Africa Agriculture and Trade Investment Fund

SWITCH Africa Green Regional Networking Forum, 2018
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While rural areas are heavily underserved by financial service providers, sustainable finance can unlock great potential for reaching sustainable development:

- **End poverty in all its forms everywhere** (SDG 1)
- **End hunger, promote sustainable agriculture** (SDG 2)
- **Promote inclusive and sustainable economic growth and decent work** (SDG 8)
- **Promote sustainable production and consumption** (SDG 12)
- **Take urgent action to combat climate change and its impacts** (SDG 13)
- **Conserve and sustainably use the terrestrial and marine resources and ecosystems, halting biodiversity losses** (SDG 14/15)
### Mission and Objectives

**Mission**

The Fund's mission is to realize 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. In this context a dedicated effort will also be made to support contract farming arrangements.

### 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
Fund Structure

AATIF Shareholders
- Appoint Board members

Board of Directors
- Appoints IC members

Investment Committee (IC)
- Proposal of investments
- Vote on investments
- IC and IM propose application of TA in support of AATIF Investments

Investment Manager (IM)
- Due diligence; monitoring

Investments

TA Facility Investors

TA Facility:
- Due diligence support, support for beneficiaries, impact assessment, financing of experts

TA Facility Committee:
- Vote on TA proposals

Proposal of TA investments
- Vote on TA investments

TA Facility Manager:
- Preparation of TA proposals
- Review and implementation of TA measures

Compliance Advisor: ILO, UN Environment
Social and environmental due diligence and monitoring
A public-private partnership for sustainable agriculture

Compliance Advisor
Provides technical recommendation about an investment’s compliance with the Fund’s Social & Environmental Guidelines

AATIF
Provides financing along the entire agricultural value chain in Africa

Technical Assistance Facility
Supports AATIF’s investments on a grant basis to further increase their developmental impact

Jointly enhancing the agricultural value chain

Input
Finance:
- Quality seeds
- Agrochemicals (fertilizer, crop protection)
- Irrigation systems
- Animal feeds

Farming
Support & Finance:
- Good Agricultural Practice (GPA)
- Application of inputs, such as fertilizer, crop protection

Processing
Finance:
- Storage facilities
- Processing facilities, such as milling, ginneries, other machinery & equipment

Sale
Create access to:
- Domestic markets
- Export markets
AATIF Investment Approach

INVESTMENTS

DIRECT

Cooperatives
Commercial farms
Processing companies
Trading companies

INDIRECT

Local financial institutions
Intermediaries (e.g. large agribusinesses)
### Investment Approach

<table>
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<th>INDIRECT</th>
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<tbody>
<tr>
<td><strong>Financial Institutions</strong></td>
<td><strong>Agribusiness Intermediaries</strong></td>
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<tr>
<td><strong>Instruments:</strong></td>
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<tr>
<td>• Senior debt, Guarantees, Risk Sharing</td>
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<tr>
<td><strong>Tenor &amp; Volume:</strong></td>
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<tr>
<td>• Up to 10 years</td>
<td>• Up to 12 years</td>
</tr>
<tr>
<td>• USD 10 – 30m</td>
<td>• USD 10 – 30m</td>
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<td><strong>Objective:</strong></td>
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<td>Facilitate on-lending to smallholders and/or to small and medium sized enterprises (SMEs) in the agricultural sector.</td>
<td>Intermediaries will i.a. (i) disburse sub-loans and/or in-kind loans to their producers and/or (ii) finance processing plants directly.</td>
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Eligibility Criteria

**Financial Institutions**
- Eligibility criteria include but are not limited to (i) stable financial performance, (ii) adequate risk management systems, governance structures and managerial capacity, (iii) adequate policies and procedures, in particular with respect to standards of responsible finance.
- Financial institutions and intermediaries comply with relevant social and environmental standards.
- Sub-loans increase local incomes, accelerate employment, add processing capacity to local value chains, improve local food security, or provide financing where the local financial sector currently fails (additionality).

**Agribusiness Intermediaries**

**Direct Investment Companies**
- Financial, social and environmental viability.
- Managerial capacity to implement and execute the project.
- Increases local incomes, accelerates employment, adds processing capacity to local value chains, or improves local food security.
- Equity/sub-debt to total asset ratio 33%.
- Some operational structures in place and exceeded planning stage.
## Social & Environmental (S&E) Management

<table>
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<tr>
<th>Category</th>
<th>Description</th>
<th>Eligibility of Investment</th>
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| A        | • Likely to have significant adverse S&E impacts that are sensitive, diverse, or unprecedented.  
           • Impacts may affect an area broader than the sites/facilities subject to the investment. | Does not qualify for funding |
| B        | • Potential adverse S&E impacts are less adverse than those of Category A investments.  
           • Impacts are site-specific;  
           • Few (if any) of them are irreversible;  
           • Mitigation measures can be put in place more readily than for Category A investments | Due diligence required before funding is required to establish the measures needed to comply with the Guidelines |
| C        | • Likely to have minimal or no adverse S&E impacts or  
           • Have potential to enhance S&E management | Due diligence required before funding |
| F        | • Investments through Financial Institutions or Intermediary Investee Companies, in sub-investments that may result in adverse environmental impacts | Partner institution is required to establish its own in-house Social and Environmental Management System. |
# Social & Environmental (S&E) Guidelines

| 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 |
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<tr>
<td>Labor and Working Conditions</td>
<td>Protection of <strong>basic rights for workers</strong> and prevention of <strong>child and forced labour</strong></td>
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<tr>
<td>Community Health, Safety and Security</td>
<td><strong>Minimizing risks and impacts</strong> to community health, safety and security that may arise from investment activities (e.g. equipment accidents)</td>
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<tr>
<td>Land Acquisition and Involuntary Resettlement</td>
<td><strong>No</strong> funding of projects involving <strong>involuntary resettlement</strong></td>
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<tr>
<td>Biodiversity Conservation and Sustainable Natural Resource</td>
<td><strong>Protecting and conserving biodiversity</strong> —the variety of life in all its forms, including genetic, species and ecosystem diversity—and its ability to change and evolve.</td>
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<td>Indigenous Peoples</td>
<td>Avoiding and minimizing the risk of <strong>exposing indigenous people</strong> to severity of impacts (including <strong>loss of identity, culture, natural resource</strong> -based livelihoods, and exposure to <strong>impoverishment and disease</strong>). <strong>Apply principle of free, prior, and informed consent.</strong></td>
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<td>Cultural Heritage</td>
<td><strong>Safekeeping of</strong> <strong>irreplaceable cultural heritage</strong> and guidance for investees on protecting cultural heritage in the course of their business operations.</td>
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<tr>
<td>Pollution and Abatement</td>
<td><strong>Monitor &amp; diminish the amount of pollution</strong> to air, water &amp; land that may threaten people &amp; environment caused by investment</td>
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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
AATIF Investment Portfolio

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

- 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 (UN Environment), 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.
Further information...

www.aatif.lu

⇒ Funding application template
⇒ Contact details
Merci!

Sheila Karue
Resource Efficiency, Africa Office
UN Environment