aatif

Africa Agriculture and Trade Investment Fund

Increasing Income. Improving Food Security.

AATIF Annual Report 2018/19

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
CMA	Collateral Management Agreement
COCOBOD	Ghana Cocoa Board
COMESA	Common Market for Eastern and Southern Africa
DIC	Direct Investment Company
EHS	Environmental, Health and Safety
ESG	Environmental, Social and Governance
ETG	Export Trading Group
FDI	Foreign Direct Investment
FI	Financial Institution
GADCO	Global Agri-Development Company
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GAP	Good Agricultural Practice
HACCP	Hazard Analysis and Critical control Points
IC	Investment Committee
IFC	International Finance Cooperation
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
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational Health and Safety
PAP	Project Affected People
PIs	Partner Institutions
S&E/E&S	Social and Environmental
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

Letter from the Board

Dear Reader,

AATIF's aspirations and values are captured in its brand tagline, increasing income, improving food security. It is more than a vision, but is something reflected in the Fund's day to day operations – which are geared towards driving commerce and prosperity throughout agricultural and food value chains in Africa. 16% of the world's population lives in Africa. At the same time, Africa is the fastest growing continent with more than half of global population growth between now and 2050, expected to happen on the continent[1]. Prosperity for most of the continent's people is still far off with 41% of people on the continent living on less than USD 1.90 a day[2].

The food value chain on average accounts for more than 50% of employment in Sub Saharan Africa even with the sector's untapped potential. AATIF's priority is to unlock this potential. As such, we, members of the AATIF Board, are bound not only to our fiduciary responsibilities to our investors, but also have a responsibility to adequately support African agricultural value chain stakeholders. We are committed to promoting sustainable economic and social development that improves the lives of people across these value chains for the better.

Highlights within the financial year 2018/2019:

- AATIF successfully closed four transactions with a committed volume of USD 64.6 m, of which USD 40 m have been disbursed as of 31 March 2019.
- AATIF upgraded its Social and Environmental Safeguard Guidelines which resulted in adopting the IFC Performance Standards on Environmental and Social Sustainability and launching a Social and Environmental Policy to set out AATIF's specific social and environmental management approach.
- The European Commission subscribed to the first of three EUR 10 m C-Shares tranches.
- AATIF held its first stakeholder day in Brussels inviting its share and stakeholders along interested parties to discuss challenges, opportunities and solutions when it comes to playing a role in one of the fastest growing continents globally.
- AATIF's first project under the innovation facility – Agricultural Leasing Company Zambia Limited continued its expansion and as of 31 March 2019 has 25 leasing contracts for tractors and other agricultural implements, with a solid and growing pipeline.

Investment Portfolio

Within the financial year, AATIF successfully closed its first transaction in francophone Africa by disbursing EUR 17.5 m under a EUR 30 m senior loan commitment to Banque NSIA (Ivory Coast). The Fund replaced the voluntarily early repaid Guaranty Trust Bank (GTB) investment with a USD 15 m senior loan to Sterling Bank Nigeria. On the Direct Investment Side, AATIF extended a USD 5 m facility to Mount Meru Millers, a leading edible oil producer in Zambia. AATIF's innovative character was further demonstrated when we granted a Collateral Management Agreement ("CMA") facility to African Milling Zambia. The investment additions allowed us to keep the net loan volume stable at USD 108 m despite the voluntary early repayment of USD 20 m from Guaranty Trust Bank (Nigeria), and scheduled repayments of Trade Development Bank and Agrivision (USD 11.6 m).

Financials

The interest income from the investment portfolio remained stable at USD 8.15 m (USD 8.13 m, 2018), also a reflection of increasing USD LIBOR rates. Deducting direct operating expenses and management fees, the net result of the investment activities resulted in a surplus of USD 4.95 m (USD4.74 m, 2018) before provision[3]. Liquidity as of 31 March 2019 stood at USD 40 m (USD 36 m, 2018).

Investor commitment

AATIF continues to leverage capital it received from the public sector to achieve scale. The European Commission subscription allowed to further stabilise the C-Shares buffer, which so far has been primarily contributed by the German Ministry for Economic Cooperation and Development. On the back of the additional C-Shares funding, AATIF in Q2 2019 issued two notes tranches totaling EUR 30 m. This demonstrates that fund concepts like AATIF which provide measurable positive contributions to African societies and the environment are increasingly gaining importance with private sector investors.

[1] United Nations. Population (retrieved 31 July 2019)
[2] World Bank. Atlas of Sustainable Development Goals 2017. No Poverty (retrieved 31 July 2019)
[3] Provisions have totalled USD 13.1 m

The year ahead

In the year ahead, we plan to further grow our asset base by continuing to invest in companies and financial intermediaries that are financially sound and whose activities deliver measurable contributions towards the mission of the Fund. Across the continent we see a range of viable businesses that have the potential to deliver in this regard. We thereby strive to achieve an equal balance in terms of number between financial intermediaries including trading and other intermediating companies as well as financial institutions. At present, there is significantly more demand for short-term trade related financing compared to long-term CAPEX financing. In 2019/2020 AATIF thus expects to continue extending collateral managed working capital facilities, also referred to as CMA structures, to broaden the access to capital in times when traditional financial markets fail to serve the demand.

We would like to thank all stakeholders in AATIF for their support over the past financial year and we are looking forward to continue a lively dialogue in the current financial year. We shall continue developing AATIF as a platform and very much appreciate any contribution in the effort to pursue our common target: support AATIF's investees to enhance their positive impact on the African agricultural sector.

We hope you will enjoy reading the report.

Your AATIF Board

Jyrki Koskelo, Thomas Duve (Chairman), Doris Koehn, Thomas Albert

Letter from the Investment Manager

Dear Reader,

During the past financial year, the preparatory work of the Investment Manager (IM) started to produce tangible outcomes in view of transforming the investment portfolio towards a balanced composition between financial institutions, trading companies and direct investment companies. In line with AATIF's strategic asset allocation policy, the IM pursued in equal proportion Financial Institutions, Intermediary Investee and Direct Investee Companies. Opportunities sourced contribute to a broader regional and economic diversification and respect the restrictive risk appetite of the Fund. In parallel to growing AATIF's footprint, the IM continued its restructuring and recovery activities of the non-performing investments.

The market demand for patient capital into economically sound businesses remains unchanged. This is i.a. a result of increased USD based funding costs, depressed market prices for strategically important African export goods such as cocoa, returning droughts (especially in Southern Africa impacting harvests) and continued strains in public financing of key African markets. However, after slight real GDP growth of only 2.1 % in 2016, Africa's economy recovered with 3.6 % growth in 2017 and 3.5 % growth in 2018. The African Development Bank projects GDP to stabilise around 4 % in 2019 and 2020. Inflation, while still projected around 8.1 % (2020) for the continent as a whole, is at a low of 2 % or less, for Western and Central Africa countries forming part of the EUR linked CFA zone[4]. In summary, we see the market showing a healthy number of investment opportunities for AATIF while the execution of investments are easily delayed by external factors.

AATIF portfolio growth

AATIF actively invested in the FI and DIC segment in both West and East Africa extending facilities with a committed volume of USD 64.6 m of which USD 40 m have been disbursed as of 31 March 2019. Investment professionals in Dakar, Lagos and Nairobi, and co-operation with local partners helped to increase AATIF's outreach and allowed for the first time in AATIF's 8 year history to set foot into francophone Africa.

Through its new PIs, AATIF's capital is deployed across various francophone CFA zone linked countries including i. a. Benin, Burkina Faso, Ivory Coast, Gabon, Guinea Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo. The IM further broadened the network of partners to execute innovative transactions and strengthen sustainable farming practices. Finally, the additional C-Share investment by the European Commission allowed AATIF to continue building up and executing more investment opportunities.

New Investment Structures

Within the past financial year, the IM managed to close AATIF's first collateral managed facility with African Milling Zambia. The facility provides liquidity to the investee to purchase maize and wheat during the harvesting season. Africa has an estimated annual trade finance deficit of USD 91 billion[5]. Although banks support one third of Africa's trade, only 28 % of banks' total trade finance portfolio benefits SMEs, while the bulk of trade finance facilities serve large companies. As such, AATIF's investment is a major step in finding a suitable structure with local partners that over-

[4] AfdB (2019) Africa Economic Outlook 2019

[5] AfdB (2017) Trade Finance in Africa, Overcoming Challenges

comes structural challenges and provides liquidity as and when farmers seek to be paid. With the first year of the African Milling Zambia CMA facility coming to a successful end, the IM expects to pursue more collateral based financing for smaller and medium sized processors and intermediaries in the year ahead.

Portfolio Company Development Highlights

During the financial year, GTB profited from a stabilising oil price development and used the opportunity to prepay its debt against the consortium of lenders which, together with AATIF, provided USD 50 m. AATIF's share of the syndicated loan to GTB equals USD 20 m. AATIF re-allocated the funding into a USD 15 m senior loan to Sterling Bank Nigeria. Subsequent to an in-depth review of the investment into BancABC, AATIF extended the engagement with BancABC. The new loan facility has a stronger focus on Zimbabwe which the IM deems to provide significant potential even if stability in the country will have to be proven still.

Outlook

The market will continue to offer opportunities to invest in projects that combine financially viable businesses with positive outcomes. Given the African continent is almost untapped territory for capital markets, the majority of opportunities will remain in the private space. Commitments announced along ambitions from international financiers to finance projects in Africa will need time to find their way to real investments. We believe that the market will absorb this liquidity easily and without any downward trend on margins. At the same time the market volatility is expected to remain high and macroeconomic conditions will remain challenging and can always produce surprises. Combining our outlook with the existing pipeline and the additional capital AATIF could secure, we expect the Fund to be able to continue growing at the same rate as this year.

You will find in this year's annual report deep dives and case studies of where and how AATIF's investees supported by AATIF team members move ahead to make a difference.

The DWS Team

Letter from the Compliance Advisor

Dear Reader,

AATIF made important strides towards integrating sustainability even further into its DNA in the reporting year. First and foremost, the Fund took the decision to adopt the IFC Performance Standards on Environmental and Social Sustainability which, going forward, makes AATIF an easily comparable partner among the development finance stakeholders. This change resulted in replacing the AATIF Social and Environmental Safeguard Guidelines by a new Social and Environmental Policy. The policy commits the Fund to sustainable development and clearly outlines the social and environmental responsibilities of all AATIF stakeholder during the fund management as well as investment processes toward implementing this commitment.

Following its bi-annual revision schedule, the Fund's Social and Environmental Capacity Building Strategy was updated. Social and environmental capacity building activities continued throughout the year and included sessions on the Fund's upgraded Social and Environmental Policy which strengthened the understanding of each stakeholder's responsibilities. Furthermore, a specific training on social and environmental aspects in trade finance transactions familiarised the Investment Manager with tools like IFC's Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP) to facilitate the screening of transactions.

AATIF continued the implementation of its impact measurement framework. As part thereof, the impact evaluation of Wienco's cocoa and maize outgrower schemes in Ghana completed midline data collection. Preliminary finding suggests members of the cocoa outgrower scheme are more productive and earn higher cocoa income through improved farm management. The Fund also conducted three rapid appraisal including on Gadco (Ghana), Coopers K-Brands (Kenya), and Export Trading Group (Malawi). You can find more details in the Annual Report in the sections describing each AATIF investment. Furthermore, the Fund launched a dedicated section on its website introducing the impact measurement framework and sharing key findings of the research studies through Impact Briefs. We invite you to visit AATIF's website for updates.

Lastly, the Fund extended its collaboration with the International Labour Organisation as Compliance Advisor for another three years sustaining stability in both its social and environmental management as well as its development impact approach. Looking ahead, the Fund's growth foreseen in 2019-20 will provide further opportunities for positive social, environmental and development impact.

Trends shaping the future of Africa

Climate change:

Africa contributes less than 4 % to global gas emission but **27 of the 33 countries most at risk from climate change** are in Africa.[8]

Fast-tracked urbanisation:

The share of Africans living in urban areas is projected to grow from **36 percent in 2010 to 50 percent** by 2030.[7]

Buying habits shift:

Dietary shifts from a presently heavily cheap staple food to a **more meat based diet**.

A young and growing population:

Africa is home to the world's fastest growing population (1.7 bn by 2030 up 40 % from 2015 levels) of which Africa's youth is making up **40 percent**.[6]

Technology revolution:

Africa has over **277 m** mobile money accounts, more than all other developing regions put together.

Demand sustainable investments along the African Food Value Chain

Food and Beverages:

The African market is projected to grow from currently USD 300 billion to USD 1 trillion by 2030.[9]

Changing Demand:

A sharp increase in demand is expected as consumers continue to move up the 'food curve', from presently cheap staple and other necessities to an increased inclusion of vegetables, fresh fruits and meat.

Social & Environmental contributions:

Investments need to take a social and environmentally responsible approach and contribute if and where possible towards i.a. the climate change adaptive capacity of an investee and/or its dependent suppliers.

Africa Agriculture and Trade Investment Fund – Did you know?

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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 partners as ETG, Banque NSIA, BancABC and TDB.

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Transactions closed:

AATIF since 2011 provided funding to six FIs which have seasonally extended loans to more than 250 agri-businesses, supported three Intermediary and six Direct Investee Companies.

USD 207 M

Disbursed since fund inception[10]

A multiple of 3 times of the capital contributed by C-Shares investor has been invested by AATIF across FIs, Intermediary Investee and Direct Investee Companies.

[6] United Nations, Department of Economic and Social Affairs, Population Division (2014). Population 2030: Demographic challenges and opportunities for sustainable development planning (ST/ESA/SER.A/389).

[7] World Bank (2015), Urbanization in Africa: Trends, Promises, and Challenges

[8] AUC/OECD (2018), Africa's Development Dynamics 2018: Growth, Jobs and Inequalities, AUC, Addis Ababa/OECD Publishing, Paris

[9] World Bank (2013), Growing Africa, unlocking the potential of agribusiness.

[10] As of 31 March 2019

AATIF at a Glance

Mission

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

The Africa Agriculture And Trade Investment Fund at a Glance

The Fund's principles

Sustainability:
AATIF strives to unite economic, social and environmental aspects when considering investments 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) Policy. 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.

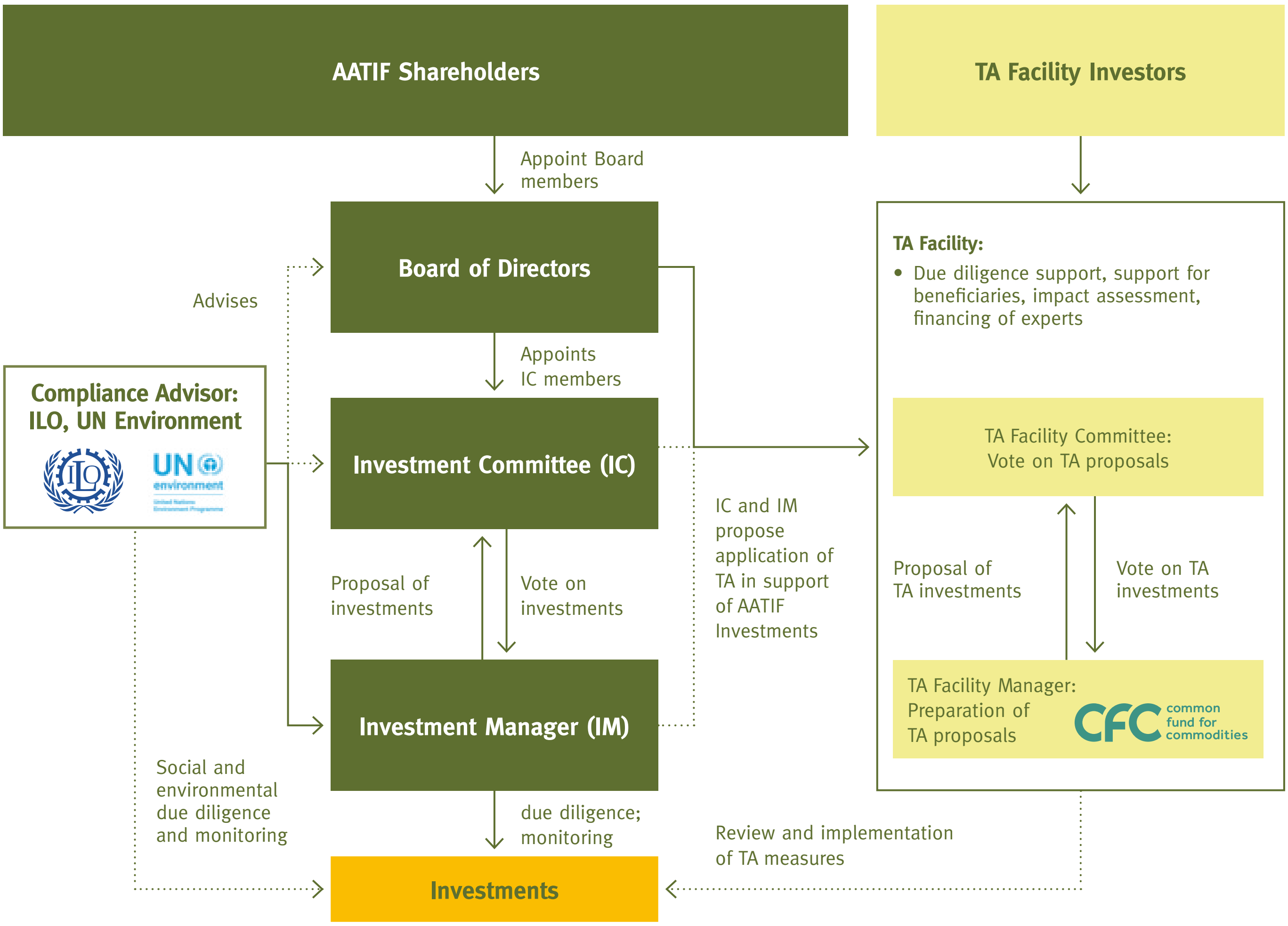
The Board of Directors appoints the Investment Committee, which approves or rejects investment proposals brought forward by the Investment Manager and monitors the activities of the Investment Manager.

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. The focus of the TA Facility is to grant capacity building support as well as ensure knowledge dissemination on agriculture and agro-finance (including scientific studies or trials concerning factors such as social impact or climate change effects). Capacity building measures may comprise support through hands-on and customised services to the investees of the Fund to achieve results such as the Partner Institution's (PI) compliance with the Fund's Social and Environmental Policy and the Development Policy Guidelines or by improving agronomic/management/credit analysis skills through offering investment specific support to PIs and Final Beneficiaries.

To assess an Investment's compliance with the Fund's Social & Environmental Policy, the Fund has partnered with the International Labour Organization (ILO), a specialised 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 Policy and has signed an agreement with the United Nations Environment Program UN Environment to receive technical input and advice on environmental compliance related to the AATIF investments. Together with UN Environment and other competent partners, the AATIF Compliance Advisor provides an independent opinion to the Investment Manager and the Investment Committee before any investment decision is made.

Organisational Structure

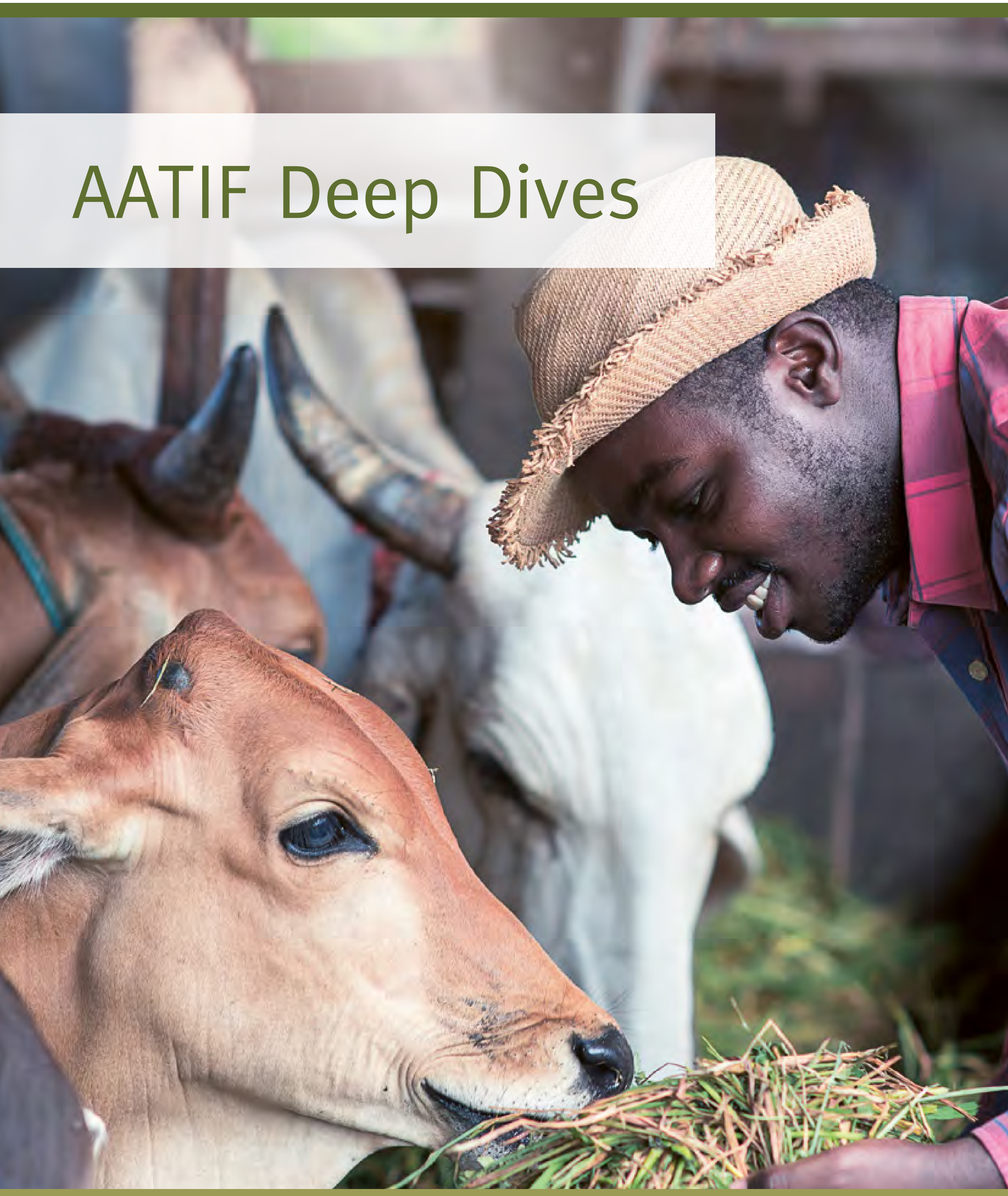


AATIF's Business Strategy

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

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

AATIF Deep Dives



AATIF and IFC's Operating Principles for Impact Management

Impact investing offers the prospect to leverage positive development impact through finance in numerous fields that are currently still lagging behind their potential. However, how can this promise realistically materialise in sustained impact at the investee level?

Together with a group of asset owners, managers, financial institutions and other industry stakeholders, the IFC developed and launched a set of operating principles for impact management in February 2019. The principles suggest 5 main elements that constitute an impactful management process: strategy, origination and structuring, portfolio management, exit, and independent verification.

AATIF welcomes the IFC Operating Principles for Impact Management as guidance for the impact investing industry. At the same time, we humbly recognise that the Fund's Social and Environmental Management System together with its Impact Measurement Framework fully mirror the operating principles.

While the Fund's Development Policy Statement defines AATIF's impact strategy, the **AATIF Social and Environmental Policy as well as the AATIF Social and Environmental Capacity Building Strategy** set out the scope and responsibilities for impact management during origination, structuring, and portfolio management. In addition, the Fund uses a number of tools that allow the IM and compliance advisor to generate information and data to credibly feed into decisions of the investment committee. This process is supported by the Fund's three level impact measurement framework that requires measurement at different stages throughout the investment process including at exit. Furthermore, measurement makes use of self-reported data as well as data collection and analysis conducted by third parties through rapid appraisals and impact evaluations. This approach ensures independe leveraged.

Building on its experience, AATIF strives to continuously improve and implement its impact management approach, and, at the same time, hopes to inspire others to join the impact journey to the benefit of the people and our planet.

Strategy Intent

1. Define strategic impact objective(s), consistent with the investment strategy.
2. Manage strategic impact on a portfolio basis.

Organisation & Structuring

3. Establish the Manager's contribution on the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage potential negative impacts of each investment.

Portfolio Management

6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Impact at Exit

7. Conduct exits considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

Source: IFC (2019): Investing for Impact: Operating Principles for Impact Management, p.4.

West Africa: Significant opportunities to commercialise agribusiness value chains

It's been a few years since Kenyan tech guru, Ory Okolloh, talked about how Africa cannot entrepreneur itself out of basic problems. She was pushing back on the idea that entrepreneurship and innovation are the panacea for all the development challenges facing the continent. Still today, her message rings true – much more is needed to support the success of entrepreneurs on the continent – and majority of this support depends on government and private sector players.

Traveling through West Africa, one will find a whole array of "Made in Togo", "Made in Ghana", "Made in Benin" products. Whether it's chocolate, dried food products, juices or flour made from different tubers, it is a sign that various small-scale agri-businesses are processing, branding and marketing products for local, regional and global export. Governments and private sector players are playing a critical role in supporting some of these small-scale businesses. As recent evidence for what is possible when government support meets private sector engagement and entrepreneurial spirit, the Made in Rwanda policy has led to a 36% drop in trade deficit since 2015.

With agriculture accounting for 35% of West Africa's GDP and 60% of the active labour force, the sector is a pivotal one for the region's growth. West African value chains however significantly lag behind those in East Africa. A recent World Trade Organisation (WTO) report assessed the depth of integration in global value chains, a metric that measures what the share of imported value is that makes it to a country's exports. This is a reflection of economies' integration with each other and with the global economy. For advanced economies this value is usually around 33% (meaning that 33% of what is imported into these countries makes it into the country's exports i.e. value addition and conversion rather than simply importing for consumption), while for low-income and emerging market economies, excluding sub-Saharan countries, it is at 21–22%. About two-thirds of Sub-Saharan African economies fall below the average value-chain position for developing countries. An oil exporter such as Nigeria has a very low depth of integration at about 7% as their main export is crude oil and their economy is not well diversified to export much else. Across the board, East Africa outperforms West Africa in terms of how integrated their economies are in global value chains. There are huge opportunities for increasing West Africa's participation in regional and global value chains while also reducing the region's import bill. As the WTO Depth of Integration report shows, "higher customs efficiency, better contract enforcement, and more access to bank loans significantly increase the probability that firms will participate in global value chains."[11]

The opportunity exists to transform the sector in West Africa and there are already signs of progress in countries like Senegal where food processing is the largest manufacturing sub-sector. The Government's increased investments in agriculture are paying off and leading to higher productivity as production gets more specialised and commercialised. These investments coupled with strong demographic growth (a rapidly urbanising population) and a small, but growing middle class that values the convenience and variety of processed foods, all contribute to this growth. Dealing with issues along the entire value chain could enable West African countries to harness the full potential of the agricultural sector. Such efforts though need to tackle various issues along the value chain and bring together different public and private sector players who are working in the sector.

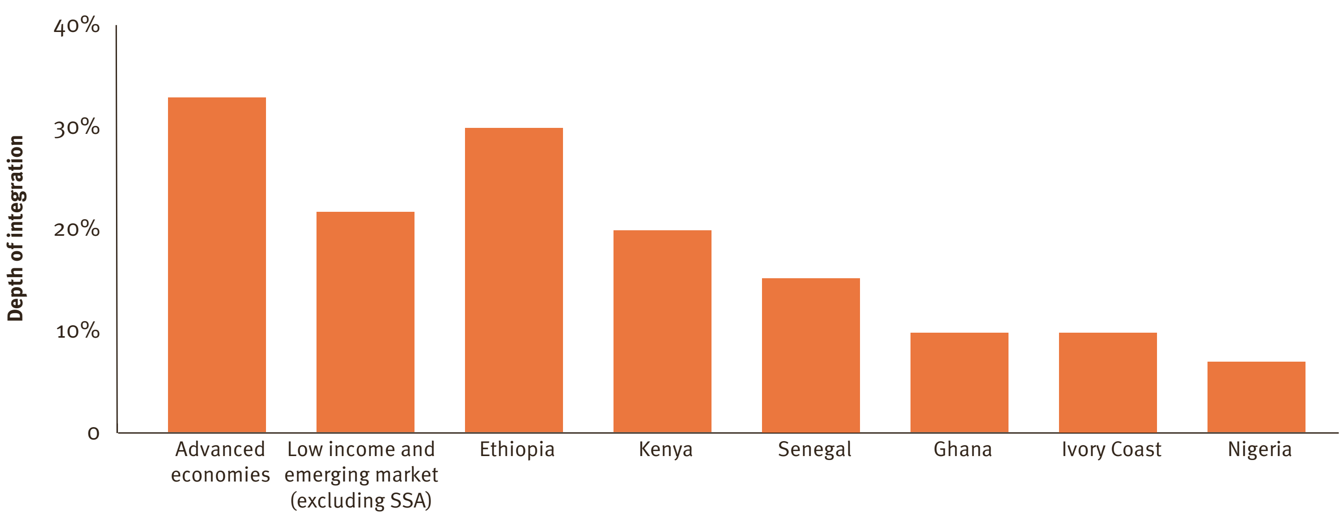
With the African food market expected to grow to USD 1 trillion by 2030 from the current USD 300 billion, and a high import food bill of USD 30–50 billion, there is a great opportunity for the continent's agribusiness industry if investments can be made in processing, logistics, market infrastructure and retail networks that can commercialise value chains on the continent.[12] With governments already hard-pressed to finance other components of their agricultural sectors, this calls for partnerships with not only public sector players but also private sector players investing along different parts of the value chain.

Africa might not be able to entrepreneur itself out of our problems, but there are ways in which governments and the private sector can address value chain issues in collaboration with entrepreneurs for the benefit of all.

[11] Source: World Bank Group; IDE-JETRO; OECD; UIBE; World Trade Organization (2017) Global Value Chain Development Report 2017: Measuring and Analyzing the Impact of GVCs on Economic Development. Washington, DC: World Bank

[12] Source: World Bank (2013) Growing Africa: Unlocking the Potential of Agribusiness. World Bank, Washington, DC.

Depth of integration in global value chains



Source: IMF (International Monetary Fund). 2015. Regional Economic Outlook: Sub-Saharan Africa, Navigating Headwinds. World Economic and Financial Surveys. Washington, DC: IMF.

Innovation Facility

History and rationale

At the end of 2017, AATIF set up the AATIF Innovation Facility which was 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

AgLeaseCo received its Non-Banking Financial Institution Licence (Non-Deposit taking) from the Bank of Zambia in September 2018. The company executed its first financial lease contract in November 2018. In July 2019, the 25th finance lease contract was signed and at the time there were over 100 applications which have been approved by the Credit Risk Team. These approved applications will become finance lease contracts when the farmers make their down payments (which range from a minimum of 25 % to 40 % of the value of the equipment being leased). The first 25 signed contracts are leases for 13 tractors and 12 for small equipment such as 2-wheel tractors, hammer mills, irrigation equipment and cultivation equipment. As at 31st July no contracts were in default i.e. no lease repayments were overdue.

The company has signed 3 co-operation agreements with local suppliers of equipment each of which are authorised distributors of global brands of tractors (namely, Massey Ferguson, John Deere and Tafe). One further co-operation agreement is pending with the Case distributor. Each co-operation agreement includes a risk sharing clause whereby the original equipment supplier is liable for 50 % of any loss resulting from a repossession (with the loss being defined as remaining capital less sale proceeds).

The first female farmer, Katina Phiri, from Eastern Province, signed a lease contract with the company at the beginning of August for a Tafe tractor. Four of the 13 tractors financed will be used by the farmers to provide services to neighbouring farms. The farmer will operate the tractor himself, in other words, s/he will not allow another farmer to operate the leased tractor. AgLeaseCo currently employs 7 members of staff of which 5 are Zambians. There are immediate plans for an additional 3 employees all of whom will be Zambians. By Q3 2020 all staff and all management team members will be Zambians.

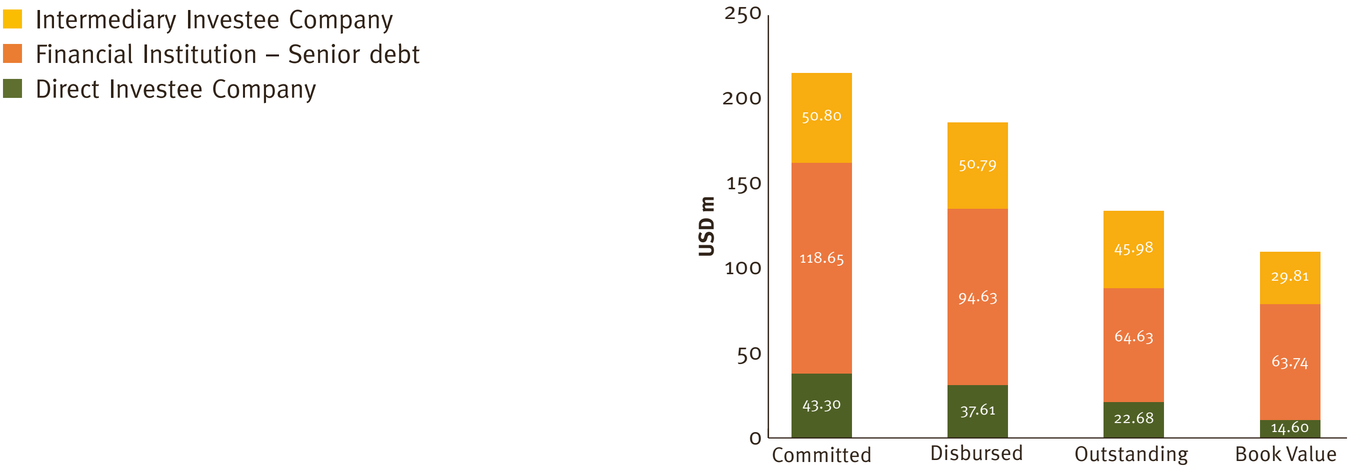
2018/19 Activities Report: Investments

AATIF Investment Portfolio 31 March 2019

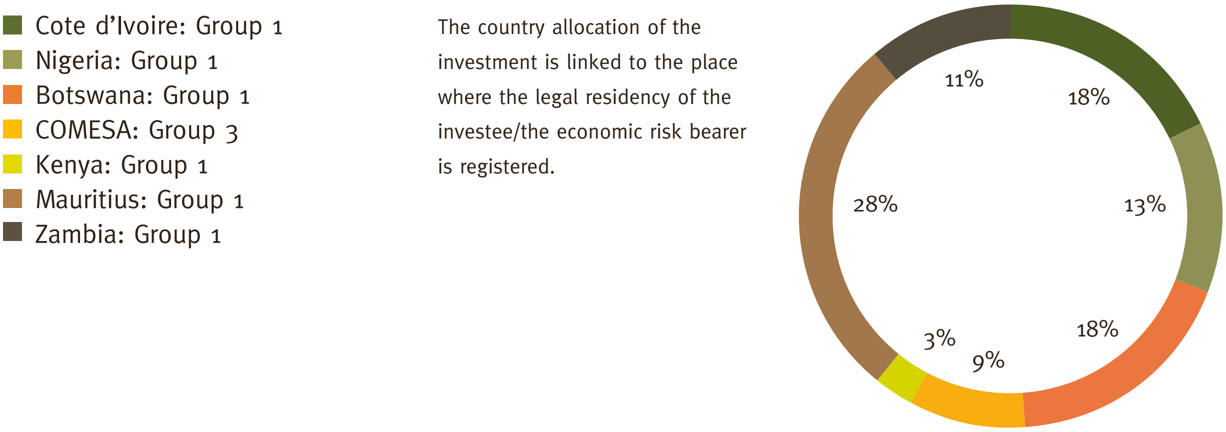
At the end of the financial year, AATIF's investment portfolio included 5 direct investments in agricultural companies in Africa, 4 indirect investments in local and regional banks and 2 indirect investments in intermediary agri-business companies who act as aggregator for smallholder farmers.

During the financial year, AATIF extended funding with four new Partner Institutions – including on the FI side Banque NSIA, Ivory Coast and Sterling Bank, Nigeria. On the direct investee side, the portfolio additions are Mount Meru and African Milling both based in Zambia. Total commitments sum to USD 64.6 m of which USD 40 m have been outstanding as of 31 March 2019. The investment additions allowed to keep the net loans volume stable at USD 108 m despite a voluntary early repayment of USD 20 m from GTB (Nigeria), scheduled repayments of Trade Development Bank and Agrivision (USD 11.6 m) and newly booked provisions.

Portfolio by Type of Investee



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.

Ivory Coast

Macro view

Real GDP growth is forecasted to accelerate in Côte d'Ivoire in 2019 to 7.1%, up from 6.9% in 2018 as cocoa production increases agriculture and manufacturing output. Growth over the next years is expected to remain healthy due to long-term investments in transport infrastructure, population growth and urbanisation sustaining economic activity. Côte d'Ivoire's account deficit may narrow slightly in 2019 on higher proceeds from cocoa exports, though in 2020 and 2021 rising oil prices and weaker cocoa export growth would see the deficit widen again. The current account balance as a percentage of GDP is expected to move from –3% in 2018 to –2.5% in 2019 and drop again to –2.8% in 2020. Financial account inflows will likely be sufficient to finance the current account deficit, ensuring broad external account stability.

Structural reforms are expected to continue to increase Côte d'Ivoire's tax revenue intake, driving fiscal consolidation. The pace of consolidation is foreseen to be gradual, as expenditure on capital projects, social spending and debt-servicing will rise. The Banque Centrale des Etats de l'Afrique de l'Ouest is expected to keep its key policy rate of 2.50% and its marginal lending rate on hold in 2019, to support growth, before increasing both rates by 50 basis points in 2020 to limit inflationary pressures. Consumer price inflation is expected to rise from 0.3% in 2018 to 1.5% in 2019 and 2.1% in 2020.

The risk of social instability is expected to rise in the run-up to presidential elections in 2020, while discontent amongst factions in the military could also pose potential security threats. The 2020 election may see a spike in instability, but the return to a civil war is unlikely if the incumbent Alassane Ouattara wins, or if an opposition candidate secures a clear majority that is respected. President Alassane Ouattara has made significant progress in rebuilding the country, but in the long term, structural changes are needed to reduce the country's dependence on the primary sector and raise the currently low levels of GDP per capita.

The Ivorian cocoa sector is expected to post modest growth from a high base over the coming years. The sector will remain fragmented and smuggling and an ongoing labour shortage will constrain growth.

Ivory Coast's agricultural sector development SWOT

Strengths

- Government support has aided output growth, which is expected to continue at a modest pace.
- The country has a diverse agricultural resource base, incorporating aquaculture as well as fruits and vegetables in addition to grains and other soft commodities.
- The country has a stable political situation by regional standards.

Weaknesses

- The agricultural industry remains broadly underdeveloped, with small-scale farms dominating production and impeding overall efficiency.
- The use of fertiliser remains minimal, impeding yields and output growth.
- Many farmers in the country are of old age and the sector is not attracting a wealth of younger workers.

Opportunities

- Rising domestic and regional incomes create opportunities for producers and, more specifically, for those that also have interests in processing.

Threats

- In the case of cocoa, smuggling in and out of Côte d'Ivoire, depending on set prices in Ghana and auction prices in Côte d'Ivoire, could cause instability for the industry.
- Diseases are an ever-present threat in the cocoa sector especially.
- An outbreak of human-borne disease is an ever-present threat in West Africa and could have catastrophic consequences for the country's agricultural sector.
- Election related violence could see considerable disruption to cocoa exports.

NSIA Banque Côte d'Ivoire (NSIA)

On 18 February 2019, AATIF concluded a EUR 30 m senior debt facility with NSIA Banque Côte d'Ivoire ("NSIA"), one of the leading commercial banks in Ivory Coast. The loan shall be applied towards its agricultural loan portfolio. NSIA is a public limited liability company listed on the Bourse Régionale des Valeurs Mobilières in Abidjan since 10/2017.

The group operates in 12 countries including Togo, Benin, Burkina Faso, Ivory Coast, Gabon, Guinea Conakry, Guinea Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo and 4 monetary zones (West African Economic and Monetary Union, Central African Economic and Monetary Community, Guinea Conakry and Mauritania).

Lending to NSIA allows AATIF to enter various francophone countries with an experienced partner offering co-lending opportunities to corporates active in agriculture. The agricultural sector is a core sector to grow for NSIA in Ivory Coast due to its importance in terms of share of local GDP. AATIF's loan leverages the already existing established agriculture financing footprint of NSIA in a region with significant demand for agricultural development.

The loan will be used to support agricultural campaigns in Senegal, Côte d'Ivoire, Burkina Faso, Guinea-Bissau, Mali and Niger. The aim is to help meet the needs of the agricultural sector whose annual funding requirements are steadily increasing as a result of economic and demographic growth. This funding confirms NSIA's commitment to the private sector and agriculture, which are two key levers for the development of GDP.

Social and Environmental Review
NSIA is a new bank in the AATIF portfolio. At the same time, the bank is also new to the journey of social and environmental management. While NSIA already integrates sustainability reporting in its public Annual Report and reports on health and safety as well as staff welfare programs, the bank at present does not clearly distinguish between social and environmental management and corporate social responsibility. However, NSIA has fully embraced the opportunity and following investments from AATIF and Proparco, started to develop a formal Social and Environmental Management System (SEMS) with support from an external consultant. As a first step, the bank recently recruited a social and environmental coordinator.

AATIF will support NSIA especially in the building of further in-house capacity for social and environmental management and will monitor the following areas:

- Develop and implement a Social and Environmental Management System.
- Closely communicate with the AATIF Compliance Advisor in overseeing the first transaction involving AATIF funding.
- Include in the existing S&E Action Plan all recommendations included in the AATIF S&E assessment report.
- Maintain an effective and reliable procedure for receiving, recording and addressing and providing feedback on client/project-related grievances from external stakeholders.

Technical Assistance
The TA Facility Manager has recently started dialogue with NSIA on possible TA interventions.

Nigeria

Macro view
With the incumbent, Muhammadu Buhari having won the 2019 presidential elections, the outlook for the USD/NGN exchange rate should remain almost unchanged. GDP growth is expected to rise from 1.7% in 2018 to 2.4% in 2019 and 3.2% in 2020.

The proposed 2019 national budget targets a reduction in the fiscal deficit to 1.3% of GDP, but this is unlikely to be attained. State oil revenues should be boosted by the start-up of key fields. However, the projected 23.7% increase in oil revenues seems likely to be overly ambitious. Recurrent spending is expected to exceed budgeted levels, while some overshoot in capital expenditure is also possible.

Nigeria's current account surplus is expected to be supported in 2019 by an ongoing recovery in the country's oil production and rising international Brent crude prices. However, after 2019, oil exports are forecasted to be on a broad downward trend. This, combined with rising import growth, is forecasted to have the current account surplus gradually narrow. Current account balance as a percentage of GDP may therefore move from 3.7% in 2018 to 2.6% in 2019 and 2020, down to 1.8% in 2021 and continue on this downward trajectory.

Insecurity remains a key risk in Nigeria, with violent groups undermining economic activity across the country. Any meaningful escalation from groups such as Boko Haram and the Niger Delta Avengers, or a worsening of conflict in the Middle Belt area, could see growth forecasts revised down. Power sector reforms are crucial for long-term productivity gains. If these are slowed or stalled, this would lead to lower long-term trend growth than currently expected. The economy also remains vulnerable to a shock via sudden exchange rate reform. Ideally the move to a unified rate will be deferred until 2020, when the operations of new refineries should ease the impact of devaluation of the official exchange rate. The country's overreliance on oil exports puts it at the mercy of price slumps.

The Nigerian agribusiness sector remains mixed but improving. With Nigeria ranked as the world's seventh largest producer of cocoa, the crop assumes a greater importance in the country's medium-term economic future now that oil revenue can no longer be relied on as an easy source of foreign exchange. There is a cautiously optimistic expectation that cocoa plantations and processing facilities should continue to receive the public and private sector support needed to move forward. Poultry, dairy, sugar, rice and wheat consumption are expected to continue to depend predominantly on imports to meet demand but there should also be increased local production for each of them (apart from "wheat)." Consumption growth is expected to be weakened by the country's macroeconomic situation, particularly in the earlier part of the next five year period.

Nigeria's agricultural sector development SWOT

Strengths

As the most populous country in Africa, Nigeria has a potentially massive market from which local producers and agribusiness 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

Market risk associated with corruption still permeates many levels of Nigerian agribusiness, serving as a disincentive for foreign investment. The financial sector remains weak after the crash of 2009.

A strong dependence on oil revenues has left the country at the mercy of external factors; there is, therefore, the potential to destabilise agricultural investment and consumer spending in the future.

Unreliable power supply hinders the development of local processing of raw goods and prevents the relevant investment needed to improve these capabilities, while simultaneously dissuading the cultivation of crops that need heavy processing, such as cocoa and sugar.

The country relies on imports of food.

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

Opportunities

The continuation of recent government efforts to form public-private enterprises in output-inefficient industries is likely to lead to further private investment and increased productivity in industries such as pork production and cocoa.

A fast-growing population could increase domestic consumption and give producers incentives to increase production.

Significant improvements in the reliability of local energy supplies are likely to facilitate investment growth in agricultural production and processing industries.

There is a potential to increase Nigeria's share of global cocoa production and exports.

Threats

The potential for politically charged activism creates an unstable business environment, potentially deterring future investment, particularly in the oil-rich Niger Delta region.

The result of sustained oil price reductions for Nigeria – which depends on oil for over 90% of export revenues – could be the significant erosion of consumer confidence and, subsequently, investment spending.

Further instances of import bans, such as the ban on malt barley, may harm exporters and eventually lead to under-utilised capacity.

Failure to clamp down on rice smuggling is likely to 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.

Sterling Bank

On 18 February 2019, AATIF disbursed a USD 15 m facility to Sterling Bank to grow its agricultural lending portfolio. Sterling Bank is a listed Nigerian mid-sized commercial and retail bank originally established in 1960 and licensed in 1969 as Nigeria's first merchant bank. The bank has grown to a network of 185 branches, › 3,000 cash centers, 3,000 employees, and 1.4 million customers. Sterling Bank has recently set a focus on Healthcare, Education, Agriculture, Renewable Energy and Transportation (the 'HEART' sectors), which has led them to review and expand their environmental and social risk sectorial coverage. This enables Sterling Bank to be at the forefront of developing initiatives within each of these sectors as part of financing their growth programmes. Their digital assets, notably SPECTA and Farepay (a contactless payment solution on the mass transit network) have also contributed to economic and social development. In 2018, Sterling Bank was appointed Chairman of the Nigerian chapter of Africa Rural and Agricultural Credit Association (AFRACA), further confirming its contributions to the sector.

Agriculture remains the main source of livelihood for most people in Nigeria. Sterling Bank entered the financing of agricultural value chains in 2010/2011 and was one of the first commercial banks to participate in major financing initiatives sponsored by the Central Bank of Nigeria to promote lending to the agricultural sector and smallholder farmers in various Nigerian states. Agriculture currently accounts for 3 % of the bank's loan portfolio and Sterling Bank hopes to double that in the short term. The largest client segments are mid to large scale agricultural enterprises and input providers as well as state governments who on-lend to farmer co-operatives. The bank aims to increase lending to the smallholder sector. The agriculture business in 2019 through partnerships such as that with AFEX Commodity Exchange is expected to drive productivity in key export commodities, leading to improvement in the quality of lives of the rural communities while providing access to stable financing.

Social and Environmental Review

As a regulated financial institution operating in Nigeria, Sterling Bank is required to comply with the Sustainable Banking Principles of the Central Bank which were issued in 2012. The principles require banks to include both their business activities as well as business operations in their sustainability approach. In order to do so, Sterling Bank maintains a Sustainability Unit that is housed in the Enterprise Risk Management Department and a Sustainable Banking Working Group composed of representatives from all relevant departments/unit. In addition, the bank has a set of S&E-related policies and procedures in place, covering identification, analysis, categorisation, mitigation and monitoring stages which is gradually rolled out across sectors.

AATIF will support Sterling in the further improvements of its Social and Environmental Management System and monitor the following areas:

- Improvement of Social and Environmental Management System, including expansion to address financial institutions as its own category and setting out specific risk management procedures and impact assessments for this category
- Develop a Social and Environmental Action Plan based on recommendations of the AATIF's Social and Environmental Assessment Report
- Develop a form for an annual social and environmental monitoring report to the AATIF, including SEMS, SEMS governance, capacity building, social and environmental portfolio statistics, human resources statistics, and stakeholder involvement including grievance reporting.
- Develop a mechanism to identify AATIF Social and Environmental Category A transactions among the bank's S&E risk classification and integrate in the sub-loan reporting to AATIF
- Develop and integrate into the performance appraisal system Social and Environmental Employee Performance Indicators to measure performance of relevant staff
- Develop and implement a Social and Environmental Capacity Building Strategy and ensure that all staff have received training on such strategy

Technical Assistance

The TA Facility Manager has recently started dialogue with Sterling Bank on possible TA interventions.

Guaranty Trust Bank

In 2016, AATIF provided a 7 year syndicated loan facility to Guaranty Trust Bank of Nigeria ("GT Bank") for an amount of USD 20 million, 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.

The loan was extended at a time, when Nigeria faced falling oil prices and a significant devaluation of the Naira exchange rate. At the same time, the Nigerian government embarked on the revitalisation of the agricultural sector in order to diversify the economy and reduce dependence on the oil sector for revenues. GT Bank has been one of the few banks in Nigeria that has a strategy to invest in the sector, especially in sectors such as food processing, logistics and distribution or packaging.

However, during the financial year 2018, with the oil price stabilising the Bank used the opportunity to renegotiate its debt pricing down. The new pricing level was not accepted by the consortium which together with AATIF provided the syndicated loan of USD 50m. The consortium decided to accept the voluntary early repayment 18 months after its disbursement. While the early prepayment did not allow to embark together on an agricultural initiative, AATIF acknowledged that part of its mission is to be market enabling. AATIF stepped in and provided liquidity to a critical Nigerian bank – also active in agri – at a time when access to USD was short tailed at levels detrimental to the functioning of the local Nigerian economy.

Zambia

Macro view

Zambia's growth is expected to remain subdued (GDP growth of 3.7 % in 2018, 3.4 % in 2019 and 3.6 % in 2020) relative to historic levels in the years ahead, as Lusaka's recent struggles to rein in the country's fiscal deficits begin to offer rising economic headwinds. Mining sector growth is forecast to be slow in the face of new taxes and increased regulatory uncertainty. Zambia's fiscal deficit is expected to narrow slightly in 2019 as revenues are boosted by higher mining receipts. Deficits are projected to remain large by historic standards due to expenditure growth, driven by high debt servicing costs, capital spending projects and a large public sector wage bill. Budget balance as a percentage of GDP is expected to move from –7.1 % in 2018 to –6.8 % in 2019 to –6.0 % in 2020.

The Zambian Kwacha is forecast to face gradual depreciatory pressure in the short term due to negative investor sentiment. The extent of depreciation could be tempered in the short term by a relatively neutral policy stance by central banks in developed markets. The ZMW/USD rate is expected to move from 10.48 in 2018 to 12.34 in 2019 and 12.90 in 2020.

The Bank of Zambia is expected to increase its policy rate by 50 basis points, to 10.25 % by end 2019. Bouts of currency weakness and rising food price growth could see headline inflation exceed the upper bound of the Bank of Zambia's 6.0 – 8.0 % target band. Consumer price inflation is forecast to move from 7.5 % in 2018 to 8.3 % in 2019 to 7.9 % in 2020.

Zambia's overall social stability is expected to deteriorate over the coming quarters. Tensions within the ruling Patriotic Front and between political parties is expected to increase as President Edgar Lungu seeks to consolidate his position ahead of 2021 presidential elections by side-lining potential rivals.

The Zambian agricultural sector is expected to experience stable, but limited, growth over the next five years after the sector rebounds from dry weather in 2019. The country should remain a prime supplier of maize and sugar to the south-west Africa region, and high export demand over the coming years from regional neighbours should put upward pressure on domestic maize prices. On the consumption side, volatile maize output and limited entry from other producers on the sugar market is expected to keep prices elevated for Zambian consumers.

Zambia's agricultural sector development 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 investment.

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

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

Weaknesses

The country's agricultural sector is fragmented and the limited use of fertilisers 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 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.

The expectations for a weaker currency over the coming years is likely to help Zambian sugar production on the regional export market as it competes with Zimbabwe and Mozambique.

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

Threats

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

A 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.

Mount Meru Millers (Z) limited

On 28 February 2019, AATIF closed a USD 5 m loan facility agreement for Mount Meru Millers, a leading edible oil producer in Zambia. Mount Meru Millers Zambia belongs to the larger group of Mount Meru companies in Southern- and Eastern Africa active in the food processing, logistics, construction and petroleum sectors. The group of companies started as a family business in 1978 in Tanzania and has since expanded operations to nine African countries. Mount Meru Millers in Zambia produces edible oils and feed cakes as well as several smaller by-products from soya, sunflower, cotton and palm oil. Products are sold in local and regional markets. Mt. Meru buys 95 % of the inputs from local commercial farmers and aggregators/traders while 5 % is sourced from smallholder farmers. Through these activities, the company is contributing to the development of the agro processing sector in Zambia as well as import substitution by increasing access in the market of locally produced edible oil. Zambia imports at least 60 % of its edible oil. Mount Meru Millers currently accounts for about 20 % of the market for edible oils. AATIF's loan of USD 5 m with a tenor of seven years will be used to fund the expansion of the refinery, (silo) storage, processing and packaging capacity in Zambia. Furthermore, AATIF seeks to work with the company on its local sourcing strategy, increasing its engagement with smallholder farmers producing sunflower and cotton seeds for further processing at Mount Meru Millers.

In Q1 2019 Mount Meru started setting up an out-grower scheme in the cotton sector. To date Mount Meru has signed off-take agreements and distributed inputs to several thousand cotton farmers. Their mission is to increase cotton production in Zambia, with a focus on youth and female farmers. Through its technical assistance facility, AATIF is exploring various ways to enhance the out-grower scheme by developing a training scheme on good agricultural practices for the farmers. Lastly, Mount Meru achieved ISO 9001 and HACCP certification for its operations in Zambia as well as sister entities in four other countries

Social and Environmental Review

In the reporting period, Mount Meru achieved ISO 9000 and HACCP certification for 5 countries where it operates.

Mount Meru has started implementing a supplemental resettlement action plan aiming to restore the livelihoods of households who were affected by their operations in Katuba and Kanchibiya regions, in line with the requirements set by the AATIF Social and Environmental Policy, supported by the TA facility.

As part of this process, the company organised consultations in Q1 2019 with affected households, local, traditional and national authorities, to present and get feedback on the proposed measures. Identification of suitable land parcels for house construction of some PAP is ongoing, as well as work alongside local authorities regarding land titles.

The Social and Environmental areas of improvement and actions to be monitored will be mainly to:

- Develop an integrated Social and Environmental Management System within 18 months after signing the facility agreement.
- Draft a time-bound action plan that incorporates the following recommendations:
  - finalise Quality Manual, adapt it to the Borrower's operations, expand on social and environmental aspects, and include communities in external communications
  - review and improve key social and environmental performance indicators and targets
  - introduce mechanisms to verify Social and Environmental Compliance of main suppliers
  - formalise its stakeholder engagement in order to improve and maintain good relationships with the nearby communities by drafting a Stakeholder Engagement Plan. As part of the Stakeholder Engagement Plan, Mount Meru should implement measures, in collaboration with the communities, to avoid, and where avoidance is not possible, minimise health and safety risks that might affect them.
- Adapt the Group's Human Resources Manual to the Zambian context, reflect actual practices (e.g. verifying age with national registration cards) and expand on the duties of the company/employer, e.g. providing a safe work environment
- Track employee's overtime hours, in order to ensure compliance with limits set by the Zambian employment law
- Implement measures to improve occupational safety and health throughout the processing plant
- Conduct regular maintenance of the Effluent Treatment Plant and assess the effects of expansion plans with regards to effluent generation and treatment
- Draft and implement a waste management plan and ensure adequate disposal of solid waste generated through the operations put in place a driver safety program to ensure compliance with traffic rules and reducing risks of accidents
- Be responsible to ensure that the people who were physically displaced as a result of their activities: i) receive additional compensation, in line with applicable national and international standards; ii) have their livelihoods and standards of living improved or at least restored; and iii) make all reasonable efforts to ensure that the project affected people have security of tenure over the land they inhabit; through the implementation of the Supplementary Resettlement Action Plan, liaising with the Disaster Management and Mitigation Unit and other relevant authorities, and any other means necessary, in order to comply with the relevant requirements with regards to resettlement (IFC PS 5).

Technical Assistance

After a Resettlement and Livelihood Restoration Audit (in line with National and IFC Performance Standards) was conducted with assistance of the TA Facility in early 2018, a consultant is currently assisting Mount Meru to implement recommended activities for addressing the gaps identified during the Audit and will also assist "Project Affected People" (PAP) to meet formal obligations for claiming their rights. The consultant commenced its work in October 2018 with a field visit to the two resettled communities. Additionally, identification of suitable land parcels for house construction of some PAP is ongoing.

African Milling Limited

In August 2018, AATIF concluded an USD 11 m debt facility for African Milling Limited ("AML") in Zambia to enable the company to purchase maize and wheat for its milling operations in Lusaka. The senior debt facilities include a Working Capital ("WC") Facility of USD 1 m and a Collateral Management Agreement ("CMA") Facility of USD 10 m.

This innovative financing structure enabled AML to meet its working capital needs and free some of its capital to finance completion of its CAPEX programme, which was stopped as the company had to divert its earnings to finance working capital in the past financial period. The investment will have notable developmental impact as AML purchases maize largely from smallholder farmers in Zambia. The transaction provides liquidity when needed by the mill to buy maize from farmers. It further reduces dependency on trading companies that are buying maize and wheat when prices are low and target to sell the inputs to the mills when prices go up. As both, maize and wheat are important inputs for local food supply, large parts of the population are relying on the produce of mills to remain available at affordable prices and in sufficient quantity. The AATIF liquidity addresses these issues.

AML is progressing well on its expansion plans – having completed the groundwork for a new maize mill. In the next quarter, AML together with Buehler will install the new machinery with a target to complete the mill by end of the quarter. To cater for the excess products from the new mill, AML accomplished a first important step in its new retail marketing strategy by launching its first products in Shoprite – Africa's largest retailer. Shoprite currently has around 40 outlets in Zambia and over 2,600 across 15 African countries.

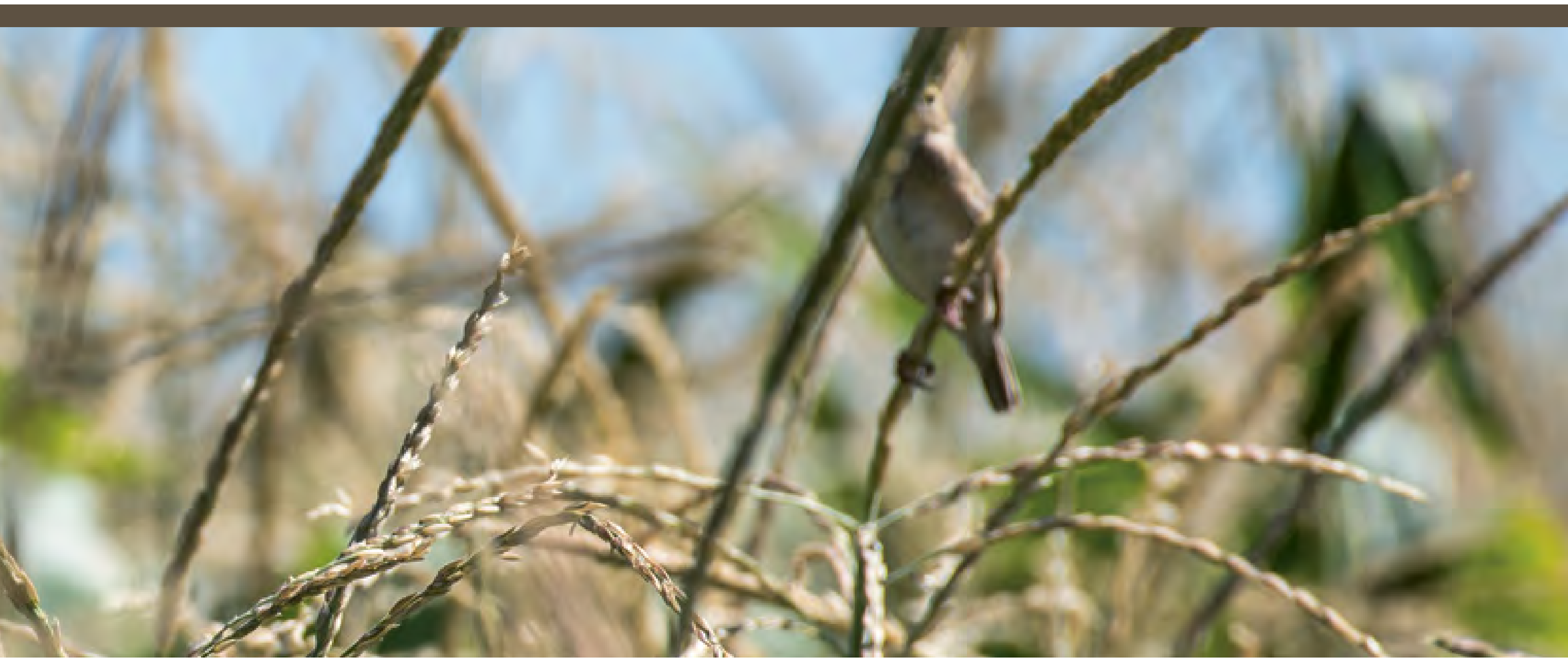
AML Social and Environmental Review

When AML joined the AATIF family, the company did not have a formal system in place to systematically manage social and environmental matters. However, the company was eager to build capacity. Since then, AML appointed an S&E coordinator and prepared a Social and Environmental Action Plan. The action plan integrates results of a social and environmental audit conducted last year as well as the recommendations originating from the AATIF social and environmental due diligence and describes the time-bound steps that AML is undertaking to improve S&E matters in its operations.

Examples of AML's S&E improvements already implemented include regular training sessions to all employees on occupational safety and health and on-site contractors. Furthermore, AML started developing a formal stakeholder engagement plan and a grievance procedure.

Technical Assistance

The TA Facility Manager is planning to visit AML in Q2/2019 to discuss possible TA Measures. Discussions will focus on staff training on S+E measures and support for a market analyses and an envisaged product differentiation.



Area of improvement as per loan agreement	Status
Review and integrate recommendations made in the Social and Environmental Audit Report and AATIF Social and Environmental Report, for the existing facilities and expansion plan, into the Social and Environmental Action Plan within 1 month of facility disbursement	✓
Recruit a social and environmental coordinator within 3 months of facility disbursement	✓
Develop a social and environmental management system within 18 months of facility disbursement. Thereafter maintain and regularly upgrade SEMS, including sufficient allocation of resources	Ongoing
Implement and regularly update the Social and Environmental Action Plan	Ongoing
Introduce training on social and environmental risk and impact management	Template was developed, currently under revision
Undertake social and environmental audits of all activities likely to have adverse social and environmental impacts	Ongoing
Develop and implement, together with workers and their representatives, an occupational safety and health policy, procedures and management system, that includes but is not limited to, periodic assessments and audits of occupational safety and health issues at the workplace, detailed accident reporting and investigation, training for employees on occupational safety and health issues (e.g. first aid, fire prevention, housekeeping), regular fire drills, and personal protective equipment.	In progress A comprehensive ESMS document is currently being worked on. EHS policy is ready and being reviewed
Introduce measures to control air and greenhouse emissions, such as controlling, measuring, monitoring dust and particulate matter, proper maintenance of generators to ensure efficiency.	Ongoing

Employment Impact	The company employed 131 people (3 women)

Chobe Agrivision

The Chobe transaction was 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 400 ha to 1,686 ha. The farm development included the installation of irrigation. On October 26 2015, Chobe Agrivision repaid a first tranche of the AATIF loan of 3 m USD reducing the AATIF exposure to 7 m USD. In October 2016, the loan was extended by an additional 5 years. The first tranche and second tranche of the extended facility of USD 1.4 m was repaid according to schedule in October 2017 and 2018 respectively. 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 (Copperbelt 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 tonnes of maize and 26,000 tonnes of wheat. Mpongwe processes the majority of the produce of both farming hubs as well as maize from smallholder farmers in the region.

2018 continued to be challenging, after an already difficult 2017. Water availability at Mkushi, crop diseases, the Zambian government closing borders with the result that profitable contracts with DRC off-takers could similar to 2017 not be realised and the mill not running at full capacity put pressure on the company. At Somawhe farms Agrivision cultivated 3,360 ha of soya, 729 ha of maize and 2,900 ha of wheat. At Mkushi farms Agrivision cultivated 2,412 ha of soya, 53 ha of seed maize, 77 ha of sorghum, 148 ha of barley and 594 ha of wheat. The hectarage of irrigated wheat farmed in Mkushi decreased from 799 ha in 2017 to 549 ha as Mkushi was limited in utilizing available ha under irrigation (max: 1.700 ha). While rains are improving after the drought and dry-spells experienced since 2014, the rainy season 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 crops with more efficient use of the available water for irrigation. These include sorghum, barley and seed maize. 77 ha of rainfed sorghum and 148 ha of barley were grown for supply to the breweries in 2018. While barley is a good crop, the securing of a decently priced contract remains a challenge.

On the wheat mill, margins improved with Agrivision making progress on the biscuit mixes. The focus for the wheat mill is to leverage on biscuit mix which was introduced end of 2016. While the demand was irregular in the beginning, it has since late 2017/early 2018 become steadier.

In collaboration with the Zambia National Farmers Union Agrivision continues to source the majority of its maize for the mill from smallholder farmers in the region. In the last season Agrivision acted as off-taker for approximately 575 smallholders.

Chobe Agrivision Social and Environmental Review

In 2018, the company filled the position of ESG Manager. In addition, the Mkushi farms obtained the Global Good Agricultural Practices (GGAP) certification at the end of June 2018. As part of the GGAP implementation and certification of its entities, Agrivision has developed numerous procedures and policies to address waste management, water management and conservation. Furthermore, Agrivision had acquired water permits from the Water Resource Management Authority for the reporting period. In addition, subcontractors were required to sign commitment forms to adhere to the minimum health, safety and labour specifications.

On both farms, the clinics have continued to offer services to the employees and their families throughout the reporting period. The company has also continued sensitizing its employees on the dangers of alcohol abuse through staff welfare committee meetings and pre-shift meetings. In addition, it has also opened doors to the District Health Office to conduct free HIV/AIDS tests and sensitization on the farms. Furthermore, the collective agreement in place for farm workers was reviewed and updated by the social partners in the reporting period. As a result Agrivision increased wages for both permanent and casual workers. The company also continued building staff capacity with 100 % permanent employees and seasonal employees trained in health and safety as well as hygiene in the reporting period. In addition, two road accidents sparked renewed safety training being conducted for drivers plus a drivers code of conduct was established and signed off.

In September 2018, the Fund's Compliance Advisor visited both Mkushi and Somawhe farms and interacted, in addition to farm management, with employees, local community members, and local authorities including the local Labour Officer as well as the District Commissioner. The latter confirmed that no complaints had been raised for either farm location in the reporting period. In Somawhe, three village headmen from the community expressed that they have amicable relations with the farm management. They highlighted that Somawhe had awarded the community with a contract to glean maize fields after the harvest in 2018 which created additional employment and income to approximately 250 people. Furthermore, the sub-lease agreement with the Kasambamanyambi community has been drafted and was under review as of March 2019.

After the successful rehabilitation of the Katuba Primary School, the Mkushi farm continued supporting children of farm workers to attend school by providing daily transport to and from. However, since the school was upgraded to a secondary school, the institution has seen an increased number of enrolled students, resulting in challenges regarding quality of education and student wellbeing. An effort to support the school to address the challenges through a community fund to receive contributions from other commercial farmers or development partners in the farm block has not (yet) found buy-in of other stakeholders.

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 February 2019	Somawhe and Mkushi	Mill	Total
Employment Impact	Fixed-term	330 (25 women)	175 (8 women)	505 (33 women)
	Casuals	373 (105 women)	–	373 (105 women)
	Total	**703 (130 women)**	**175 (8 women)**	**878 (138 women)**

Kenya

Macro view
Headwinds to growth in private consumption, investment and exports are likely to see Kenya's economy expand at a slower pace in 2019. GDP growth is expected to be at 5.2% in 2019, down from 5.8% in 2018. The ongoing cap on bank lending rates restrains credit growth and rising inflation (consumer price inflation at 6.0% in 2019, up from 4.7% in 2018) will constrain growth in private investment and household consumption. Public investment directed under the 'Big Four' agenda[13] should support GDP growth, but is likely to fall short of government expectations. Moreover, export growth is likely to decelerate in 2019 due to reduced production of tea, the country's main export.

A deterioration in weather conditions in Kenya is expected to heighten food inflation in the short term. These inflationary pressures, together with a likely end to the interest rate cap posing additional upside risks to demand-side inflation, could give the Central Bank of Kenya greater scope to raise rates in the coming quarters. It is expected that rates could increase by 50 basis points by the end of the year, leaving the Central Bank Rate at 9.50%. The Kenyan shilling is expected to remain relatively stable in the coming months but could see greater downward pressure beyond the short term. The KES/USD exchange rate is expected to move from 101.32 in 2018 to 103.90 in 2019 and 107.50 in 2020. Downward pressures on the currency are likely to be driven by declining remittances, high import spending and rising foreign debt servicing costs.

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. If the government fails to make the appropriate reforms to fiscal policy and continues to expand the public debt burden, investor sentiment could start to decline amid growing fears of a high debt servicing bill.

Kenya's presidential succession is expected to shape politics in the quarters ahead, as underscored by a power struggle between Deputy President William Ruto and Raila Odinga, a long-standing opposition leader-turned-ally of President Uhuru Kenyatta's ruling Jubilee Party. In the coming year, there is likely to be a constitutional referendum which will propose the addition of new cabinet positions and change the structure of government, potentially threatening Ruto's position. This could cause political divisions and likely lead to infighting, posing risks to policymaking for the remainder of the term. There are risks of ethnic tensions being inflamed and social unrest rising, particularly in the run-up to the 2022 election.

Post the drought of 2017, the outlook for Kenya's agribusiness market improved in 2019, with a rebound in output across nearly all the crops normally tracked, with the exception of wheat. Despite the Common Market for Eastern and Southern Africa (COMESA) granting another extension to the sugar import safeguard out to 2021, which should provide a short-term boost, it is expected that the country's sugar sector is likely to remain regionally inefficient and post very limited growth over the coming years. Coffee production is likely however to be steady given improvements in farming techniques.

[13] Big 4 Action Plan Kenya (2019)

Kenya's agricultural sector development 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.

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 smallholders.

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

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

Opportunities

The country's agricultural sector can benefit from a very 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, and 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 February 2021 gives the sugar industry a further year to modernise.

New government programmes could increase grain production if properly implemented.

Threats

Drought 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 structurally subdued outlook for European food demand could pose a threat to growth of the agricultural sector, especially to key export products, such as coffee.

Coopers K-Brands

Coopers K-Brands 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 construction activities started in the first quarter of 2018 and the contractors are currently completing the final works and production tests. The new plant manager and additional staff members have already been appointed to start the operation of the new production facility in the third quarter of 2019. In addition to employment creation, the new plant will ensure essential supplies for CKL and reduce imports while also helping to mitigate against supply interruptions, which impacted the company's sales in the past.

Currently, the company manufactures, imports and distributes a wide range of products under franchise and distribution arrangements with a number of global companies including MSD Animal Health ("Coopers' brand"), Rotam (for crop protection), CRV (for dairy genetics), Diamond Mills & Pancosma (for nutritional additives), etc. The company manufactures approximately 60 % of its products in-house and by third parties through contract manufacturing arrangements. About 20 % are imported as finished goods. The key markets for CKL are Kenya, Uganda, Rwanda, Burundi and Tanzania with the company exploring to expand into other markets such as Ethiopia.

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 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

CKL conducted a social and environmental audit of its operations at the end of 2018 to comply with legal requirements and submitted the audit report to AATIF at the beginning of 2019. While CKL is adequately managing social and environmental aspects in its operations, the audit report also identifies some opportunities for improvement with regard to waste and effluent management as well as tracking resource use (e. g. water, electricity).

One highlight of the reporting year is the company's decision to establish a staff position of Sustainability Coordination and Communication Officer. The position will allow CKL to coordinate sustainability and S&E efforts across its different business activities and to communicate their results to the public. The position was filled in mid-2019 with partial funding from the AATIF TA Facility.

In 2018, CKL updated its Human Resources Policy, with detailed information on the role of the Group Human Resources Manager, grievance handling mechanisms and rights of representation of employees in trade union. The company also finalised mapping of job grades with the objectives of harmonizing job positions and promoting fair labor practices, under principles of equal pay for equal work and clear career growth paths.

As the construction of the new production site in Kiambu is advancing, not only new staff will be hired but some positions in the existing production side will be made redundant due to shifting production and warehouse facilitates. CKL prepared plans for offering concerned staff suitable placements in other entities within the currently operating plants.

Aligned with national campaign "Greening Kenya", CKL's Eco Care Project achieved in 2019 approximately 1,301,479 seedlings raised, 1,165,209 seedlings transplanted with a total of 844,874 surviving seedlings. The project supports sustainable supply of fruits in vulnerable homes.

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.	Ongoing
Apply for effluence disposal licence to the sewer line at the Kiambu Site where relevant.	Ongoing
Observe the riparian reserve bordering the Kiambu Site.	✓
Immediately inform 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 2019, CKL had a total workforce of 167, among them 130 men and 37 women, around 73 % of them on permanent contracts. In addition, CKL employed 14 casuals for short assignments and offered 16 placements for technical vocational education training.

Rapid Appraisal

AATIF conducted a rapid appraisal baseline in two regions of CKL operations in Kenya (Uasin Gishu and Kiambu) to determine initial income levels, crop areas and main sources of livelihoods of farmers using CKL products. The survey found average monthly household income of these farmers to be 54,000 KSh in the long rainy season and 42,000 KSh (Kiambu) and 31,000 KSh (Uasin Gishu) in the short rainy season. CKL is also working with farmer unions through which individual farmers get access to trainings, savings and loans. At the end of the AATIF loan period to CKL, the fund will collect a second round of data to establish the impact of CKL's operations on farmers in the same regions.

Technical Assistance

For a rapid appraisal of AATIF's impact on CKL, baseline data collection took place in December 2018. The final Baseline Report is expected to be available early Q2 2019. The TA Facility Manager, together with the Compliance Advisor, is assisting CKL to elaborate a job description for the new post of the CKL Group Sustainability Coordination and Communication Officer. A salary subsidy for this position during the first three years is currently being discussed.

Ghana

Macro view

Real GDP growth is expected to accelerate in 2019 (up to 6.8 % from 5.7 % in 2018) as growing domestic and international investment and improved credit access boost output across key sectors of the Ghanaian economy. Beyond 2019 outlook remains positive with the expectation that investment into manufacturing and mining should increase output, supporting broad-based economic expansion.

Ghana's fiscal deficit is likely to continue to narrow in 2019 as revenue growth is expected to be enhanced by fiscal reforms and robust economic growth. Budget balance as a percentage of GDP should move from –3.9 % in 2018 to –3.5 % in 2019 to –3.1 % in 2020. The pace of fiscal consolidation is forecasted to be slower than in recent years, given plans for higher spending and a likely increase in the cost of debt servicing. Bank of Ghana is expected to keep its key policy rate of 16.00 % until end 2019. Currency depreciation (GHS/USD rate could move from 4.68 in 2018, 5.30 in 2019 to 5.66 in 2020) and a gradual recovery of oil prices could see inflation tick upwards as 2019. Consumer price inflation could move from 9.9 % in 2018 to 10.6 % in 2019, down to 9.5 % in 2020 and keep falling thereafter.

Ghana's current account deficit is expected to widen gradually due to a series of projects boosting demand for capital goods imports and an improving consumer outlook increasing consumer goods imports. The deficit may not widen substantially in 2019, however, due to still-strong export growth, with rising oil, gold and cocoa export earnings. Current account balance as a percentage of GDP is expected to move from –3.2 % in 2018 to –3.6 % in 2019 to –3.3 % in 2020 and 2021.

The campaign for general elections in 2020 is likely not to lead to serious social instability or security risks due to Ghana's well-established political institutions and processes. It is also expected that most of the fiscal reforms put in place under the IMF Extended Credit facility are forecasted to remain in place regardless of whoever wins the elections, ensuring that Ghana's fiscal structures would remain much stronger than they were in 2015.

In agribusiness, the Ghanaian cocoa sector is likely to experience limited production growth in the period ending 2021/22, after near record production in 2016/17. Cocoa prices are likely to remain depressed even though the government has pledged schemes in order to encourage yield growth. Cocoa prices are forecasted to rise only moderately owing to strong global supply growth.

Ghana's agricultural sector development SWOT

Strengths

Government support has aided output growth, which is expected to continue at a modest pace.

The country has a diverse agricultural resource base incorporating aquaculture, fruits and vegetables, as well as softs, such as grains and livestock.

The country has a stable political situation by regional standards.

Weaknesses

The agricultural industry remains broadly underdeveloped with small-scale farms dominating production and impeding overall efficiency.

Fertiliser use remains minimal, impeding yields and output growth.

Opportunities

Rising domestic and regional incomes create opportunities for producers and, more specifically, for those that also have interests in processing.

Fertiliser use is very low by global standards, implying strong opportunities for greater use.

A weaker Cedi compared with previous years could encourage exports of agricultural goods.

Threats

In the case of cocoa, Ghana's most high-profile commodity, smuggling flows with Côte d'Ivoire could cause instability for the industry. The Ghanaian government is trying to address this through increased marketing coordination with Côte d'Ivoire.

Oil revenue 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.

Wienco

Wienco (Ghana) Ltd ("Wienco") was established in 1979. It is an importer and distributer of agro-chemicals into Ghana, mainly for use in cocoa, cotton and maize production. Wienco provides inputs on credit to 25,258 smallholder farmers and commercial farms across Ghana. Wienco organised 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 for the provision of inputs and off-take of cotton, maize and cocoa to and from the outgrower schemes of Wienco Ghana. In October 2016, AATIF approved an extension of the facility.

Wienco's business is likely to benefit from COCOBOD's initiatives to reduce the exportation of Ghana's cocoa beans to the international market in its raw state. The agency wants a minimum of 50 % of the cocoa beans to be processed locally by 2022. Currently, cocoa is the leading agricultural export crop for Ghana, generating approximately USD 2 billion in foreign exchange. Ghana is presently processing only 20 % of its cocoa beans and exporting 80 % of the raw beans to the international markets. COCOBOD's move, if successful, would boost local value addition, employment creation and secure market for local small holder farmers.

Wienco Social and Environmental Review

In the reporting period, Wienco continued to engage with AATIF on the joint impact research efforts related to its outgrower schemes and made progress on a number of social and environmental matters. WIENCO received advice for developing biodiversity and waste management plans for the company. As a result, the company advanced its Biodiversity Policy draft. In addition, an ESG Monitoring Template was developed for each Group subsidiary.

Wienco submitted its Annual Social and Environmental Report to AATIF in March 2019. The report observes positive developments, such as increased interest in cotton farming, new partnerships to provide land preparation services to farmers and trainings. The smallholder schemes attracted a similar number of farmers like last year, totalling 16,083 farmers in 2018 (2017: 17,017) with a slight increase in female farmers. The smallholder schemes continued training associated farmers throughout the year on varied topics like good agricultural practices, record keeping, responsible use of agrochemicals, human rights and working conditions, climate change and adaptation, just to name a few.

In an effort to improve the gender-balance of its workforce, the Group agreed to receive capacity building on "Gender Equality Mainstreaming" from a Canadian NGO, Mennonite Economic Development Associates (MEDA). The initiative, which starts in 2019, aims at improving gender awareness and understanding at management level and developing a strategy to increase the recruitment of women and the number of female employees in managerial positions.

Impact Evaluation

In 2018, AATIF conducted the mid-term data collection in the context of an in-depth impact evaluation of its investment in Wienco, with a focus on the Cocoa Abrabopa Association (CAA) scheme. Data was collected for members (current CAA out-growers), dropout farmers (former CAA outgrowers) and comparison farmers (cocoa farmers who have never been CAA outgrowers) over time. Preliminary data indicates that CAA members are more productive and earn higher cocoa income through improved farm management.

Technical Assistance

AATIF's investment into WIENCO is subject to an extended in-depth Impact Assessment. For both the maize and the cocoa scheme, baseline studies have been undertaken and final reports compiled (a summary of the maize baseline findings can be found on the AATIF website, the cocoa baseline summary is expected to be available online soon).

The mid-term data collection for the cocoa outgrower scheme has been completed by end 2018 and results are currently under review. Data collection for the maize outgrower scheme mid-term took place in early 2019 and the final report is expected to be available in Q3 2019.

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 pending approval ✓ Group OHS Guidelines shared with CAA and MASARA for incorporation in their own OHS Policy.

Employment Impact		December 2018
	RMG	28 (4 women)
	Wienco	43 (8 women)
	Cocoa Abrabopa	93 (6 women)
	Masara N'Arziki	90 (8 women)
	Total	**254 (24 women)**
	All staff have permanent or fixed-term contracts.	

Outreach to smallholder farmers	Enrolment during 2018 season			
	Association	**Female**	**Male**	**Total**
	Masara N'Arziki (maize)	643 (16%)	3,363 (84%)	4,006
	Masara N'Arziki (cotton)	391 (10%)	3,365 (90%)	3,756
	Cocoa Abrabopa	1,780 (21%)	6,541 (79%)	8,321
	Total	**2,814**	**13,269**	**16,083**

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 Concept Limited ("RMGC"), a strategic investor with operations across 17 countries in Western Africa (including Ghana) working in partnership with several thousands of smallholder farmers.

GADCO has cleared and developed over 1,100 hectares to dedicate to the cultivation of rice. GADCO is planning to use 800 hectares of land for the cultivation of White Rice and Rice Seed split in two seasonal targets to better allocate the risk factors on production and meet targets.

Technical Assistance

The TA Facility continues to subsidise the salary of an experienced Workshop Manager to improve repair and maintenance processes and train staff. GADCO reports that the Workshop Manager has a positive impact on reducing machine downtime and repair cost on farm machinery. Two young mechanics have been hired by GADCO who are being trained by the senior Workshop Manager for his potential succession. While the TA Facility subsidy is coming to an end in December 2019, RMG has already extended his contract until July 2020 with the option for renewal.

GADCO Social and Environmental Review

GADCO continued working towards the company's restructuring and increasing productivity. As every year, the company prepared and submitted its Annual Environmental Report 2018, including its three-year Environmental Management Plan for 2019–2021, to the Environmental Protection Agency in Ghana. Based on the achievements and plans, the Environmental Protection Agency renewed GADCO's environmental licence. All other licences including water use permit, fire certificate, as well as certificates for the food products (COPA and ADUANEHENE brands) were valid throughout the reporting period and the company is systematically keeping track of needs for renewal.

Furthermore, in line with Gadco's environmental commitment to reduce waste, part of the husk generated (22 mt) was recovered as combustible for the mill dryer; part of the waste sacks (8,319 units) were reused as water retention barriers in the farm and part of the used oil generated (1,900 liters) was sold to private collectors for its reuse last year. In order to improve preventing bush fires, the company created a 5-meter boundary corridor around the terrestrial borders of the project area. It is also noteworthy that in an effort to compensate impact of the farming activities, 50 mahogany trees were planted in the project area in September 2018 thus bringing the total of trees planted in the last two years to 1,185.

However, 2018 was a challenging year for GADCO. Since the area and scale of farming reduced during the 2018 major season, GADCO laid off 31 workers in June 2018. GADCO involved the Labour Officer as well as Commission for Human Rights and Administrative Justice and discussed with each employee individually. The company expects to re-engage some of the dismissed workers once production increases. In terms of work safety, no accidents were reported for 2018. Furthermore, the company provided all employees with private health insurance.

Despite the decrease in workforce, GADCO continues to contribute to employment in a rural environment where formal employment is difficult to find. During 2018, around 70% of GADCO's permanent employees came from nearby communities such as Fievie, Sogakope, Agorkpo or Teffle. In addition, all casual staff belong to the surrounding communities. In order to engage stakeholders further, representatives of GADCO and the leaders of the surrounding communities held several monthly meetings. Those meetings allow for a two-way communication between the company and the communities in order to raise concerns, share information and raise awareness on diverse topics.

Furthermore, GADCO continued supporting the Copa Connect and Fievie smallholder schemes. During the major season 2018, 480 farmers (135 women) participated in the Copa Connect scheme as did 243 (87 women) during the minor season. The Fievie scheme counted 58 farmers (18 women) for the minor season 2018.

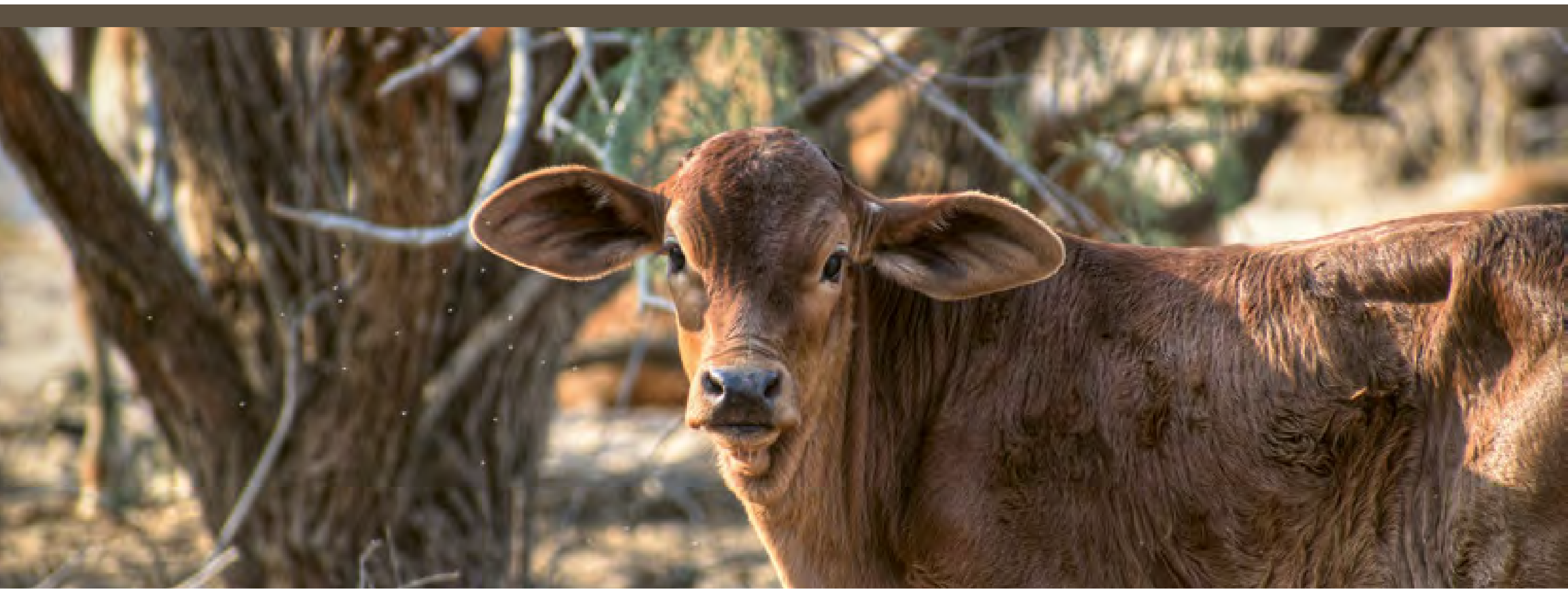
Rapid Appraisal

Last year, AATIF conducted an ex-post rapid appraisal on its investment in GADCO. The results show that GADCO's employees saw an increase in overall income since 2014 and Copa Connect farmers increased their income about 25 % in the same period. The proportion of female farmers enrolled in Copa Connect increased from 19 % (2014) to 30 % (2018), and the yields increased from 2.1 MT/ha (2015) to 3.6 MT/ha (2017). The Fievie smallholders had a yield increase from 3.5 MT/ha (2016) to 5 MT/ha in (2018), with an increase also in the cultivated area per farmer (1 ha to 1.42 ha). The proportion of female farmers varied between 30 and 35 %.

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, Gadco is still working on OSH policy. HR policies and emergency plan in place.
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 March 2019, GADCO employed 91 people (8 women).				
Outreach to smallholder farmers	**Copa Connect**	**Sep 2017**	**Mar 2018**	**Sep 2018**	**Mar 2019**
	Men	345 (72 %)	156 (64 %)	330 (69 %)	64 (82 %)
	Women	135 (28 %)	87 (36 %)	148 (31 %)	14 (18 %)
	Total	**480**	**243**	**478**	**78**
	Fievie Connect	**Sep 2017**	**Mar 2018**	**Sep 2018**	**Mar 2019**
	Men	–	40 (69 %)	–	39 (64 %)
	Women	–	18 (31 %)	–	22 (36 %)
	Total	**–**	**58**	**–**	**61**

Botswana



Macro view

Botswana's real GDP growth is expected to remain robust in the coming years, benefitting from gradual growth in coal production, significant public and private sector investment into infrastructure, and relatively accommodative fiscal policy. On the back of this, GDP growth is forecasted to increase from 4.5 % in 2018 to 5.1 % in 2019 to 5.3 % in 2020. Botswana's fiscal deficit will likely widen over the 2019/20 fiscal year (July-June), if the government increases its capital expenditure for development projects while public sector salaries and the October 2019 general elections drive growth in current spending. Budget balance as a percentage of GDP is expected to move from –1.3 % in 2018 to –3.3 % in 2019 to –3.8 in 2020.

Growth is likely to be relatively robust over the coming quarters, meaning that there will be little impetus for Botswana's Monetary Policy Committee to loosen policy. Meanwhile, although inflation will likely rise somewhat, it is set to remain within the Bank of Botswana's target range. Consumer price inflation is expected to move from 3.2 % in 2018 to 3.8 % in 2019 and to 4.5 % in 2020. Although there will be constraints on the diamond sector in the short run, growth will be bolstered by the gradual expansion in coal production, while significant public and private sector investment into infrastructure will provide additional support and facilitate economic diversification in the long run, leading to steady growth in the country.

Minimal levels of social unrest, strong state institutions and a history of policy continuity will all help to maintain long-term political stability in Botswana. That said, the outcome of Botswana's October 2019 general election has become more uncertain following major factional rifts within the ruling Botswana Democratic Party and the opposition Umbrella for Democratic Change coalition. A failure by either of the two main blocs to remain united could provide a boost for the minor Alliance for Progressives party, potentially allowing it to play a greater role, or even become kingmaker in parliament. Overall, there is a distinct downside risk that the next government will be weak, thus limiting the scope for economic reforms.

In agribusiness, the key risks are that sustained adverse weather conditions affecting crop production would be negative for private consumption and overall economic growth. The return of a severe El Niño will bring dry weather across Southern Africa. According to a January survey by the UN's Food and Agriculture Organisation, Botswana as well as neighbouring Namibia and South Africa have experienced 'intense moisture deficits', with around 40 % less rain than average between October and December. Botswana looks buffered from the impacts of drought compared with much of the rest of Southern Africa given the small size of its agriculture sector and more diversified power generation sources. Even so, with most of the country's grain imports coming from neighbours in Southern Africa (especially South Africa), should drier conditions persist (not the current expectation), this would likely put upward pressure on food prices, tempering consumer confidence and spending.

Agricultural sector development SWOTs for BancABC operational hubs

Strengths

Zimbabwe

Agriculture is the most important economic activity in Zimbabwe.

The agricultural sector makes up a large proportion of Zimbabwe's labour force and contributes to 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.

Government support programmes for production, including the Command Agriculture programme and the Presidential Input Scheme.

Botswana

The agricultural sector in Botswana is relatively small 4% of GDP, 30% of employment) and not sufficient to meet domestic demand. Much of Botswana is part of the Kalahari Desert, most suitable for extensive cattle-raising. The primary crops are maize and wheat, grown in the wet eastern region. Food security conditions are generally stable across the region; however, the issue has become more acute in the aftermath of the 2016 droughts.

Weaknesses

Zimbabwe

The agricultural sector is subject to land disputes between white farmers who own many of the large-scale farming lands, located in high-potential areas and benefiting from good levels of cash for reinvestment, and small-scale commercial farms owned by black farmers, with lower productivity.

Fragmentation of the sector and the limited use of fertilisers, as well as low yields, mean Zimbabwe's agricultural sector is highly vulnerable to weather patterns.

The country's agricultural exports are dependent on trade agreements signed with the US and the EU, as they are not competitive on their own in global markets.

Botswana

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

Opportunities

Zimbabwe

The agricultural sector, particularly sugar, is likely to benefit from increased private investment as foreign companies look to capitalise on a sector that has strong growth potential.

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

Botswana

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

Zimbabwe

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.

Botswana

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

Note for the reader: For Zambia see Agrivision.

BancABC transactional milestones:

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 wholly owned by Atlas Mara Limited. BancABC offers a diverse range of financial services including personal, business, and corporate banking, as well as asset management, stockbroking, and treasury services.

On December 24, 2018 AATIF signed a senior loan agreement with BancABC. The facility, secured with a guarantee from BancABC's parent Atlas Mara Limited, is replacing the prior risk sharing agreement signed in December 2013. AATIF continues its partnership with BancABC based on BancABCs strengthened agricultural activities and constructive collaboration on upgrading its Social and Environmental Management Systems.

Increasing agricultural finance is one of Atlas Mara's strategic pillars and the company has increased its efforts in Zimbabwe because the country offers significant potential in terms of agri-lending demand. BancABC has built a solid agriculture team in Zimbabwe, which acts as a source of expertise and support for the entire BancABC group. The head of the agricultural lending activity, who has more than 27 years of experience in agriculture lending across Southern and Eastern Africa, has led the Group's agricultural efforts since December 2017.

To further grow its agricultural footprint BancABC intends to leverage on existing relationships but also enter into new partnerships to increase its exposure to the agricultural sector.

The actions BancABC intends to take are as follows:

- Grow wallet size of existing relationships with key corporate clients.
- Expand on product offering with existing corporate relationships, including banking services to the ecosystem around these corporate clients.
- Promote international trade: the Bank in Q2 2018 supported a trade mission from the Netherlands with a focus on livestock and agriculture. This was the first ever Commercial Trade mission of the Netherlands-African Business Council (NABC) in partnership with Atlas Mara. The mission was aimed to position Atlas Mara as the preferred business partner for Dutch corporates interested in agricultural investments in Zimbabwe.
- Build Partnerships: BancABC is bringing in new partners with agricultural expertise that they can leverage on to improve its agricultural capacity. The following partnerships have been agreed:

Paperhole Investment Limited ('PHI'): BancABC, in partnership with PHI provides medium term loans to farmers to finance the purchase of farming implements and short-term working capital. PHI recommends to the Bank, farmers eligible for loans and recommended loan amounts are based on PHI's intimate knowledge of the farmer's performance. The facility is secured by an underlying guarantee from PHI against the scheme. As of 31 March 2019, loans outstanding in relation to the PHI program are ZWD 6 m.

Seed Co Limited: Seed Co Limited is a leading producer and marketer of certified crop seeds in Zimbabwe with operations across 10 African countries and distribution network across 15 African countries. Similar to the PHI scheme, Seed Co recommends to the bank farmers who could be eligible for loans and puts a 20 % upfront deposit towards the financing. As of 31 March 2019, loans outstanding in relation to the Seed Co program are ZWD 3.5 m.

BancABC Social and Environmental Review

BancABC continued implementing its S&E Action Plan, which, among others, included further capacity building of staff. Within the scope of the S&E mentoring provided by an expert consultant financed by the AATIF TA Facility and backstopped by the Fund's Compliance Advisor, BancABC's Sustainability Specialist reviewed credit applications, conducted social and environmental audits, engaged with clients to familiarise them with the bank's S&E risk management approach, and conducted S&E training events for fellow bank staff throughout 2018. While the S&E mentoring ended in 2018, the bank has internally built capacity to continue the successful implementation of its Social and Environmental Management System.

In addition to the Sustainability Specialist, BancABC appointed a Deputy Sustainability Specialist, based in Zambia, and a number of credit officers as S&E champions. The new team members have participated in online trainings and face-to-face workshops that were offered in Zimbabwe, Zambia and Rwanda. A total of 58 BancABC employees, including senior management, participated in the workshops. The events were considered by all to have made a significant contribution to the level of understanding of S&E risk management within the bank, as well as provided key individuals within each country with the necessary knowledge and skills to implement the Social and Environmental Management System in 2019. The workshops also identified potential actions regarding organizational structure, client awareness, communications and experience sharing to improve implementation.

Furthermore, BancABC's S&E Action Plan foresees developing a grievance mechanism in 2019, of which a first draft is already available.

In 2018, BancABC increased efforts to track the development impact generated through its agricultural lending portfolio. A new reporting form was developed and shared with the country offices in October 2018. While there are still gaps, the reported data shows that the bank is (in)directly supporting thousands of permanent and seasonal jobs in agriculture, particularly in Zimbabwe with clients employing over 3,500 permanent and a similar number of seasonal workers, and various outgrower schemes in Zimbabwe and Mozambique.

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 as well as 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.	✓ 2017 Since 2018: Summary S&E data submitted
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.	Ongoing
By no later than 31 March 2019, develop an impact reporting template and successfully test the effectiveness of such reporting template;	Ongoing
Develop Social and Environmental Employee Performance Indicators and integrate the same into the Borrower's performance appraisal system which will facilitate measuring the social and environmental performance of the Borrower's relevant employees.	
Maintain at all times, an effective and reliable procedure for receiving, recording and addressing and providing feedback on project-related grievances from external stakeholders.	In progress

Technical Assistance

In cooperation with the Compliance Advisor, TA Facility interventions have equipped BancABC with an operational Social and Environmental Management System (SEMS) and with staff which is capacitated to utilise the system and develop it further.

With the support of the first TA project that was completed in 2017, BancABC has developed a full-fledged SEMS including a Sustainability Policy, Exclusion List, S&E Manual, and S&E checklists. BancABC has integrated the S+E assessments and monitoring as a standard procedure. In addition, the bank has developed capacity building materials and completed a first round of training-of-trainers and country-level trainings of relevant staff.

A second TA intervention, which has come to completion in December 2018, successfully assisted an existing staff member based in Harare with additional training and individual coaching to adequately fulfil his new role as BancABC's new Sustainability Specialist. In addition, workshops were held to capacitate credit officers from BancABCcountry branches to become focal points for S+E matters on country level.

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[14]

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 agro-processing as agro-processing and agri-food systems are acknowledged to increase the income and create employment along the food chain.

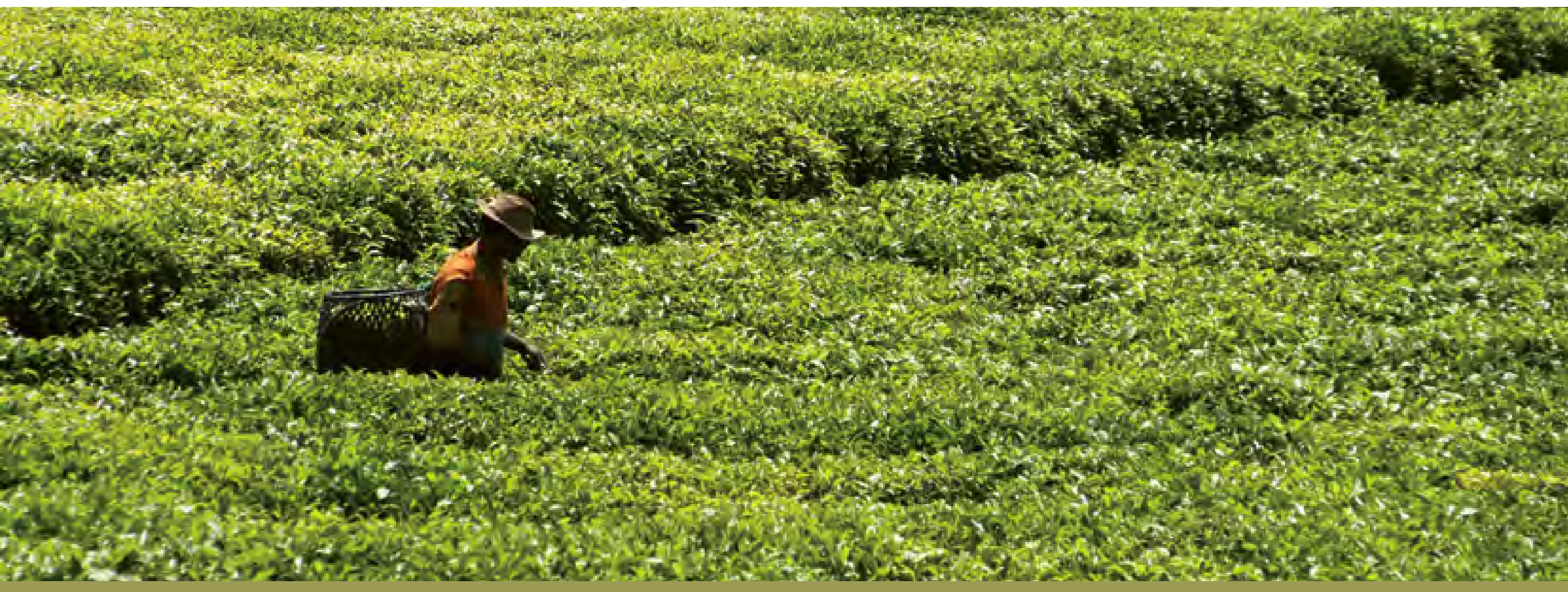
With the African Continental Free Trade Area (ACFTA) reaching 54 members in July 2019 with only Eritrea missing, it remains to be seen how quickly agreements on reduced tariffs and customs duties will be reached and what will happen to safeguards of existing trade unions as COMESA. The goal of the new free trade area is to significantly increase trade within Africa. Currently, African countries conduct only 16 per cent of their trade with each other, compared to >50 per cent among European countries, according to the African Union.

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.

In September 2018, TDB repaid the 2nd tranche of USD 10m under the USD 30m Facility according to schedule with the final tranche due in September 2019. The Bank strategy wise intends to deepen its support of selected agriculture linked value chains to boost intra-African trade. One of its most recent engagements has been partnering with the Pan-African Fashion Initiative, a project launched by the African Union in collaboration with the Afro Champions Initiative. The launch event took place in Addis Ababa in February, alongside the

[14] COMESA Website, 2018, http://programmes.comesa.int/



Department of Trade and Industry, the African Development Bank, Africa 50, Afreximbank, Organisation Internationale de la Francophonie, OCP and Ceramica Cleopatra Group. The bank is also currently strengthening its efforts towards energy and SME. It signed to such effect a Memorandum of Understanding with Power Africa (a USAID initiative) on Nov 7, 2018 and announced an increase in its exposure in the energy sector from 8% to 20%.

For the year ending 2018, TDB reported a net exposure towards the agribusiness sector totaling USD 657m up from USD 627m in 2017. The remaining USD 10m under the AATIF facility has been fully disbursed towards the agricultural sector mainly towards the tea and dairy sector.

Technical Assistance

To assess the social and environmental impact of the AATIF loan to TD Bank, the TA Facility is undertaking a standard rapid appraisal of a selected sub-loan (extended by TD Bank to the Tanganda Tea Company in Zimbabwe). A baseline study was made in 2016 of which a summary is available on the AATIF website. The field mission for the endline data collection is scheduled for end of 2019.

TDB Social and Environmental Review

TDB's Corporate Plan 2018–2022 commits the bank to align its activities to the UN SDGs. The Annual Environmental and Social Performance Report, duly submitted for 2018, highlights this alignment. One example of the bank's efforts to promote environmentally and socially sustainable financing is the hiring of a full-time E&S specialist in December 2018. The specialist will provide technical advice on E&S management topics and support TDB's operational departments. Among others, the specialist will identify gaps in E&S risk profiling, compliance, and propose measures to enhance E&S performance. In addition, the specialist is expected to contribute to an effective and efficient engagement of the Bank with other stakeholders on key environmental and social issues and global trends.

TDB's efforts to continuously building E&S capacity of staff continued during the reporting period. Five staff members participated in UNEP FI's three-week online training on Environmental and Social Risk Assessment. This course has been made mandatory for all new staff joining the operations department. Furthermore, one employee participated in a two-week course on Environmental and Social Impact Assessment.

In the third quarter of 2018, TDB launched the Trade and Development Bank Academy. The purpose of the academy is to provide a solid training and capacity building platform for the Bank to nurture its own talent. Sustainable financing is one topical area that the Academy will offer courses on in addition to other specialised environmental, social, health and safety courses.

For 2019, the bank plans to develop a platform for effective S&E reporting from borrowers as well as a suitability reporting tool for internal and external reporting.

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 activity
TDB shall (i) have introduced social and environmental procedures in all its relevant departments, and (ii) have trained all relevant staff on social and environmental risk assessments, no later than June 30, 2013.	✓ Ongoing activity
TDB shall closely communicate with AATIF (i) in overseeing the first two sub-loans and (ii) in general with respect to appropriate procedures when on-lending to the small and medium enterprise sector.	✓

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 operates across 48 countries in the world with significant presence in 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 2018/2019, 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 fertilisers, as well as the financing of capital expenditures related to processing plants and warehouses.

ETG's anchor shareholder, Japanese conglomerate Mitsui & Co. which joined as minority shareholder of 22 % during the financial year 2017/2018, has a strategic interest in growing its African activities with long term sustainable projects. During the financial year 2018/2019, ETG implemented investment projects such as the construction of a fertiliser blending plant and warehouse in Zambia, a soybean processing plant in Zambia and a sesame warehouse and processing site in Nigeria. The company is implementing new initiatives including a greenhouse laboratory in South Africa, maize seeds production in Zambia and mobile distribution centres through containers that are being moved by truck in Tanzania.

Social and Environmental Review

ETG completed developing its Sustainability Capacity Building Strategy and started implementation in order to further grow social and environmental management competencies in-house, including those necessary for sustainable supply chain management. The strategy includes training on general EHS topics, as well as on specific activities such as food processing, fertiliser plants, and others. An advanced level training shall be planned as an external event resulting in an auditor-level expertise in a particular domain or a standard. In the reporting period, total training provided to workers totalled 5.921 hours. In addition to that, ETG is working on a Stakeholder Engagement framework to be finalised this year.

Area of improvement as per loan agreement	Status
ETG shall procure that the country level social and environmental policies, procedures and templates of each member of the Group comply with all laws applicable in each jurisdiction in Africa in which each member of the Group conducts its business;	✓ Ongoing
ETG shall develop an internal social and environmental capacity building strategy for relevant members of the Group by 31 March 2016. The strategy shall guide the implementation of the following items: • strengthen 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 Sustainability Capacity Building Strategy developed.
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	As of March 2019, ETG provided employment to 4,967 people in Africa. Direct employees represented 1,193 people (13% of which were women) and contract employees represented 3,774 people (74% of which were women)

Rapid Appraisal

In 2018, AATIF collected data for a rapid appraisal baseline on ETG's operations in Malawi, as described below. ETG has processing and warehouse facilities, purchases from local farmers and works with the non-profit organisation Total Land Care (TLC) in the provision of training and extension support for smallholder farmers in the country. The baseline survey aimed at assessing the current social-economic characteristics of the smallholder farmers that are (in)directly selling their products to ETG. The survey covered 140 farmers and included farmers that sell to ETG in the spot market through intermediaries, farmers that work with TLC and supply to ETG, as well as farmers that work with TLC but do not supply to ETG. Maize productivity was higher in ETG spot market farmers (0.9MT/acre). On the other hand, productivity of soy was higher for farmers working with TLC (0.5MT/acre). Interestingly, farmers working with TLC but not supplying to ETG had the highest overall incomes in both dry (95K MWK) and rainy (237K MWK) seasons in the sample. The varied findings of productivity and income levels across the groups will again be assessed in an ex-post appraisal.

Technical Assistance

The TA Facility is undertaking a rapid appraisal of the social and developmental impact of the AATIF loan extended to ETG. The collection of baseline data took place in Malawi in late 2018. Alongside this activity, the TA Facility Manager has started a dialogue to identify other potential TA Measures that could assist ETG to further improve its outgrower scheme management and technical assistance for agriculture related issues.

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 1.5 m from the liquidation proceeds.

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 was the financing of SME business, including agriculture, health care, education and transport in Kenya. AATIF provided in aggregate a loan of USD 10 m to Chase Bank from 2012 to 2013. 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.

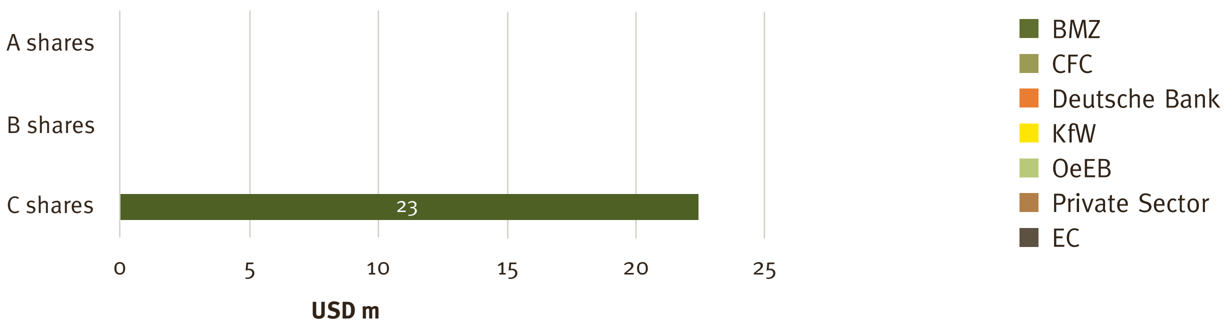
The Bank has since been under restructuring. While the outcome of the restructuring process of Chase Bank is highly uncertain, AATIF will strive to ensure the maximum recovery of its loan to Chase Bank, working with the senior lenders group.

Activities Report: Funding

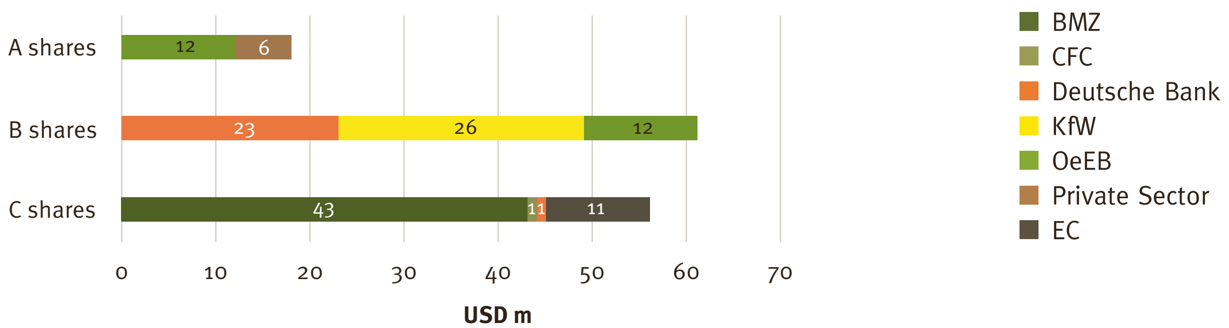
AATIF Funding Sources

Funding overview: During the financial year 2018/2019, AATIF has drawn its first tranche of a USD equivalent to EUR 10 m from the European Commission C-Shares Commitment. The EUR 30 m commitment of the European Commission allows AATIF to raise approximately EUR 60 m of capital from private sector investors for future growth. During the financial year, one further private sector investor decided to subscribe into AATIF. Outlook: Private sector engagement could be accelerated in Q2 2019, which is when AATIF successfully issued two notes tranches including a EUR 25 m tranche with maturity in June 2022 and a EUR 5 m tranche with maturity in June 2024.

Undrawn Commitments



NAV as of 31/03/2019



Financial Statements

Financial Statements

Statement of financial position

USD	31 March 2019	31 March 2018
ASSETS		
Non-current assets		
Gross loans to Partner Institutions at amortised cost	96,837,723	99,697,989
Loan loss allowance	(1,300,139)	(11,643,070)
Loans to Partner Institutions at amortised cost	**95,537,584**	**88,054,919**
Current assets		
Gross loans to Partner Institutions at amortised cost	22,679,760	31,265,323
Loan loss allowance	(10,027,476)	(10,379,597)
Loans to Partner Institutions at amortised cost	12,652,284	20,885,726
Loans to Partner Institutions at fair value through profit and loss	–	–
Interest accruals on loans	1,029,027	1,384,633
Other receivables and prepayments	705,545	741,313
Cash at bank	40,174,027	36,419,921
Total assets	**150,098,467**	**147,486,512**
LIABILITIES		
Current liabilities		
Accrued expenses	1,308,110	1,360,844
Other payable	2,941	–
Redemption payable to holders of redeemable ordinary shares	9,705,103	12,624,700
Distribution to holders of redeemable ordinary shares payable	3,673,172	3,296,391
Total liabilities excluding net assets attributable to shareholders	**14,689,326**	**17,281,935**
Non-current liabilities		
Financial liabilities at fair value through profit or loss	215,839	–
Class A Shares – Tranche 1	2,868,960	12,631,076
Class A Shares – Tranche 3	2,000,000	2,000,000
Class A Shares – Tranche 4	12,376,240	9,900,000
Class A Shares – Tranche 6[15]	797,232	–
Class B Shares – Tranche 1	25,858,000	25,858,000
Class B Shares – Tranche 2	22,718,366	22,718,366
Class B Shares – Tranche 3[16]	12,376,238	–
Net assets attributable to holders of redeemable shareholders	**79,210,875**	**73,107,442**
Total liabilities	**93,900,201**	**90,389,377**

USD	31 March 2019	31 March 2018
EQUITY		
Class C Shares – Tranche 1		
Share capital	75,021,434	75,021,434
Profit/(loss) for the year	(11,942,196)	(8,708,639)
Retained earnings	(20,388,433)	(11,679,794)
Class C Shares – Tranche 2		
Share capital	1,980,198	1,980,198
Profit/(loss) for the year	(343,457)	(257,514)
Retained earnings	(348,682)	(91,168)
Class C Shares – Tranche 3		
Share capital	999,999	854,783
Profit/(loss) for the year	(191,854)	(22,165)
Retained earnings	(22,165)	–
Class C Shares – Tranche 4[16]		
Share capital	11,827,000	–
Profit/(loss) for the year	(393,578)	–
Retained earnings	–	–
Total equity	**56,198,266**	**57,097,135**
Total liabilities and equity	**150,098,467**	**147,486,512**

[15] This tranche has been launched on 1 October 2018.

[16] These tranches have been launched on 1 January 2019.

Statement of comprehensive income

USD	For the year ended 31 March 2019	For the year ended 31 March 2018
INCOME		
Interest income on loans	6,828,051	7,833,436
Interest income on cash at bank	456,833	–
Upfront management fees and success fees on loans	863,693	294,429
Change in unrealised gain on exchanges	–	1,449,960
Realised gain on exchanges	87,064	2,345,202
Other income	415,839	22,197
Total income	8,651,480	11,945,224
EXPENSE		
Direct operating expenses	(1,786,605)	(1,767,865)
Investment management fees	(1,088,806)	(1,182,955)
Performance fees	(325,559)	(435,924)
Change in unrealised loss on exchanges	(1,258,894)	(3,695,350)
Change in unrealised loss on financial liabilities at fair value through profit or loss	(215,839)	–
Realised loss on loans	–	(250,000)
Loan loss allowance	(13,119,362)	(10,272,667)
Other expenses	(54,328)	(32,390)
Total expense	**(17,849,393)**	**(17,637,151)**
Operating loss	**(9,197,913)**	**(5,691,927)**
Finance costs (excluding change in net assets attributable to shareholders)		
Distribution to holders of redeemable ordinary shares	(3,673,172)	(3,296,391)
Loss for the year	**(12,871,085)**	**(8,988,318)**
Other comprehensive income	–	–
Total comprehensive income for the year	**(12,871,085)**	**(8,988,318)**

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

USD	**Net assets attributable to shareholders**
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**
Issue of redeemable shares (Class A)	3,273,472
Redemption of redeemable shares (Class A)	(9,762,116)
Issue of redeemable shares (Class B)	12,376,238
Redemption of redeemable shares (Class B)	–
Increase in net assets attributable to shareholders from transactions in shares	**5,887,594**
Change in net assets attributable to shareholders from operations	–
As at 31 March 2019	**78,995,036**

Statement of changes in equity

USD	**Net assets attributable to shareholders**
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**
Issue of non redeemable ordinary shares (Class C)	11,972,216
Redemption of non redeemable ordinary shares (Class C)	–
Increase in equity attributable to shareholders from transactions in shares	**11,972,216**
Decrease in equity attributable to shareholders from operations	(12,871,085)
As at 31 March 2019	**56,198,266**

Supplementary information

USD	31 March 2019	31 Mach 2018	31 March 2017
Net asset value per share (USD)[18]			
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
Class A Shares – Tranche 3 (redeemable shares)	40,000.00	40,000.00	40,000.00
Class A Shares – Tranche 4 (redeemable shares)	40,000.00	40,000.00	40,000.00
Class A Shares – Tranche 6 (redeemable shares)[18]	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 B Shares – Tranche 3 (redeemable shares)[18]	20,000.00	–	–
Class C Shares – Tranche 1 (non-redeemable shares)	5,501.48	7,040.44	8,124.75
Class C Shares – Tranche 2 (non-redeemable shares)	6,504.70	8,239.16	9,525.13
Class C Shares – Tranche 3 (non-redeemable shares)	7,530.81	9,740.70	–
Class C Shares – Tranche 4 (non-redeemable shares)[19]	9,667.22	–	–
Number of shares			
Class A Shares – Tranche 1 (redeemable shares)	71.7240	315.7769	582.6569
Class A Shares – Tranche 2 (redeemable shares)	–	–	100.0000
Class A Shares – Tranche 3 (redeemable shares)	50.0000	50.0000	50.0000
Class A Shares – Tranche 4 (redeemable shares)	309.4060	247.5000	247.5000
Class A Shares – Tranche 6 (redeemable shares)[17]	19.9308	–	–
Class B Shares – Tranche 1 (redeemable shares)	1,292.9000	1,292.9000	1,292.9000
Class B Shares – Tranche 2 (redeemable shares)	1,135.9183	1,135.9183	1,135.9183
Class B Shares – Tranche 3 (redeemable shares)[18]	618.8119	–	–
Class C Shares – Tranche 1 (non-redeemable shares)	7,759.8804	7,759.8804	7,759.8804
Class C Shares – Tranche 2 (non-redeemable shares)	198.0198	198.0198	198.0198
Class C Shares – Tranche 3 (non-redeemable shares)	104.3687	85.4783	–
Class C Shares – Tranche 4 (non-redeemable shares)[19]	1,182.7000	–	–

[17] Calculated in accordance with the provisions of the Issue Document.

[18] This tranche has been launched on 1 October 2018.

[19] These tranches have been launched on 1 January 2019.

Statement of cash flow

USD	For the year ended 31 March 19	For the year ended 31 March 18
Operating loss before tax	(12,871,085)	(8,988,318)
Adjustments for non cash items		
Non cash items related to unrealised foreign exchange[20]	1,474,735	2,245,389
Loan loss allowance	13,119,362	10,272,667
Realised loss on loans	–	250,000
Interest income	(7,284,884)	(7,833,436)
Operating profit after adjustements for non cash items	**(5,561,872)**	**(4,053,698)**
Net changes in operating assets and liabilities		
Net (increase)/decrease in other receivables and prepayments	(241,329)	–
Net increase/(decrease) in accrued expenses and accounts payable	(49,793)	620,743
Net cash flow used in operating activities	**(291,122)**	**620,743**
Cash flow from investing activities		
Cash paid on loans to Partner Institutions granted	(44,750,384)	(582,850)
Cash received on loans to Partner Institutions matured/restructured	31,400,000	17,844,961
Interests received	7,640,490	7,817,277
Net cash flow from investing activities	**(5,709,894)**	**25,079,388**
Cash flow from financing activities		
Proceeds from issue Class A Shares	3,273,472	–
Payments from redemption of Class A Shares	(9,762,116)	(14,675,200)
Proceeds from issue of Class B Shares	12,376,238	–
Proceeds from issue of Class C Shares	11,972,216	854,783
Net increase/(decrease) in redemption payable to holders of redeemable ordinary shares	(2,919,597)	12,624,700
Net increase/(decrease) in distribution to holders of redeemable ordinary shares payable	376,781	426,634
Net cash flow provided by financing activities	**15,316,994**	**(769,083)**
Net increase in cash and cash equivalents	3,754,106	20,877,350
Cash and cash equivalents at beginning of the year	**36,419,921**	**15,542,571**
Cash and cash equivalents at end of year	**40,174,027**	**36,419,921**

[20] includes the unrealised variation on swaps.

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Imprint

Publisher:
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The agricultural SWOTs are provided by BMI Research.

Partners and Key Investors

Funded by:

Federal Ministry for Economic Cooperation and Development

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UN environment
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TA Facility Manager:

CFC common fund for commodities

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