238,132
Net increase / (decrease) in accrued expenses and accounts payable	620,743	(755,985)
Net increase/(decrease) in redemption payable to holders of redeemable ordinary shares	12,624,700	(332,887)
Net increase / (decrease) in distribution to holders of redeemable ordinary shares payable	426,634	876,607
Net cash flow used in operating activities	**13,672,077**	**25,867**
Cash flow from investing activities		
Cash paid on loans to Partner Institutions granted	(582,850)	(20,000,000)
Cash received on loans to Partner Institutions matured/restructured	17,844,961	2,821,202
Interests received	(7,849,595)	6,606,370
Net cash flow from investing activities	9,412,516	(10,572,428)
Cash flow from financing activities		
Proceeds from issue Class A Shares	–	11,900,000
Payments from redemption of Class A Shares	(14,675,200)	(333,600)
Proceeds from issue of Class B Shares	–	3,139,634
Proceeds from issue of Class C Shares	854,783	12,901,198
Net cash flow provided by financing activities	**(13,820,417)**	**27,607,232**
Net increase in cash and cash equivalents	20,877,350	9,160,268
Cash and cash equivalents at beginning of the year	**15,542,571**	**6,382,303**
Cash and cash equivalents at end of year	**36,419,921**	**15,542,571**

Contact Information

www.aatif.lu
info@aatif.lu

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

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