



**Africa Agriculture and Trade Investment Fund**  
*Advancing green businesses through financing*

**SWITCH Africa Green Regional Meeting:**  
*“Advancing Green Business and Circular Economy in Africa”*  
24-25 February 2020  
Kampala, Uganda

- Innovative green financing mechanisms in Africa – *Africa Agriculture & Trade Investment Fund (AATIF)*
- Eligibility criteria for enterprises to access AATIF financing
- Innovative facilities to develop capacity of MSMEs - Technical Assistance Facility & AATIF Innovative Facility
- Challenges & Recommendations

# Overview of AATIF

# Mission and Objectives

## Aspirations & Values

- Increase incomes [*production, manufacturing, trading, transport*]
- Improving Food security

## Objectives

### **Economic development objectives**

- Enhance local value addition capacity
- Bridge the funding gap
- Increase agricultural production

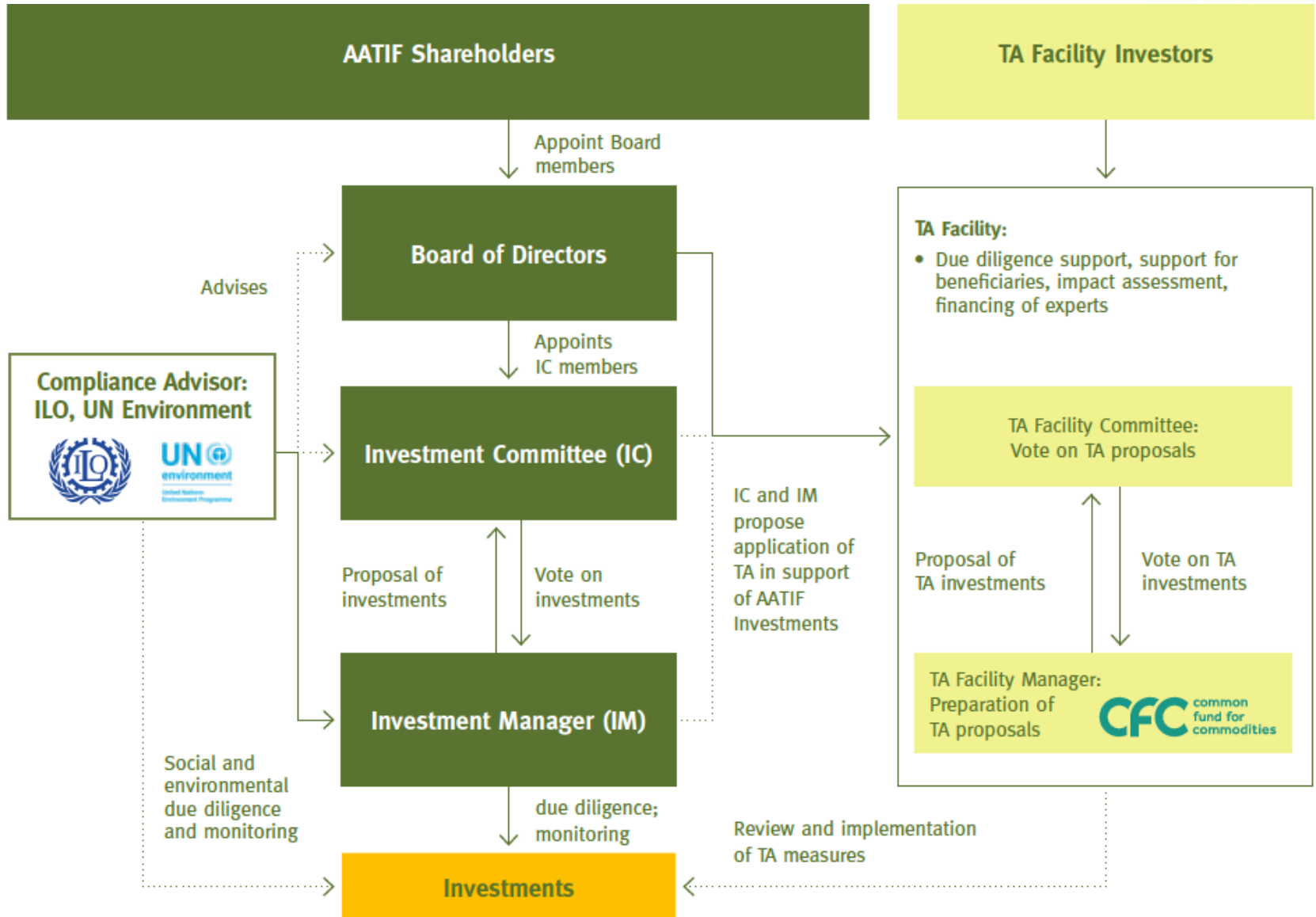
### **Social development objectives**

- Create quality employment
- Increase household income
- Reduce poverty

### **Environmental objectives**

- Prevent or abate pollution
- Conserve biodiversity
- Manage natural resources sustainably

# Organization Structure



# Investment of the Fund & Product Offering

	Intermediary Investment Companies	Direct Investment Companies	Financial Institutions
Transaction size	– USD 5 – 30mn*	– USD 5 – 15mn*	– USD 5-30mn**
Tenor	– Up to 12 years (average is 5-8 yrs.)	– Up to 12 years (average is 5-8 yrs.)	– Up to 10 years (average is 3-5 yrs)
Interest rate	– Market based	– Market based	– Market based

\*USD 3.5m is also possible if there is clear visibility that the company will grow and require further debt in the next 1-2 years.

\*\*For FIs the AATIF loan should not exceed 10% of the total assets or 20% of the total capital



## Development impact

AATIF is committed to prioritising investments that contribute to improving food security, create decent employment and boost local incomes. The **Fund tracks, measures and reports on the social, environmental, and developmental performance** of its investments to assess its progress and impact towards achieving its mission.

## AATIF Social and Environmental Policy

In line with its mission and following good practice among international financial institutions, the AATIF has **adopted a Social and Environmental Policy that outlines the standards to which the Fund adheres in terms of social and environmental risk management** as well as the main requirements for the Fund's partner institutions.

## Requirements

- Identification of social and environmental impacts, risks, and opportunities
- Effective community engagement
- Management of social and environmental performance through a Social and Environmental Management System.
- Follow requirements established in the IFC's Performance Standards 2 through 8.
- For companies involved in commodity trading: management of risks in its supply chain, particularly with regards to labour and working conditions and biodiversity conservation and sustainable management of living natural resources.

Following the Fund's Social and Environmental standards is one of the stipulations and pre-conditions to receiving AATIF funding for all PIs and always forms part of the legal documentation. However, the Fund acknowledges that the establishment of a Social and Environmental Management System and the compliance with the specific standards may not be reasonably required from PIs immediately upon entering into an AATIF transaction. It is considered an aim that the Fund and its partners undertake to strive towards.

# Eligibility criteria for enterprises to access AATIF financing



# Investment Criteria

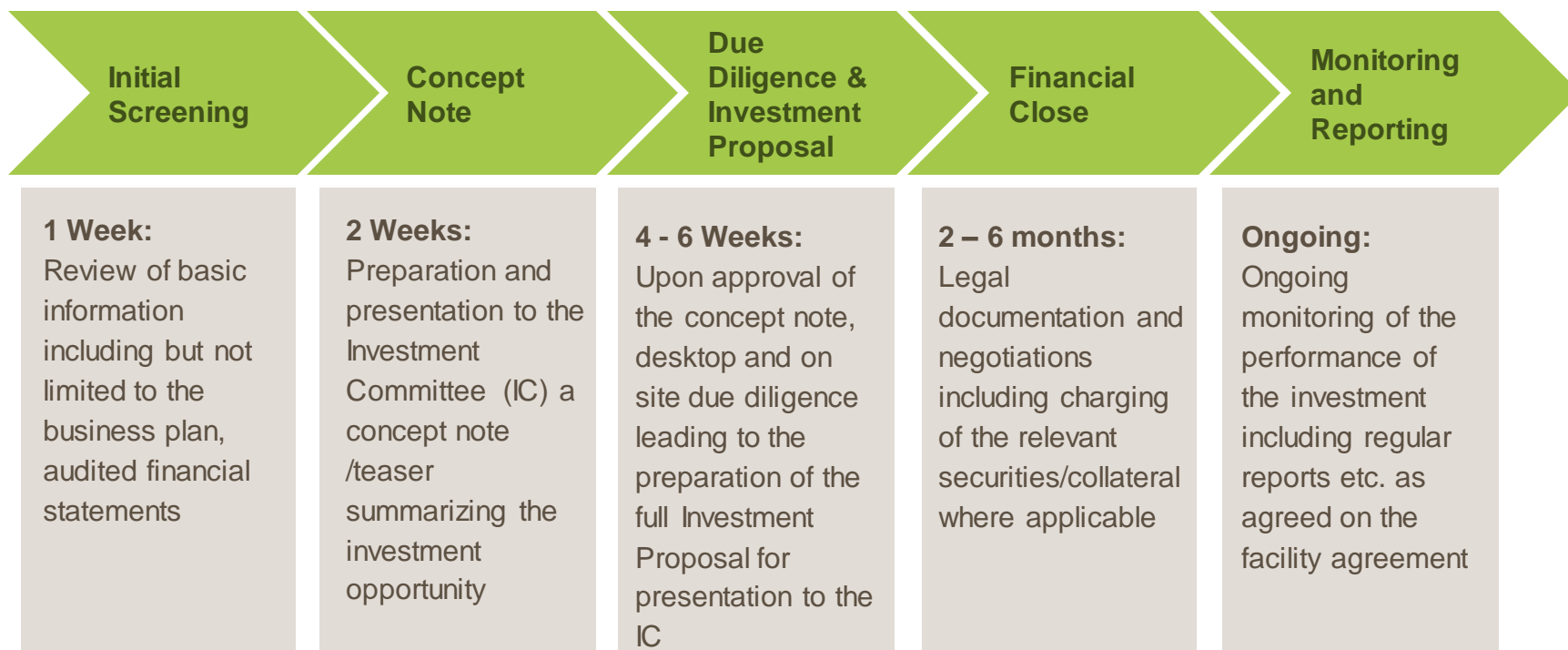
AATIF seeks to invest in intermediary and direct investment companies that are active in the **food and agribusiness sector in Africa** that meet the following criteria:

Eligible Business Activities	Business Maturity	Business Performance	Impact
<ul style="list-style-type: none"> <li>• <b>Agro-inputs production and supply</b> such as seeds, fertilizer, chemicals, agro-machinery; medium to large scale primary food production; agro-transport, storage, packaging and logistics; agro-processing, export, distribution and retail sales.</li> <li>• Companies involved in <b>providing auxiliary products and services to the food and agri sector</b> such as food-grade packaging, production technology, animal health services, etc. are also eligible.</li> <li>• Excludes companies with activities in the tobacco and/or hard liquor sector, and with significant adverse social and environmental impacts.</li> </ul>	<ul style="list-style-type: none"> <li>• Established companies with at least 3 years in operations, with audited accounts and which are profitable (or at least EBITDA positive and expecting to go into profitability within 12 months of AATIF's investment).</li> <li>• Greenfield projects can only be considered if the company is a subsidiary of a cash generating and profitable parent company or the parent company has a cash generating and profitable subsidiary that is willing to guarantee the transaction over and above provide acceptable collateral.</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrates stable past and potential future financial performance.</li> <li>• Can retain an equity to total assets ratio of ~30%+ post AATIF investment.</li> <li>• Has in place adequate risk management systems, governance structures and management capacity and/or is willing to strengthen existing gaps over the period of AATIF's investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Contributes to increasing agricultural production and productivity, farm and household income, acceleration of decent employment, improvement on food security and/or works with smallholders, improving living and working conditions.</li> <li>• Adheres to relevant social and environmental standards, as outlined in the <a href="#">AATIF Social and Environmental Policy</a></li> </ul>

# AATIF Investment Process

## *Investment Timelines*

The typical investment process for AATIF is as shown below with historical timelines to financial close ranging between 3 to 6+ months depending on type of investment and availability of relevant information.



\* The above timelines are only indicative and are dependent on many other factors including unforeseeable circumstances that may lead to longer timelines

# S&E Management

## S&E Policy

### Social and Environmental Management System

Enables **identification, assessment and management** of social and environmental risk and impacts  
Considers both **adverse and beneficial** risks and impacts

### Labor and Working Conditions

Protection of **basic rights for workers** and prevention of **child and forced labour**

### Community Health, Safety and Security

**Minimizing risks and impacts** to community health, safety and security that may arise from investment activities (e.g. equipment accidents)

### Land Acquisition and Involuntary Resettlement

**No** funding of projects involving **involuntary resettlement**

### Biodiversity Conservation and Sustainable Natural Resource

**Protecting and conserving biodiversity** —the variety of life in all its forms, including genetic, species and ecosystem diversity—and its ability to change and evolve.

### Indigenous Peoples

Avoiding and minimizing the risk of **exposing indigenous people** to severity of impacts (including **loss of identity, culture, natural resource** -based livelihoods, and exposure to **impoverishment and disease**). Apply principle of **free, prior, and informed consent**.

### Cultural Heritage

Safekeeping of **irreplaceable cultural heritage** and guidance for investees on protecting cultural heritage in the course of their business operations.

### Pollution and Abatement

**Monitor & diminish the amount of pollution** to air, water & land that may threaten people & environment caused by investment

# Investments of the fund

AATIF's Portfolio is well diversified across countries and sectors

## Wienco

Intermediary, Ghana

AATIF loan: USD 21m, Term 3 years

- Distributor of inputs, off-taker of cocoa, maize & cotton
- Collaboration with smallholder farmers (cocoa, cotton, maize)

## Coopers-K Brands Kenya ("CKL")

Direct Investment, Kenya

AATIF loan: USD 4m, Term 7 years

- Financing of a plant for the production of minerals and nutritional supplements for livestock
- High quality, local value added production

## BancABC

Financial Institution, East Africa

AATIF loan: USD 25m, Term 5 years

- Supporting growth of local agric funding
- Credit protection in the form of risk sharing

## Agrivision Africa

Direct Investment, Zambia

AATIF loan: USD 10m, Term 5 years

- Wheat, maize and soy farm
- Vertical integration into wheat and maize processing via a captive mill

## GADCO

Direct Investment, Ghana

AATIF loan: USD 1.3m, Term 5 years

- Ghanaian rice producer
- Partnership with smallholders

## ETG

Intermediary, Pan Africa, 26 countries

AATIF loan: USD 30m, Term 5 years

- Supply chain manager of agricultural commodities
- Connecting smallholder farmers to global commodity markets

## Chase Bank

Financial Institution, Kenya

AATIF loan: USD 10m, Term 5 years

- Kenyan commercial bank focused on SMEs
- On-lending activities target investments along the entire agricultural value chain

## TDB Bank

Financial Institution, COMESA\*

AATIF loan: USD 30m, Term 5 years

- Multilateral development bank
- Private sector related trade and project/infrastructure financing

## African Milling Company ("AML")

Direct Investment, Zambia

AATIF Loan: USD 11m, Term 1.5 years

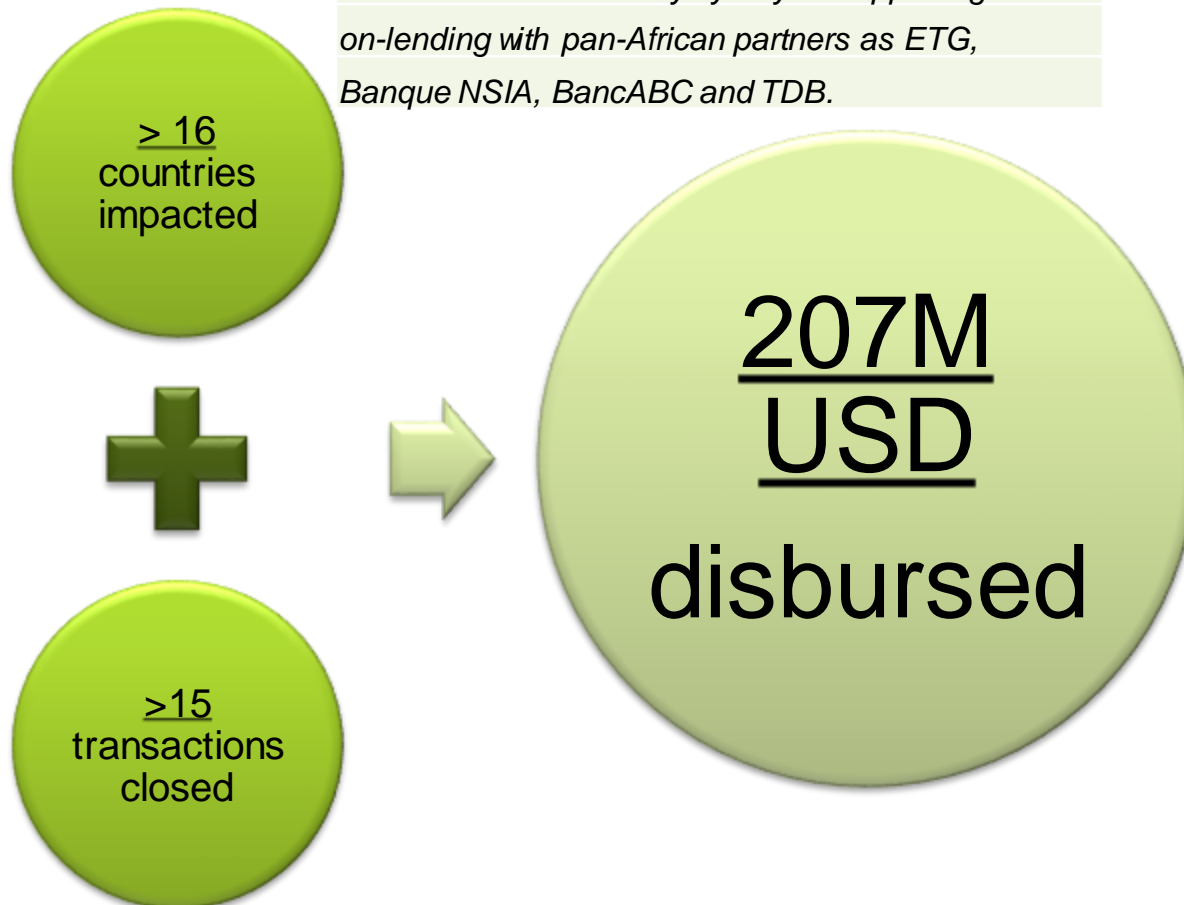
- CMA facility financing purchase of wheat and maize for local processing
- Local value addition and local & regional sales



■ = Indirect Investment / Financial Institution ■ = Direct Investment

# Investments of the fund

*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.*



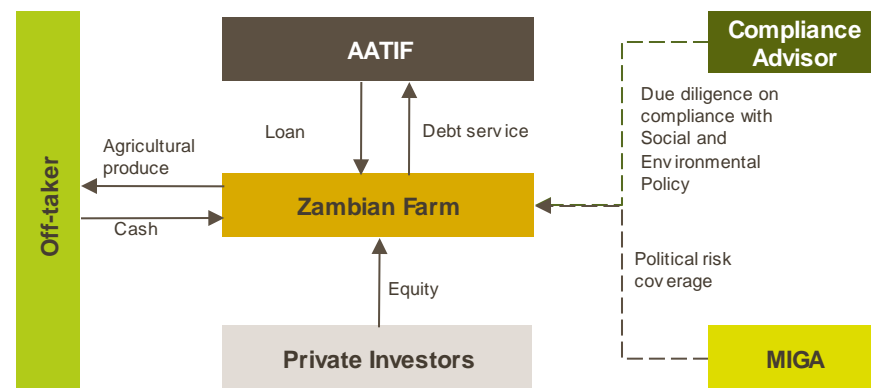
# Case Study – Zambia

## Chobe Agrivision

### Project in brief

<b>Project:</b>	Direct funding of a wheat, soy and maize farm
<b>Funding:</b>	AATIF provides funding to a Zambian maize, wheat and soya bean farming operation. AATIF's investment supports the operations of Chobe by increasing its operational capacities (e.g. irrigation systems) and thus enable it to contribute to regional food production/security
<b>Key Elements:</b>	<p>Volume: USD 10m</p> <p>Term: 5 years</p> <p>Market-based interest payments (Libor based)</p>
<b>Impact:</b>	<ol style="list-style-type: none"> <li>1. Enhancement of crop quality and yield per hectare</li> <li>2. Amelioration of food security in Zambia and neighbouring countries such as DRC</li> <li>3. Increasing and improving local employment opportunities</li> </ol>
<b>S&amp;E:</b>	Development and Implementation of a Social and Environmental Management System including occupational safety and health.
<b>T&amp;A:</b>	Rehabilitation of a nearby village school and procurement of a school bus. Secure school attendance of children living on the farm and increase attendance of children in nearby villages.

### Project structure



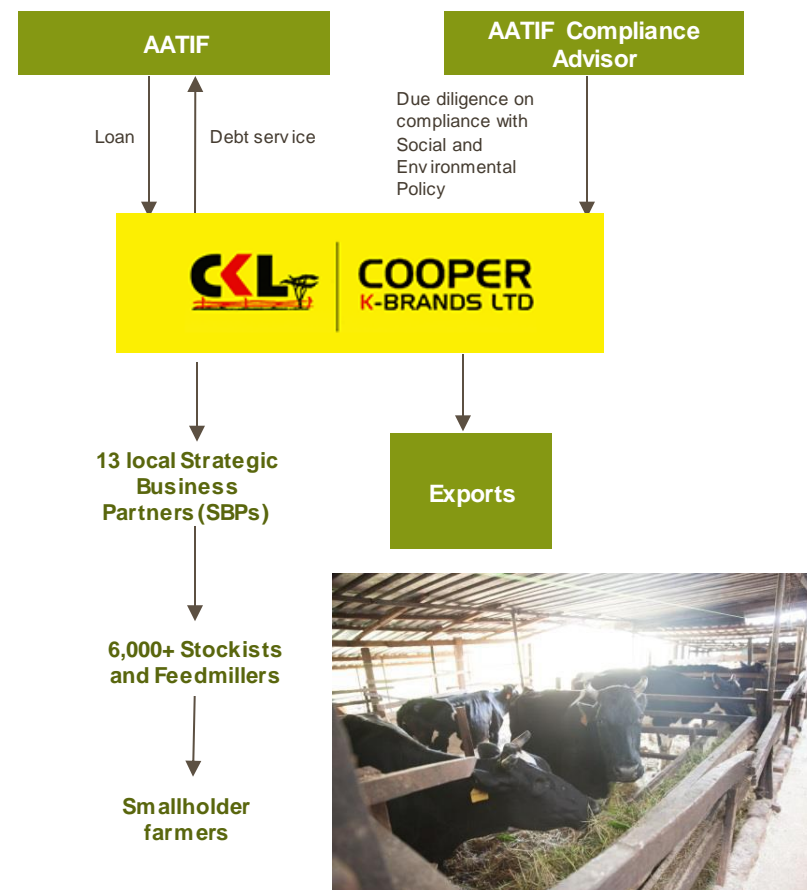
# Case Study – Kenya

## Cooper-K Brands Limited (CKL)

### Project in brief

<b>Project</b>	Direct investment in a Kenyan franchise distributor for the 'Coopers' range of products
<b>Key elements</b>	Volume: USD 4m Term: 7 years Market based interest payments (Libor based)
<b>Funding</b>	AATIF provides funding to Cooper-K Brands Ltd. ("CKL") a leading animal health and agricultural inputs company in Eastern Africa active since 1906. It distributes its products via a distribution network of wholesalers, owned depots and subsidiaries with primary end users being small and medium sized livestock and crop farmers
<b>Impact</b>	<ol style="list-style-type: none"> <li>1. Access to high quality and affordable agricultural inputs to farmers through a country-wide distribution network</li> <li>2. Advice provided to increase capacity of farmers to enhance agricultural practices</li> <li>3. Active tree seeding program for reforestation</li> <li>4. Increased local value addition and reducing the importation of finished goods through the construction of a new blending plant for nutritional supplements</li> <li>5. Slight increase in employment numbers due to expansion of production capacity</li> </ol>
<b>S&amp;E</b>	Development and Implementation of a Social and Environmental Management System

### Project structure





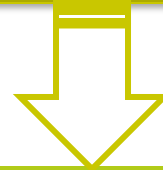
# Innovative facilities to develop capacity of MSMEs

## AATIF TA Facility



- Managed by CFC
- Accompanies AATIF lending on a grants basis
- Approx. 6.5M USD injected from BMZ & AATIF
- Capacity building support
- Knowledge dissemination
- Outgrower scheme management
- Baseline & endline studies for impact measurement

## AATIF Innovative Facility



- Separate vehicle from AATIF established in 2017 [ AATIF Innovative Foundation registered in Mauritius]
- KfW on behalf of BMZ granted initial amount of approx. 7 M USD
- Allows AATIF to venture into early stage/high risk market segments
- Supports untested ideas & innovations
- Helps AATIF to broaden its impact & support untested ideas
- Beneficiary companies mature into partner's of AATIF's direct financing

# Challenges & Recommendations

# Challenges

- Social and environmental management systems not in place for many enterprises
- Along the agri-food value chain, S&E risks abound (e.g. pollution, unsustainable consumption & production, occupational health & safety risks)
- Some African countries have weak and incompletely enforced regulation to manage S&E risks
- Investees while asked to achieve set S&E milestones often lack the capacity

# Lessons learned from AATIF Action

- Collaboration with the International Labor Organization (ILO) and the United Nations Environment Programme, AATIF has been in a position to proactively address and respond to needs and requests from AATIF investees, investors and the public
- To increase the Funds S&E capacity, the entire AATIF governance including the Board, the Investment Committee and the Investment Manager have undertaken a S&E training series
- Establishing vehicles/ mechanisms that support capacity development of MSMEs

**THANK YOU !**

[www.aatif.lu](http://www.aatif.lu)