



Africa Agriculture and Trade Investment Fund

SWITCH Africa Green

Regional Sector Meeting on Sustainable Agriculture, 2019

Introduction

Mission and Objectives

Mission

- To realise the potential of Africa's agricultural production, manufacturing, service provision and trade for the benefit of the poor.
- Support additional decent employment and income generation for farmers, entrepreneurs and laborers alike.

Objectives

Economic development objectives

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

Social development objectives

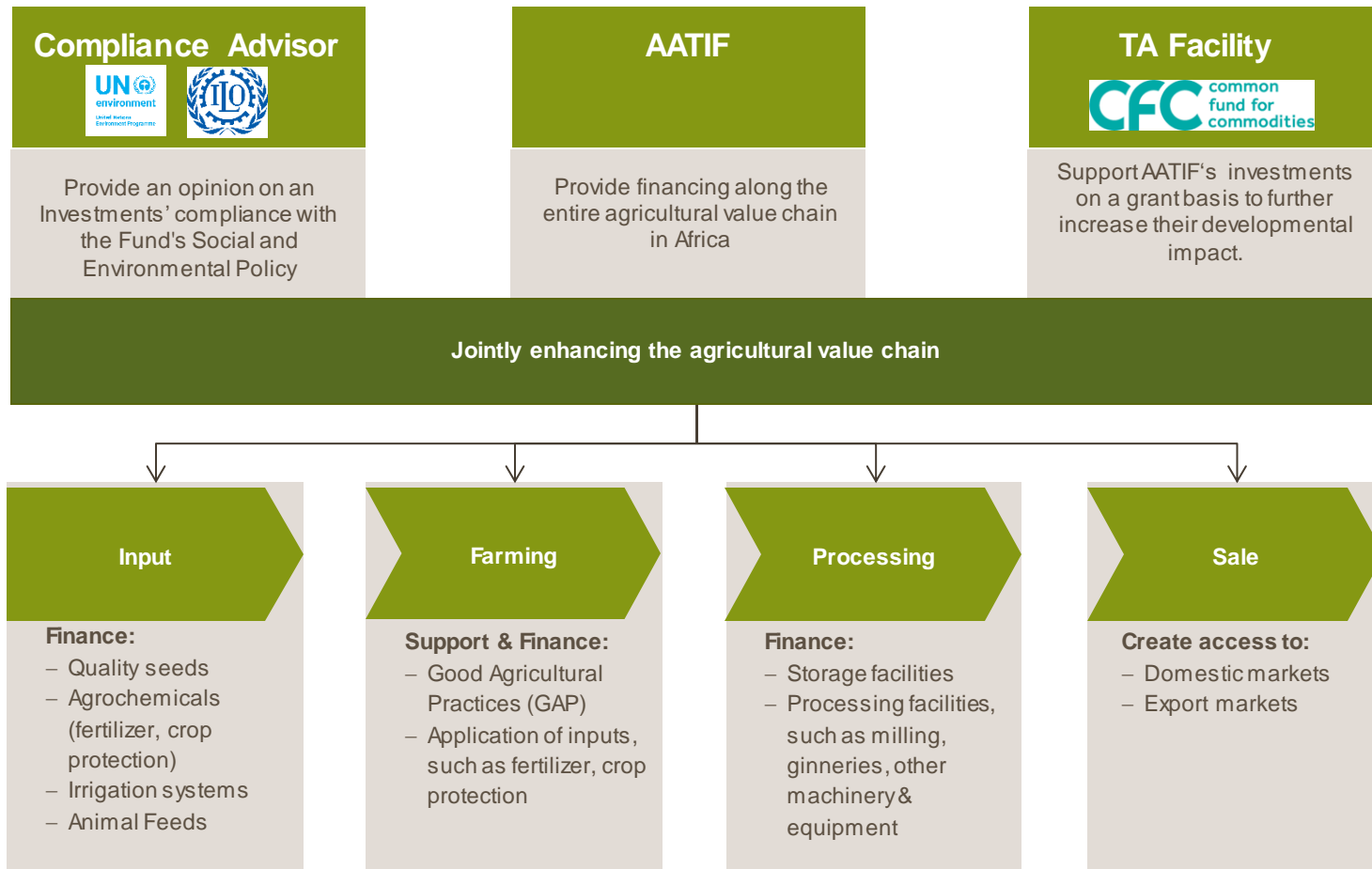
- Create quality employment
- Increase household income
- Reduce poverty

Environmental objectives

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

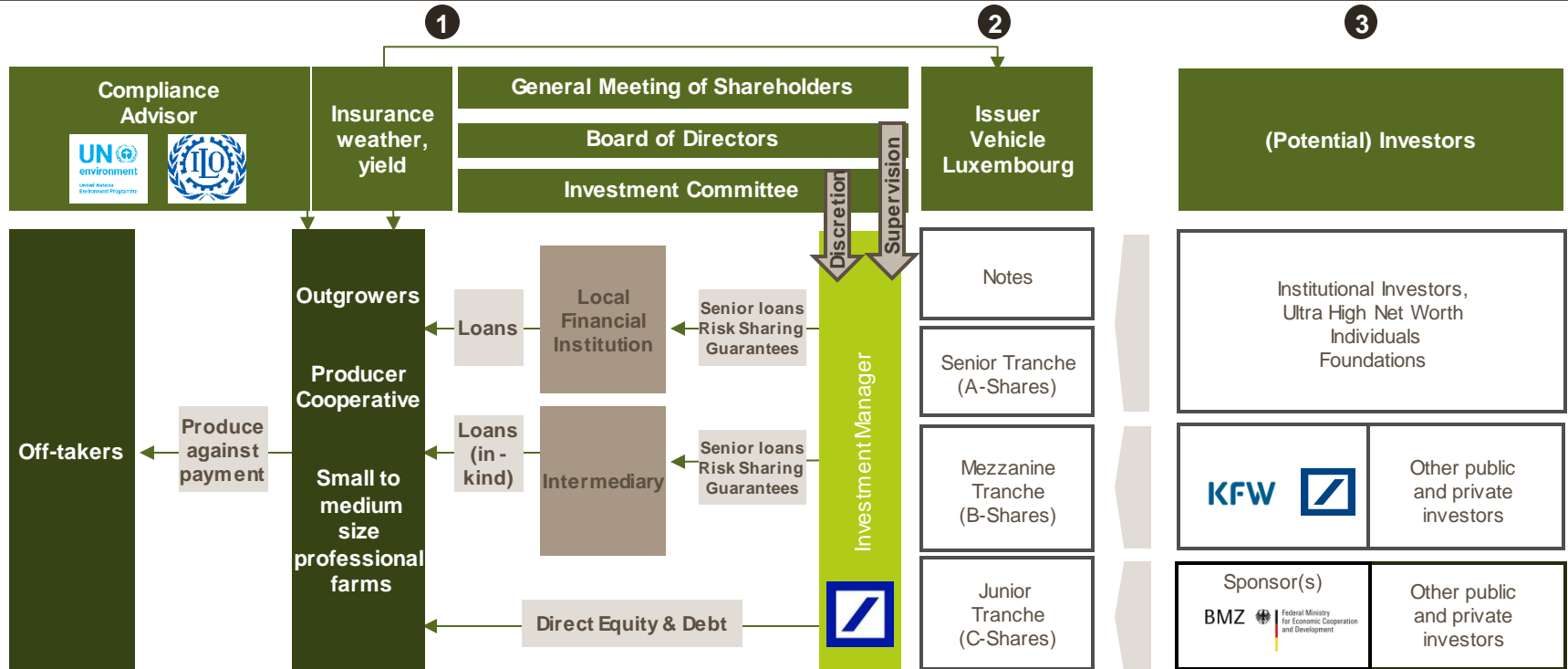
Introduction

Scope



Introduction

Fund Structure



- 1 Investments** The Fund targets small, medium and large scale agricultural farms as well as agricultural businesses along the entire agricultural value chain which will be financed directly (e.g. cooperatives, commercial farms, processing companies) and indirectly via local financial institutions or other intermediaries (such as large agribusinesses) which on-lend to the agricultural sector.
- 2 Structure** The AATIF is organised under Luxembourg law in the form of a public limited liability company. The Fund's Shareholders are represented by the Board of Directors. The Board of Directors appoints the Investment Committee which approves investments (discretion) that are proposed by the Investment Manager and supervises the activities of the Investment Manager.
- 3 Investors** The AATIF is structured to allow investors to come in at three different levels, each offering a unique risk/return profile with dividends being paid following a waterfall principle.

Investments of the Fund

AATIF pursues a threefold investment

INDIRECT		DIRECT
Financial Institutions	Intermediaries	Direct Investment Companies
<ul style="list-style-type: none"> • Target Clients: Selected financial institutions which on-lend to the agricultural sector. • Objective: Facilitate on-lending to smallholders and/or to small and medium sized enterprises (SMEs) in the agricultural sector. 	<ul style="list-style-type: none"> • Target Clients: Selected intermediary agribusinesses (commercial agricultural actors that are deeply involved in their value chain and often pre-finance their suppliers/producers). • Objective: Intermediaries will (i) disburse sub-loans and/or in-kind loans to their producers which are preferably organized in outgrower schemes and/or (ii) finance processing plants directly beneficial to the local economy by enhancing the value addition capacity. 	<ul style="list-style-type: none"> • Target Clients: Selected cooperatives, outgrower schemes, commercial farms or processing companies along the entire agricultural value chain. • Objective: Enable growth of target clients along the agricultural value chain to ultimately increase productivity, production and local value addition.

Product Offering

	Intermediary Investment Companies	Direct Investment Companies	Financial Institutions
Instrument	– Senior Debt / Mezzanine / Guarantees / Risk Sharing	– Senior Debt / Mezzanine	– Senior Debt / Co-financing / Risk Sharing / Warehouse Financing
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.

Food & Agri Companies

Investment Criteria

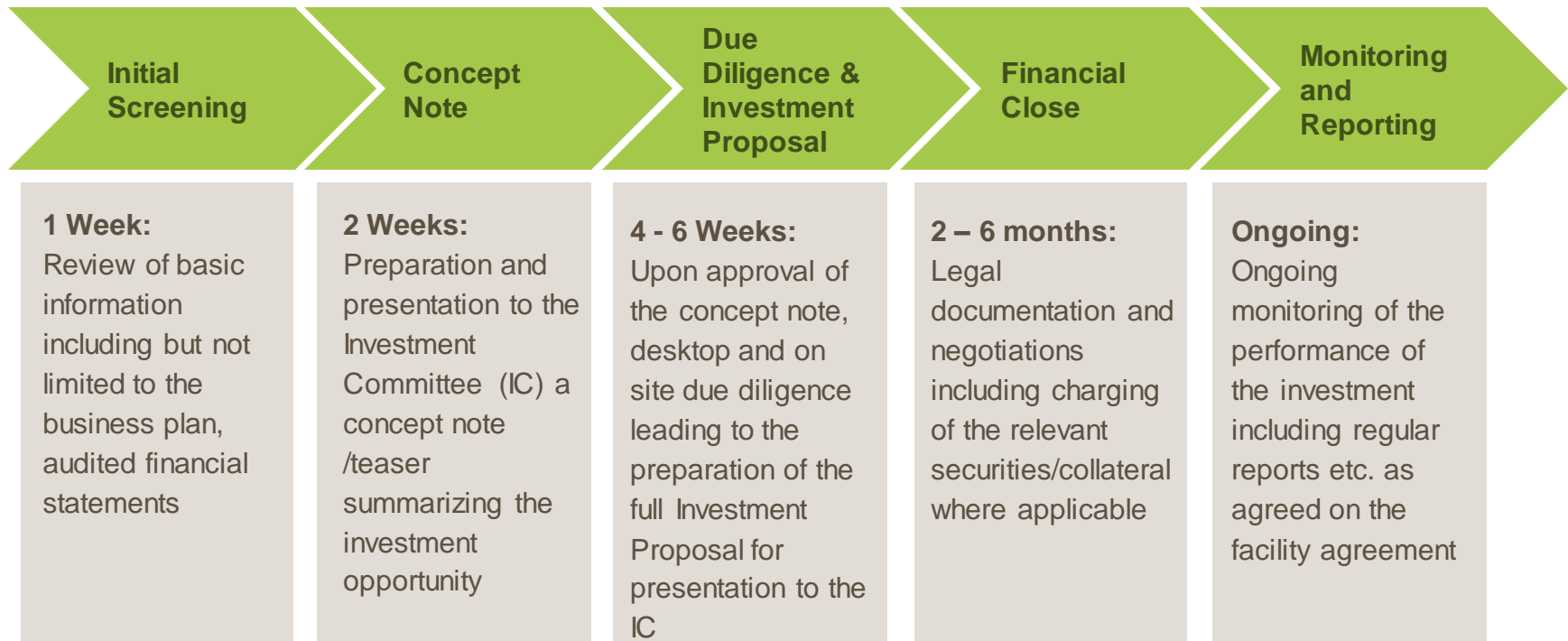
AATIF seeks to invest in intermediary and direct investment companies that are active in the **food and agribusiness sector in Africa** that meet the following criteria:

Eligible Business Activities	Business Maturity	Business Performance	Impact
<ul style="list-style-type: none"> • Agro-inputs production and supply 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. • Companies involved in providing auxiliary products and services to the food and agri sector such as food-grade packaging, production technology, animal health services, etc. are also eligible. • Excludes companies with activities in the tobacco and/or hard liquor sector, and with significant adverse social and environmental impacts. 	<ul style="list-style-type: none"> • 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). • 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. 	<ul style="list-style-type: none"> • Demonstrates stable past and potential future financial performance. • Can retain an equity ratio of ~33%+ post AATIF investment. • 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. 	<ul style="list-style-type: none"> • 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. • Adheres to relevant social and environmental standards, as outlined in the AATIF Social and Environmental Policy

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

S&E Management

Requirements for Financial Institutions

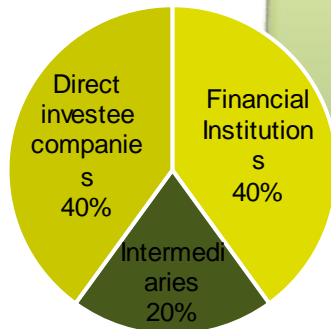
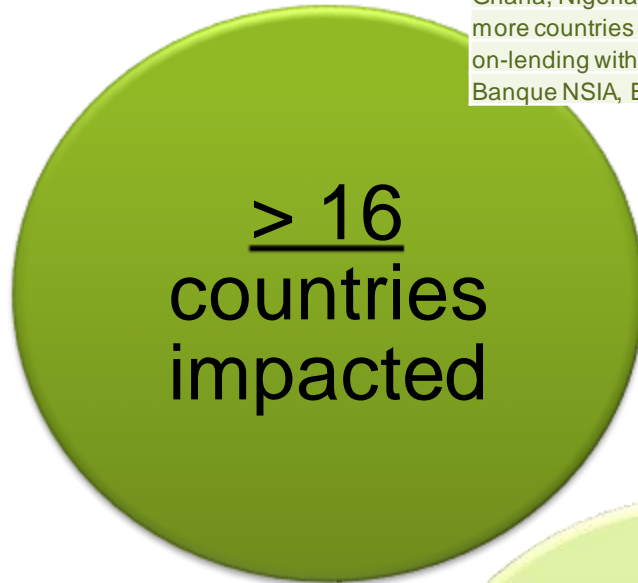
Social and Environmental Management System (SEMS)

- Proactive and communicative management regarding S&E issues
- Communication of S&E guidelines within the organization (e.g. training, workshops)
- Organizational capacity for SEMS management
- Sub-investments analysis and monitoring: ability to identify S&E risks, S&E exclusion list and exclusion of Category A sub-investments, check compliance with relevant laws and applicable guidelines

Stakeholder Engagement

- System of dealing with external communication on S&E matters

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.



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

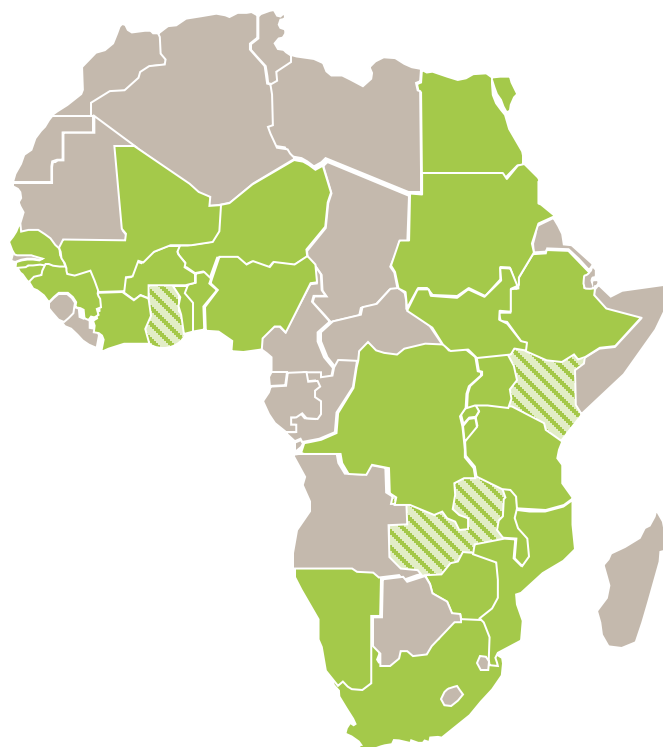
- Multilateral development bank
- Private sector related trade and project/infrastructure financing

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

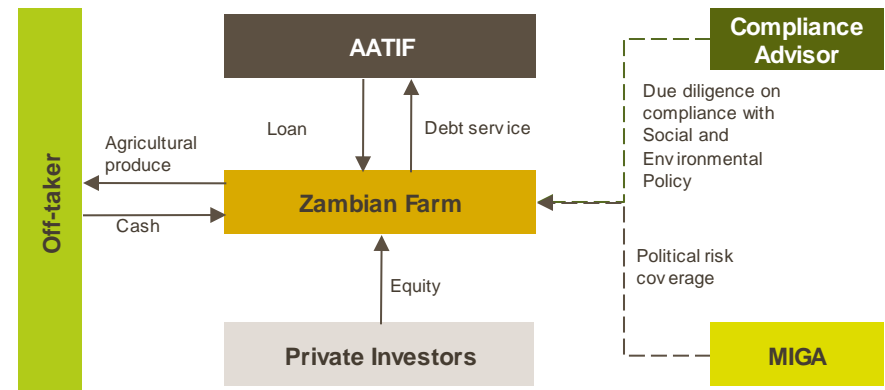
Case Study – Zambia

Chobe Agrivision

Project in brief

Project:	Direct funding of a wheat, soy and maize farm
Funding:	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
Key Elements:	<p>Volume: USD 10m</p> <p>Term: 5 years</p> <p>Market-based interest payments (Libor based)</p>
Impact:	<ol style="list-style-type: none"> 1. Enhancement of crop quality and yield per hectare 2. Amelioration of food security in Zambia and neighbouring countries such as DRC 3. Increasing and improving local employment opportunities
S&E:	Development and Implementation of a Social and Environmental Management System including occupational safety and health.
T&A:	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



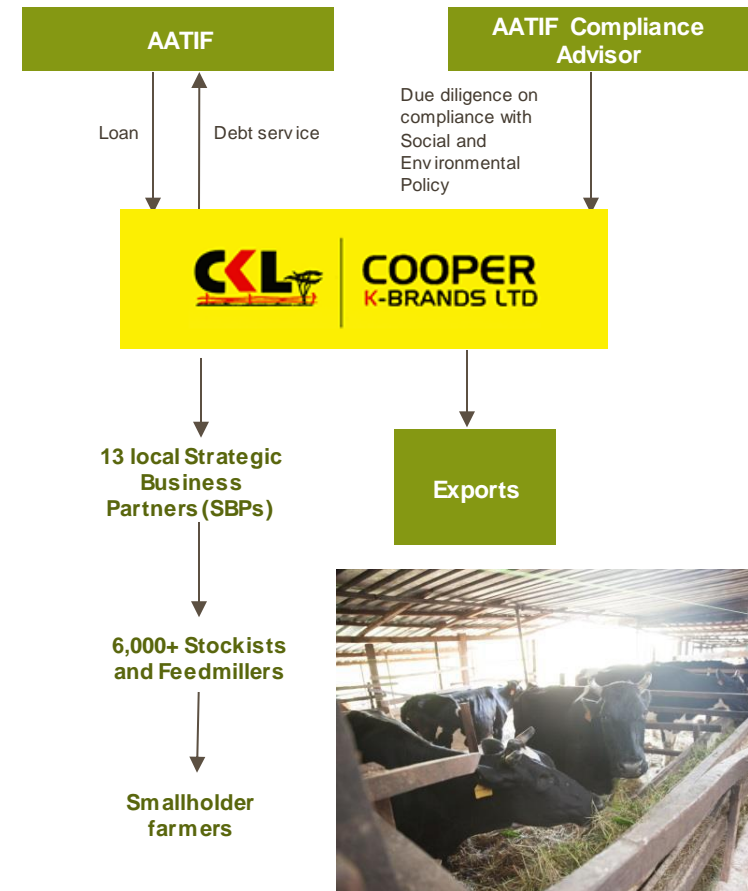
Case Study – Kenya

Cooper-K Brands Limited (CKL)

Project in brief

Project	Direct investment in a Kenyan franchise distributor for the 'Coopers' range of products
Key elements	Volume: USD 4m Term: 7 years Market based interest payments (Libor based)
Funding	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
Impact	<ol style="list-style-type: none"> 1. Access to high quality and affordable agricultural inputs to farmers through a country-wide distribution network 2. Advice provided to increase capacity of farmers to enhance agricultural practices 3. Active tree seeding program for reforestation 4. Increased local value addition and reducing the importation of finished goods through the construction of a new blending plant for nutritional supplements 5. Slight increase in employment numbers due to expansion of production capacity
S&E	Development and Implementation of a Social and Environmental Management System

Project structure



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
- Investees while asked to achieve set S&E milestones often lack the capacity

- 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 AATIF Technical Assistance (TA) Facility for implementation of S&E

THANK YOU 😊

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