



Annual Impact Report 2023

*Meeting the working
capital needs of
Africa's agricultural
enterprises.*



Contents

*Welcome
to our Annual
Impact
Report
2023*

About Lending for African Farming

LAFCo's primary focus is on
enterprises that advance
local and regional food
security.

01	Who we are – Lending for African Farming Company (LAFCo)	02
02	Letter from the Board	04
03	Investment Manager Address	06
04	LAFCo's Approach to Impact and Sustainability Management	08
05	2023 Year in Review	16
06	LAFCo's Impact: MacsKen	30
07	Future Outlook and Growth Prospects	32

With support from:



Signatory bodies:



Operating Principles for
Impact Management



Principles for
Responsible
Investment

Industry partners:



Who we are – Lending for African Farming Company (LAFCo)



Lending for African Farming Company (LAFCo), headquartered in Mauritius, was established in 2015 through the collaborative efforts of KFW, representing the German Ministry for Economic Cooperation and Development, and AgDevCo, acting on behalf of the UK Government.

LAFCo operates as an investment company specialising in the provision of financing facilities, primarily in the form of loans, to qualifying small and medium-sized (SME) businesses within the agricultural value chain in Sub-Saharan Africa (SSA). These businesses collaborate with smallholder farmers and cooperatives in SSA as well as SMEs engaging in the export of agricultural products outside of Africa, provided such SMEs engage directly with local smallholder farmers.

The core mission of LAFCo is catalysing social and economic advancement within the SSA agricultural sector, while simultaneously creating shareholder value. LAFCo aims to stimulate inclusive economic growth in the African agriculture sector by connecting smallholder farmers to formal markets thereby reducing poverty and enhancing food security in rural poor areas. The overarching goal is to make a lasting impact with a dual focus: firstly, by directly empowering SMEs, and secondly, by indirectly benefiting the smallholder farmers who form the backbone of agriculture in SSA. Smallholder farmers are considered the primary food producers, contributing up to 90 percent of food production in some countries¹.

This impact is realised through enhanced farm productivity, access to reliable markets, increased income opportunities, and improved food security. Importantly, LAFCo's vision extends beyond the present, aiming for sustainable and enduring positive change in the SSA agricultural landscape. Barak Fund Management Limited has served as the fund manager for LAFCo since 2019. The company is overseen by an expert Board of Directors supported by a credit committee, in line with its governing policies. The investment team comprises of highly skilled individuals boasting over 36 years of combined experience and is supported by a dedicated Environmental, Social and Governance (ESG) officer. LAFCo's investments range between USD 500,000 and USD 3 million targeting agro-dealers or input providers, processors, traders, and exporters.

With Barak as the investment manager, LAFCo aims to be a leading alternative provider of working capital for agricultural SMEs. The innovative blend of public and private capital allows LAFCo to support the market sector not served by commercial banks or other traditional financial institutions, increasing access to finance and unlocking the development potential of the agricultural sector in Africa.



Letter from the Board



LAFCo is pleased to present its 2023 Impact Report. Creating social and economic impact is at the core of the LAFCo fund, with measuring and reporting on this impact being central to monitoring the fund's performance and achieving its impact strategy. This approach ensures intentional and strategic alignment with LAFCo's mission while also meeting investor requirements. The Board is delighted to share this report in an open and transparent manner with its stakeholders.

In 2023, LAFCo supported eight companies across nine countries, investing a total of \$15 million. During the year, LAFCo disbursed \$5.3 million, bringing the cumulative disbursements to \$66 million by the end of 2023. These efforts reached approximately 43,210 smallholder farmers, covering 10,450 hectares under production, 44% of whom were female. The smallholder farmers either sell their produce to or purchase agricultural (Agri) inputs from the SMEs financed by LAFCo. This support has led to increased access to markets and improved Agri inputs, thereby enhancing yield and revenue for the smallholder farmers.

Traditionally, Agri trade finance in Africa has been targeted at export crops such as cocoa, coffee, and cashews. With regional food security as a high priority, LAFCo has expanded its footprint and diversified its portfolio by providing finance to borrowers in Rwanda and Zambia, focusing on regional value chains. These borrowers include a maize miller producing flour, grits, and related products for animal feed and human consumption, and a poultry feed producer.

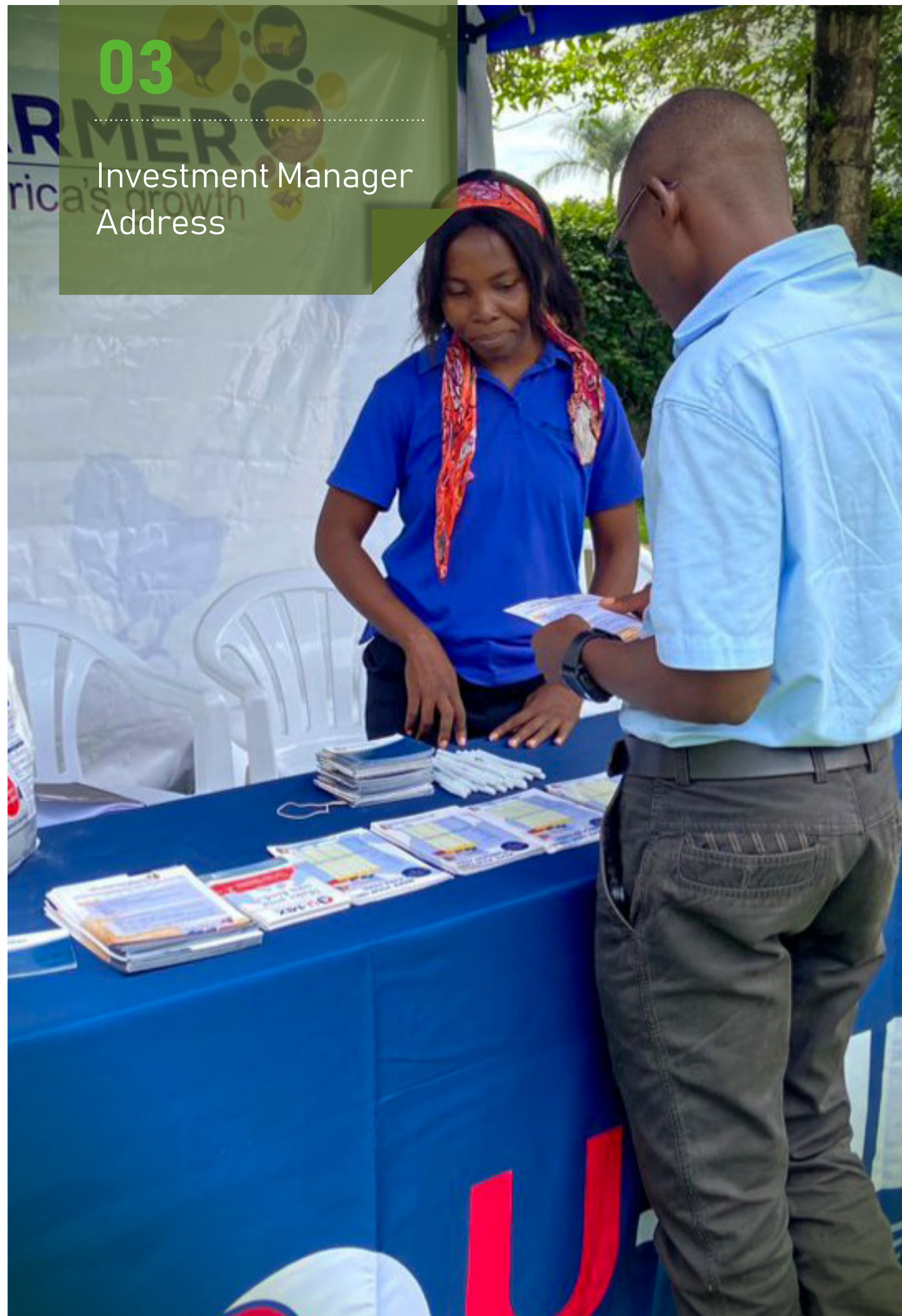
LAFCo finances both local and hard currency loan facilities. Local currency debt is hedged through an innovative

financing mechanism, backed by KfW's technical assistance funding, which LAFCo expects to re-deploy in 2024. The ability to finance local currency debt enables LAFCo to create greater local and regional impact compared to other lenders, who are often restricted to hard currency facilities.

LAFCo received technical assistance funding from AgDevCo to undertake market access strategy studies in East and West Africa. The first market study, for Tanzania, was completed in Q4 2023. The remaining studies, covering West Africa, are expected to be completed in 2024. These studies are part of refining LAFCo's investment strategy and processes to meet the challenges of its borrower segment, which consists mainly of SMEs with limited access to mainstream finance but significant impact potential for smallholder farmers and Agri value chains.

The Board also welcomed a senior investment manager to the Barak team in 2023, who manages the LAFCo portfolio. LAFCo welcomes enquiries from prospective new investors with an interest in impact-first lending and a long-term commitment to making a difference in Africa.





LAFCo is delighted to present its 2023 annual impact report, inviting you to partake in a reflection on its progress and accomplishments over the past year. The agricultural finance gap remains a significant challenge for enterprises throughout SSA, despite the sector's huge potential.

Enterprises, particularly those linked to with smallholder farmers, and cooperatives, continue to grapple with limited access to financial resources, hindering their growth and development². Acknowledging this, LAFCo's primary emphasis for the year has centred on the building and activation of its pipeline.

This year, LAFCo secured a USD50,000 grant from AgDevCo for market scoping in West Africa (Côte d'Ivoire) and East Africa (Tanzania). Using this grant, two specialists will identify investment opportunities, develop origination strategies and build LAFCo's team capacity. The East African research is complete; the West African component will be finalised in 2024. This collaboration aims to unlock investment potentials and drive change in SSA's agricultural sector by 2024.

Furthermore, 2023 saw the expansion of LAFCo into Uganda with the successful conclusion of the Gorilla Summit Coffee Development Limited (GSC) deal, a coffee producer based in Uganda, which specializes in sustainable coffee procurement, processing, and export. GSC prides themselves on sourcing ecologically sustainable natural Arabica and Robusta coffees from South Western Uganda, and currently sources coffee cherries from over 3,600 smallholder farmers. With the backing of LAFCo's support, GSC aims to further extend its footprint, aspiring to reach an estimated 10,000 farmers in the near future. This expansion not only promises to enhance the economic prospects of these farmers but also contribute to the overall growth and sustainability of the agricultural sector in Uganda. LAFCo continues to explore opportunities in the agricultural sector across SSA. The organization remains committed to advancing finance towards potential transactions. These endeavours underscore LAFCo's dedication to financial inclusion and fostering growth and economic development within the agricultural sector.

The 2023 annual impact report offers a thorough examination of the significant outcomes enabled by LAFCo's investments

across the portfolio, aligning closely with the Sustainable Development Goals (SDGs). LAFCo is pleased with the overall performance of the portfolio despite encountering challenges within our portfolio primarily influenced by the challenging economic conditions in the macadamia and cocoa sectors. These challenges resulted in declines in certain impact metrics, particularly in terms of reaching smallholder farmers and sustaining jobs.

This year's annual impact report explores one case study, spotlighting the positive outcomes accomplished by LAFCo's borrowers. In a concerted drive towards sustainability and environmental stewardship, LAFCo continues its practice of disclosing the carbon footprint linked with its borrowers for the second consecutive year. This year, LAFCo has witnessed improved reporting from its borrowers. The company will maintain its efforts to engage with borrowers, aiming for better and more accurate reporting. This steadfast commitment to transparency fosters greater environmental awareness, in alignment with the highest standards within the finance sector.

In 2023, LAFCo strengthened its impact management system through the introduction of an additionality tool, specifically designed to provide a more thorough assessment of both financial and non-financial additionality within entities. Another significant milestone is LAFCo becoming a signatory to the United Nations Principles for Responsible Investment (UNPRI). By aligning with these principles, LAFCo demonstrates its dedication to responsible investing practices and its role in promoting sustainable development within the communities it serves.

Stakeholders are invited to explore LAFCo's annual impact report, expecting to find it both informative and encouraging. LAFCo remains unwavering in its dedication to its mission, eagerly anticipating the opportunity to share its progress. The organization expresses sincere gratitude to its shareholders and stakeholders for their ongoing support throughout this impactful journey.

04

LAFCo's Approach to Impact and Sustainability Management



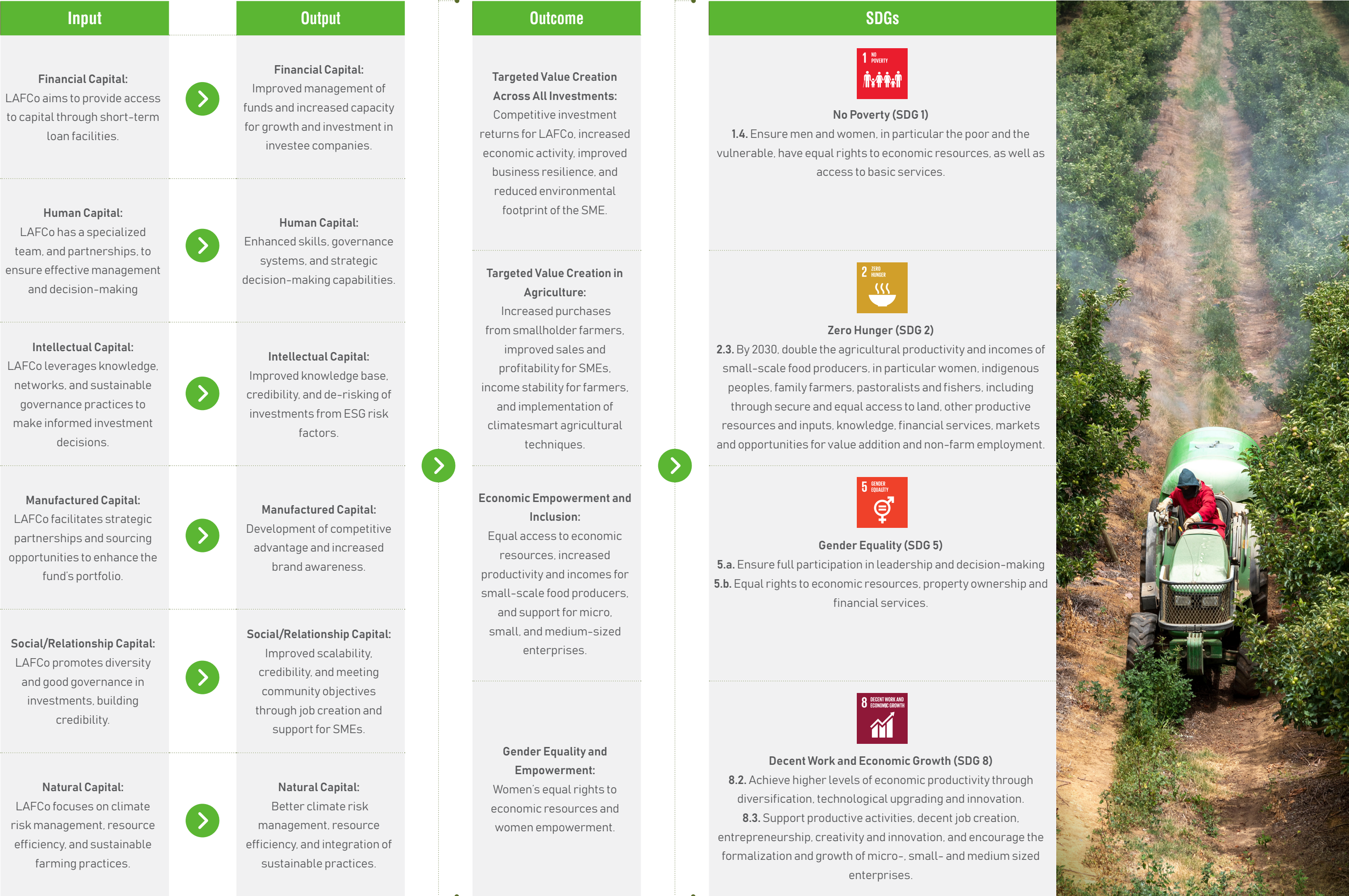
4.1. Approach to and managing impact and sustainability

The impact mission and goal of the company is primarily realised through LAFCo's investment strategy, which centres on providing credit facilities to borrowers, with a specific emphasis on SMEs operating within the agricultural value chain in target countries in SSA. This strategy actively promotes socio-economic development and local food security and entails direct engagement with smallholder farmers.

4.2. Theory of Change

At the heart of LAFCo's impact management strategy lies its Theory of Change (ToC), serving as the guiding principles when navigating the organisation's initiatives and setting the specific avenues considered crucial for achieving deliberate impact. The ToC offers a transparent roadmap, mapping LAFCo's investments to the desired outcomes, reaffirming the organisation's unwavering commitment to its mission.





4.3. Environmental and Social Management System

LAFCo’s commitment to impact and sustainability management is underpinned by its robust Environmental and Social Management System (ESMS). This system comprises a suite of tools and processes meticulously crafted to monitor and proactively manage ESG risks and impacts. As integral components of LAFCo’s ESMS, the following tools and processes are diligently employed:



ESG screen: The due diligence process incorporates a negative screening tool that features a list of exclusions.



Before presenting the deal to the credit committee, LAFCo evaluates the potential impact of its investments. Each credit application is accompanied by an impact report that assesses the effects of the investments. Baseline data is collected either before or at the beginning of the drawdown process for counterparties. The data indicators have been selected from the IRIS+ catalog. This collected data is then included in the impact report that accompanies the credit application.



After the transaction is approved, portfolio companies are obligated by contract to supply impact data and adhere to LAFCo’s impact reporting criteria. These criteria encompass a broad spectrum of indicators, such as gender specific data on employees and smallholder farmers associated with the SMEs.



On a quarterly basis, the credit committee assesses performance in comparison to the LAFCo’s established impact targets. Additionally, an annual impact report is prepared, summarizing key impact metrics at the portfolio level, and it is shared with a range of stakeholders.

The ESMS incorporates various standards for assessing and monitoring impacts, such as the Impact Management Project, International Finance Corporation Performance Standards, and World Bank Group Environmental, Health, and Safety Guidelines for environmental and occupational health and safety. It also refers to documents like the Voluntary Guidelines on Responsible Governance of Land, Fisheries, and Forests and the International Labour Organisation Core Labour Conventions. These standards help identify both positive and negative impacts and prioritize reducing negative effects while promoting positive outcomes. These principles are integrated throughout the investment cycle, starting from formulating impact objectives in core strategy and policy documents, extending to the comprehensive evaluation of potential investees, and continuing through monitoring and management after capital deployment till exit.

In 2023, LAFCo enhanced its impact management system by implementing an additionality tool, purposefully created to offer a more comprehensive approach in assessing both financial and non-financial additionality within entities³. Financial additionality refers to situations where finance is mobilised and an investment is made that would not have materialised otherwise. Non-financial additionality, on the other hand, refers to unique support for developmental outcomes as a result of the investment that otherwise would not have occurred. The assessment outcome is reported to the credit committee, both at the investment’s outset and continuously throughout its lifespan. This meticulous review process ensures alignment with LAFCo’s overarching objectives.

Subcategory	A. Financial Additionality	B. Non-financial Additionality
Definition	The investment provided fills a market gap, surpassing current offerings without hindering the private sector, ensuring its realization where it wouldn’t have occurred otherwise.	Offering unique non-financial support that is unavailable elsewhere as a result of the investment.
Weighting	70%	30%

This systematic approach underscores LAFCo’s commitment to bridging the financial gap in the market by providing financial support that otherwise would not have been available. Similarly, the focus on non-financial additionality emphasizes LAFCo’s dedication to enhancing the company’s ESG performance, thereby contributing to developmental outcomes that may have been previously inaccessible to the entity.



4.4. Industry bodies

Signatory to the Operating Principles for Impact Management:



This year, LAFCo is entering its third year as a signatory to the Operating Principles for Impact Management. In alignment with these principles, LAFCo remains committed to the following:

- **Publication of Disclosure Statement:** LAFCo ensures the availability of this statement on our website, in accordance with relevant provisions and reporBng requirements. The Disclosure Statement provides comprehensive information about LAFCo’s impact management practices, methodologies, and outcomes.
- **Incorporation of Principles into Investment Process:** LAFCo continues to integrate the principles for Impact Management into its investment process. This integration underscores LAFCo’s steadfast commitment to embedding impact considerations across its decision-making, due diligence, monitoring, and reporting processes.
- **Regular Publication of Independent Verification Report:** LAFCo consistently publishes the latest independent verification report. This report impartially assesses LAFCo’s adherence to the Impact Management Principles, providing assurance regarding the accuracy and transparency of LAFCo’s impact reporting.

These commitments highlight LAFCo’s unwavering dedication to transparency, accountability, and adherence to industry-leading impact management practices, all of which exemplify LAFCo’s commitment to responsible and meaningful investments.

To access LAFCo’s Disclosure Statement and the detailed report, kindly visit our official website by clicking on the following link: [LAFCo Impact Principles Verification Report 2023](#).

Signatory to the Principles for Responsible Investment:



In December 2023, LAFCo became a signatory to the UNPRI . Aligned with these principles, LAFCo affirms its commitment to the following:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Being active owners and incorporate ESG issues into investment analysis and decision-making processes.
3. Seeking disclosure on ESG issues from entities in which LAFCo invests.
4. Promoting the acceptance and implementation of the Principles within the investment industry.
5. Collaborating to enhance effectiveness in implementing the Principles.
6. Commiing to report on activities and progress towards implementing the Principles.

As a signatory, LAFCo publicly commits to the adoption, implementation, and ongoing evaluation of the Principles, aiming to align investment activities with broader societal interests.



05

2023 Year in Review



Funding & Investment

\$25 Million

Assets under management

\$15 Million

Outstanding investment portfolio

\$66 Million

Cumulative volume invested to date

9

Number of Jurisdictions across Sub-Saharan Africa (SSA)

8

Number of Borrowers

25

Number of transactions – (number of drawdowns made by SMEs)⁴

\$2.2 Million

Average loan size



Jobs Sustained & Employment

241

Total number of jobs sustained

163

Number of direct full-time jobs supported in investee companies receiving finance

78

Number of seasonal jobs supported in investee companies receiving finance

230

Number of full-time equivalent employees sustained

Over 290

Number of indirect jobs supported in investee companies receiving finance



Farmer Engagements & Sustainability

43,210

Number of smallholder farmers engaged

44%

Percentage of female smallholder farmers

10,450

Hectares under sustainable production

5.1. Funding

In 2023 LAFCo celebrated the approval of a technical assistance support grant from its shareholder AgDevCo, amounting to US\$50,000. This grant will be utilized to conduct market scoping in Côte d'Ivoire (West Africa) and Tanzania (East Africa), to enhance the origination strategy, build in-house origination capacity, and source new deals.

The project involves commissioning two external specialists, one for each region, with expertise in trade/agricultural finance and will report directly to the LAFCo Board. The consultants will conduct a thorough analysis of the investment space in the target countries, focusing on specific value chains, legal and regulatory frameworks, and key industry players. Additionally, they will establish local networks and engage with relevant stakeholders. Subsequently, they will collaborate with the LAFCo team to develop tailored origination strategies, considering gender and environmental/climate considerations, in line with LAFCo's ESG requirements and impact targets. The consultants will also impart their knowledge to the LAFCo fund team, ensuring sustainable implementation post-support. The research for East Africa has been completed.

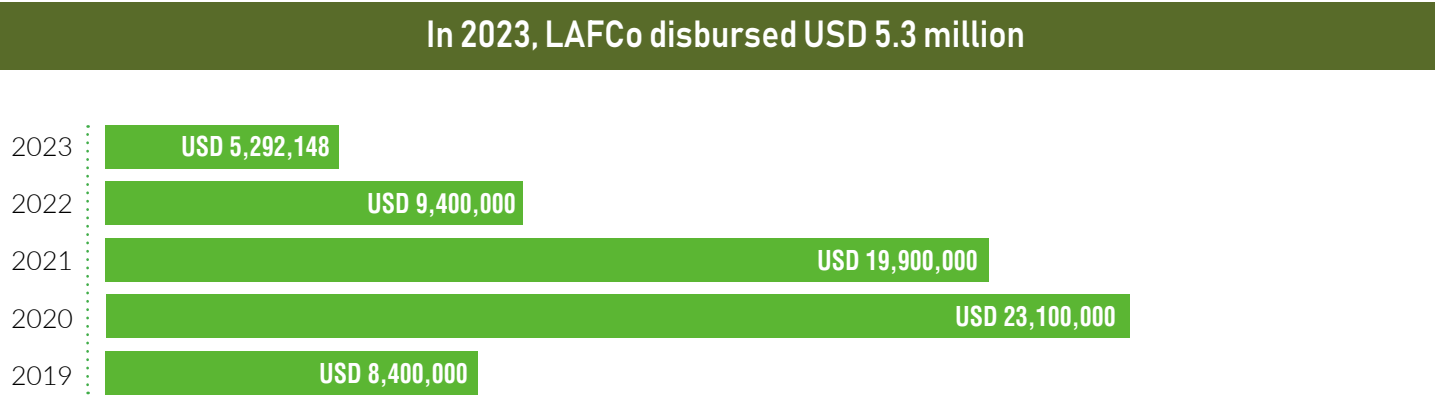
This collaborative effort with AgDevCo is instrumental to unlocking investment potentials and driving impactful change in SSA's agricultural sector, with finalisation expected in 2024.



5.2. Portfolio Overview

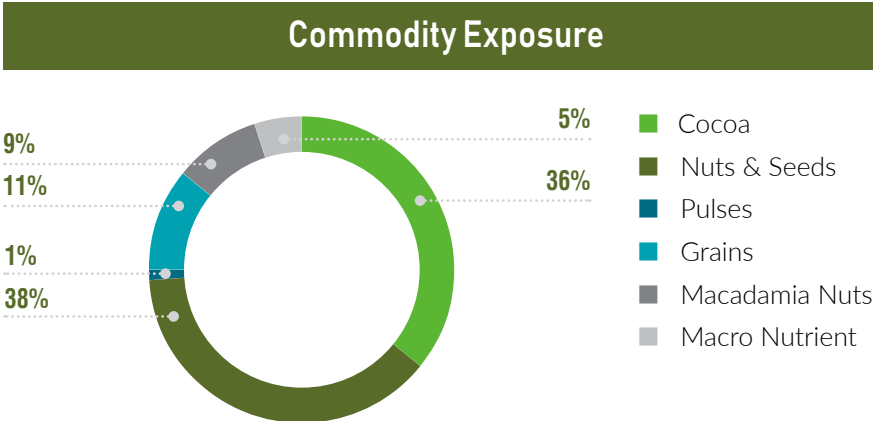
Country	Commodity	Facility Limit (USD)	Fund Balance (USD)
LAFCo; Lender on Record			
Ghana	Cocoa	3,000,000	3,916,618
Rwanda	Maize	2,000,000	1,651,605
Tanzania	Pulses, Nuts & Seeds	2,000,000	2,217,257
Zambia, Kenya, Nigeria and South Africa	Animal feed	1,000,000	833,396
Kenya	Macadamia	3,000,000	1,308,522
Co-Funded; Participation in Barak Funds			
Tanzania	Nuts & Seeds	3,000,000	3,777,000
Togo	Cocoa	2,000,000	943,155
Nigeria	Cocoa	2,000,000	531,917

5.3. Disbursements



5.4. LAFCo Commodity Exposure

Based on the split of commodity type and profile, the LAFCo portfolio is largely exposed to Cocoa and Nuts and Seeds. However, beyond this, the remaining portfolio is split quite diversely into Grains, Macadamia Nuts, Macro Nutrients and Pulses. Moving forward, the envisioned projection of the portfolio is to diversify further, primarily into Coffee and Maize within the foreseeable future.



5.5. New Investments in 2023

Gorilla Summit Coffee Development Limited (GSC)



Key Impact figures: Baseline Data

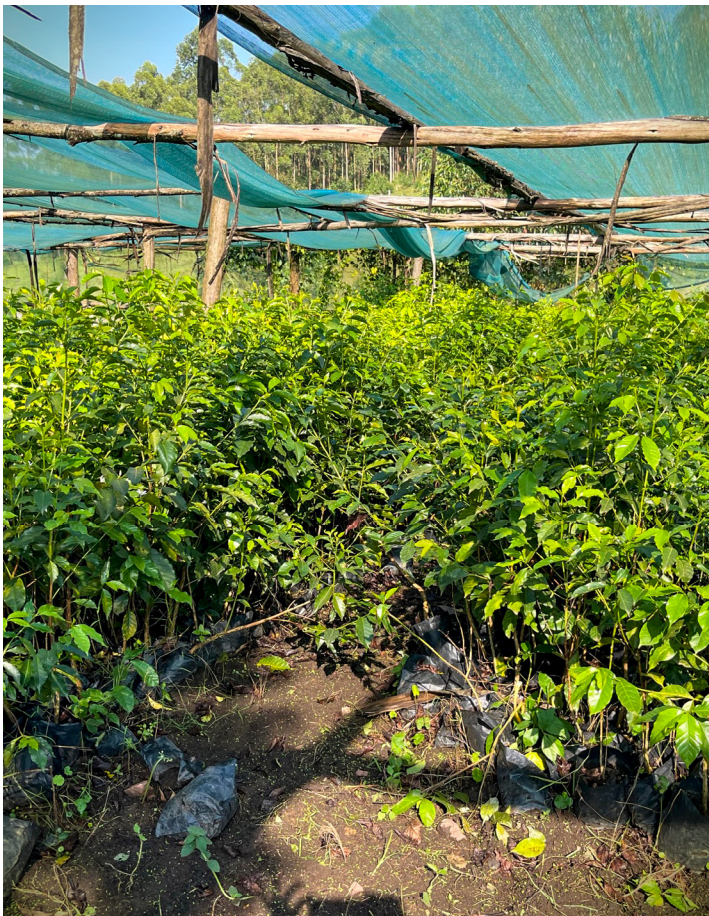


In 2023, LAFCo’s credit committee approved the Gorilla Summit Coffee Development Limited (GSC) transaction, marking a significant expansion into Uganda’s coffee sector. GSC, a Ugandan-based coffee producer, specialises in procuring, processing, and exporting ecologically sustainable Arabica and Robusta coffees from South Western Uganda.

With a strong emphasis on social responsibility and environmental sustainability, GSC currently collaborates with over 3,600 smallholder farmers, and aims to increase this number to approximately 10,000 by 2027.

The due diligence process conducted by LAFCo included an impact assessment that adhered to rigorous international standards, providing a thorough evaluation of GSC’s operations and practices. The findings highlighted GSC’s significant efforts towards social and environmental welfare, as evidenced by its detailed value chain emphasizing sustainable farming practices and community empowerment. The due diligence process also uncovered potential ESG areas for improvements, reflecting LAFCo’s commitment to comprehensive risk assessment. An action plan has been developed to address these areas, ensuring responsible investment practices while acknowledging areas for improvement.

GSC in pictures



Coffee seedlings.



Robusta coffee tree.



Arabica coffee cherries.




Robusta coffee tree.

5.6. Impact

LAFCo maintains its commitment to reporting, implementing best practice and meeting investor/ stakeholder requirements. The reporting enhances transparency and serves as a powerful demonstration of LAFCo’s steadfast dedication to advancing the SDGs, particularly focusing on SDGs 1, 2, 5, and 8.

The organization remains unwavering in its commitment to monitor progress continuously and address challenges faced by its borrowers proactively. LAFCo continues to exert a positive impact on the agricultural value chain, with a specific emphasis on smallholder farmers, particularly females, promoting sustainability in the region of its operation. The dedication to empowering businesses, creating jobs, and positively impacting the lives of smallholder farmers remains unchanged.

The Following table outlines LAFCo’s contribution to the SDGs.

SDG focus	SDG target(s)	
<div><div>1</div><div>NO POVERTY</div><div></div></div>	1.4. Ensure men and women, in particular the poor and the vulnerable, have equal rights to economic resources.	
Performance Metric(s)	Achieved Results 2022	Achieved Results 2023
Number of transactions–(number of drawdowns made by SMEs).	51 ⁵	25
Average size of loans facilitated to SMEs.	\$2.5 million	\$2.2 million
Percentage share of investments in African markets (West Africa, East Africa and Southern Africa).	100%	100%
Number of Borrowers.	10	8
Assessment and Insights		
<p>This year has brought forth a distinct challenge in enhancing the accessibility of financial resources for SMEs, which are crucial for fostering economic growth and empowering marginalized communities. Despite having a reduced number of facilitated loans and a slight decrease in the average loan size for SMEs, there remains a resilient commitment to investing in African markets by LAFCo, with a notable emphasis on the Western and Eastern regions. Furthermore, the decrease in the number of borrowers reflects positive outcomes, as two significant investments, one in maize and another in agricultural equipment (tractors), successfully repaid their loans in the previous year.</p> <p>This progress is aligned with Sustainable Development Goal 1.4, showcasing commendable strides in enhancing access to economic resources, particularly through SME lending. Moreover, the sustained investment in diverse African markets underscores a dedication to fostering economic inclusivity and promoting overall development.</p>		
<div></div> <div>Map showing the geographical locations of the SMEs supported by LAFCo.</div>		

SDG focus	SDG target(s)	
	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.	
Performance Metric(s)	Achieved Results 2022	Achieved Results 2023
Value of agricultural sales.	USD 32,202,222	USD 24,795,899
Volume of agricultural sales.	22,766 tonnes	12,855,287 tonnes
Hectares under sustainable production.	7,949 hectares	10,450 hectares
Average smallholder agricultural yield.	16,099 kg	5,093kg
Total payments to smallholder farmers.	USD 12,946,911	USD 1,361,549
Type(s) of crop produced by the SMEs during the reporting period.	<ul style="list-style-type: none">• Pulses• Nuts and Seeds• Macro Nutrients• Macadamia• Grains• Cocoa	<ul style="list-style-type: none">• Pulses• Nuts and Seeds• Macro Nutrients• Macadamia• Grains• Cocoa
Assessment and Insights		
<p>In the pursuit of Sustainable Development Goal 2.3, aimed at doubling the agricultural productivity and incomes of small-scale food producers by 2030, a comprehensive examination of key metrics reveals both positive advancements and persistent challenges within the agricultural sector.</p> <p>Agricultural Sales Dynamics:</p> <p>Notably, the realm of agricultural sales has displayed significant fluctuations, with certain Small and Medium Enterprises (SMEs) experiencing declines while others have managed to sustain steady sales. These fluctuations can be attributed to the intricate interplay of market dynamics and the sector’s inherent challenges. For example, this year, cocoa farmers in some regions experienced low yields due to adverse weather conditions. Conversely, the macadamia market witnessed a sharp decline in demand from Western markets due to various factors including the ongoing conflict in Russia/Ukraine, inflationary pressures, and fluctuating interest rates. The decline in demand also impacted the price offered per kg for the crop, thus significantly affecting the value of sales. However, maize performed exceptionally well this year, making a substantial contribution to overall sales value and volumes. Sales in the feed market remained relatively unchanged from the previous year.</p> <p>Sustainable Production Practices:</p> <p>Encouragingly, there has been a discernible improvement in reporting regarding hectares under sustainable production. Numerous SMEs are actively championing sustainable farming practices, including but not limited to intercropping, reduction of chemical inputs, and prioritization of water and energy conservation. These efforts serve as pivotal steps toward mitigating the adverse environmental impacts of farming while concurrently ensuring sustained productivity.</p> <p>Smallholder Agricultural Yield:</p> <p>As detailed under the Agricultural Sales Dynamics, across various SMEs, the average smallholder agricultural yield has displayed a spectrum of trends, with some reporting declines and others witnessing increases. These variances mainly driven by the cocoa market.</p> <p>Payments to Smallholder Farmers:</p> <p>The variability in the yields and sales had a domino effect on the total payments to smallholder farmers.</p>		

Assessment and Insights (continued)


Crop Diversity and Food Security:
The diversity of crops cultivated by SMEs emerges as a crucial factor in enhancing food security and agricultural resilience. This diversified portfolio not only serves to mitigate the impacts of market fluctuations but also fosters greater agricultural sustainability in the long term.



Atlas Employee: Crop Nursery facility.



Minimex Employee: Packing facility.

SDG focus	SDG target(s)
	5.a. Ensure full participation in leadership and decision-making. 5.b. Equal rights to economic resources, property ownership and financial services.

Performance Metric(s)	Achieved Results 2022	Achieved Results 2023
Percentage of full time females employed (senior management).	31%	35%
Percentage of full time females employed (non-senior management).	16%	14%
Percentage of seasonal females employed.	35%	5%
Percentage of active female smallholder farmers.	49%	44%
Percentage of female Board members.	12%	20%
Percentage of female c-suite-level management staff.	22%	35%
Percentage of full-time female employees receiving skills based training in the year.	26%	20%

Assessment and Insights

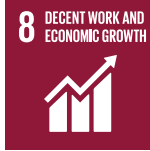
Progress towards achieving gender equality in leadership and decision-making, as outlined in Sustainable Development Goals 5.a and 5.b, is reflected in the improvements in female representation at senior management levels. The increased presence of women in board and c-suite positions indicates strides towards gender parity, potentially enriching decision-making processes with diverse perspectives and enhancing organizational performance.

Despite advancements in senior management representation, there was a slight decrease in the percentage of full-time females employed in non-senior management roles and seasonal employment. The declines were mainly driven by one borrower not reporting this year due to poor performance, along with normal staff resignations from other SMEs and fluctuations in market conditions. However, it's worth noting that we also observed recruitments in other SMEs, which helped soften the negative impact on job numbers.

Overall, the data reflects progress towards achieving gender equality in leadership positions and highlights areas for improvement, particularly in ensuring equitable opportunities for women in the workforce across all levels of employment. Additionally, sustaining efforts to empower women in agriculture is essential for promoting economic empowerment and achieving broader development goals related to food security and poverty reduction.



Female employees: Atlas Crop Nursery facility.

SDG focus	SDG target(s)
	8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation. 8.3. Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises

Performance Metric(s)	Achieved Results 2022	Achieved Results 2023
Total number of full-time jobs supported in SMEs.	174	163
Seasonal jobs supported in SMEs.	173	78
Total full-time equivalent employed.	326	230
Number of indirect jobs supported in SMEs receiving finance.	Over 289	Over 290
Number of full-time employees receiving skills-based training in the year.	47	15

Assessment and Insights

The declines in the total number of full-time jobs and seasonal jobs supported in SMEs, as well as the decrease in full-time equivalent positions, were primarily influenced by one borrower's non-reporting this year due to poor performance, typical staff resignations from other SMEs, and fluctuations in market conditions. However, amidst these challenges, there were observed recruitments in other SMEs, which helped offset the negative impact on job numbers.

Despite the overall decrease in full-time equivalent positions, the portfolio maintained job creation by sustaining the number of indirect jobs supported in SMEs receiving finance, which remained relatively stable.

The reduction in the number of employees participating in skills-based training suggests a potential gap where the SMEs can improve.



Employees and Product Line: Urban Farmer

5.7. Impact Targets

Target 1

Increase the number of smallholder farmers in the region: LAFCo is committed to increasing the number of smallholder farmers linked to SMEs and/or using agricultural extension services and/or receiving improved inputs to female smallholder farmers.



Target:
1,200 smallholder farmers per USD 1,000,000 of funds Invested

Performance:
68,456 (2022) 43,210 (2023)

LAFCo remains dedicated to achieving its impact targets, despite experiencing a decline from 2022. Fluctuations in market demand directly affected the number of smallholder farmers supported, especially with decreases in tonnage bought by specific borrowers. Furthermore, the lack of reporting from one underperforming borrower exacerbated this situation. However, it is important to highlight that some borrowers saw an increase in the number of smallholder farmers, which partially offset the negative impact.

Target 2

Female smallholder farmers: At least 35% of all smallholder farmers to be female smallholder farmers.



Target:	Performance:
35%	49% (2022) 44% (2023)

LAFCo is pleased to report that its commitment to promoting gender equity within smallholder farming communities has seen consistent success. The target of 35% female smallholder farmers has been consistently met.

Target 3

Job creation: Increasing the number of new full time equivalent jobs created in companies which we are borrowers.



Target:	Performance:
300	325 (2022) 230 (2023)

In 2022, the achievement of 325 new full-time equivalent jobs was notable; however, there was a decrease to 230 in 2023. Moving forward, there are opportunities to surpass the target of creating 300 new full-time equivalent jobs.



5.8. LAFCO's Portfolio Carbon Footprint

LAFCo initiated the recording and tracking of its portfolio's carbon footprint in 2022 as part of its commitment to align to international carbon reporting standards.

LAFCo acknowledges the challenges with regards to comprehensive and accurate carbon data reporting from its borrowers but is pleased to see an improvement in the number of borrowers reporting on Scope 1 and Scope 2 emissions in 2023.

Based on the reported Scope 1, Scope 2 and Scope 3 emissions data for LAFCo's borrowers, the estimated carbon footprint for the portfolio for 2023 is 523,230 tonnes of carbon dioxide equivalent (CO₂e), approximately 75,000 tonnes CO₂e less than 2022. The estimated reduction in CO₂e can be attributed to the inconsistent carbon data submitted by the borrowers for Scope 1, 2 and 3 emissions between 2022 and 2023.

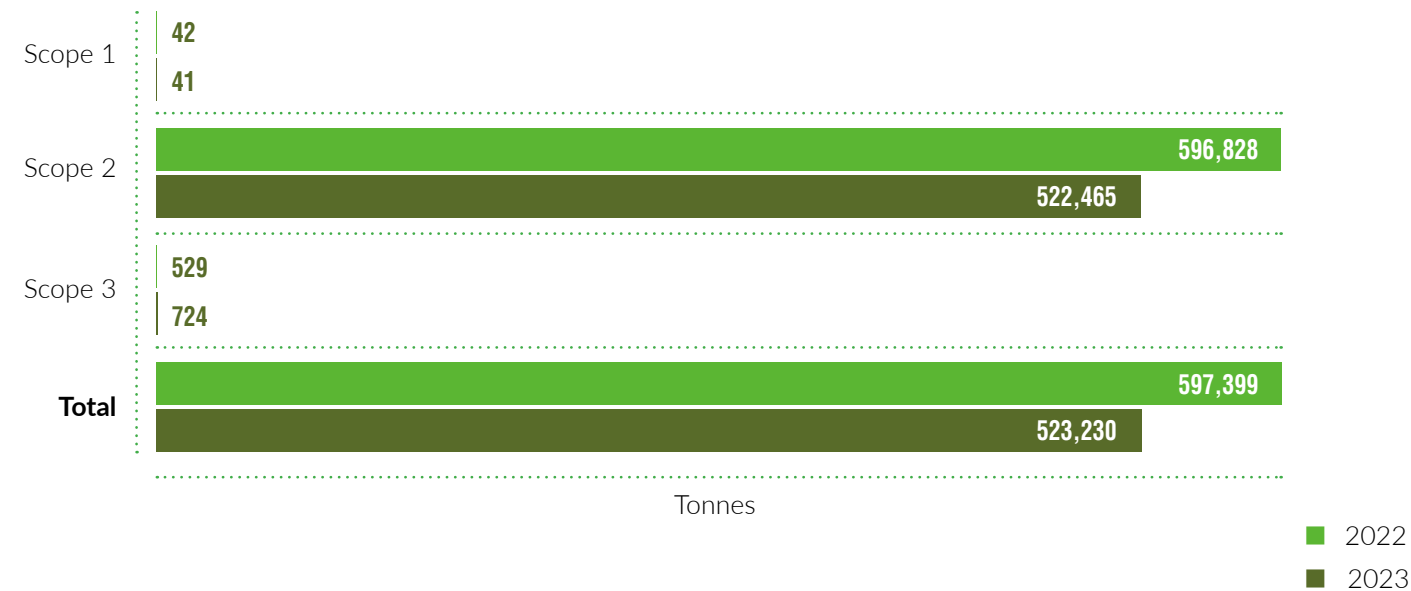
Definitions:

Scope 1 emissions = direct emissions other than power utilised from the grid, associated with borrowers' operations including fuel consumption through the use of generators or own vehicle fleet, gas utilised in air conditioning systems, and other forms of own power production.

Scope 2 emissions = direct energy consumption through grid offtake.

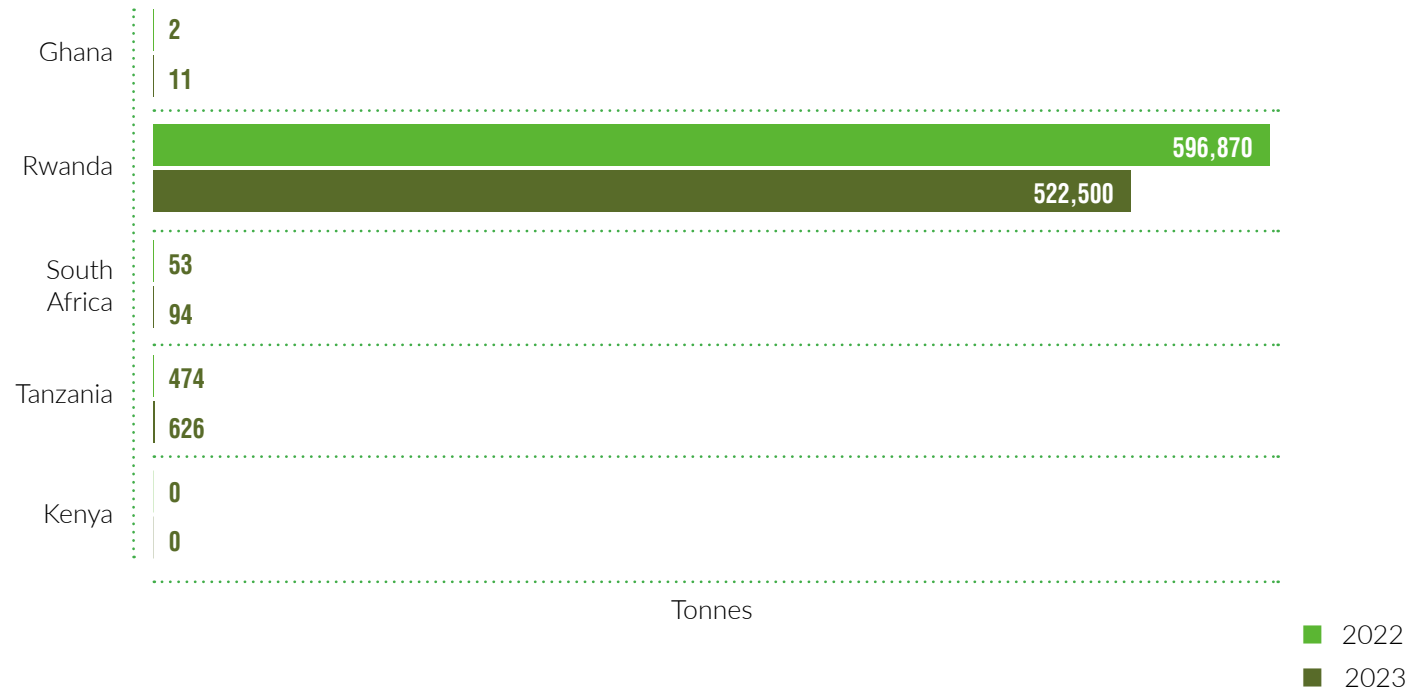
Scope 3 emissions = indirect emissions associated with the borrowers' operations e.g., third-party emissions associated with the transportation of goods and services, purchased packaging and water, waste produced and recycled.

Total CO₂e per year



As indicated in the graph above, 99% of the carbon emissions are attributed to Scope 2 emissions. No significant change in Scope 1 was reported for 2023, and all data reported for Scope 2 was attributed to electricity use in Rwanda and Ghana only. No Scope 2 data was reported for Kenya, South Africa, and Tanzania. Scope 3 emissions (including paper usage, third-party transporters, and air travel) rose by approximately 0.05% from the previous year to account for approximately 0.13% of the total tonnes CO₂e for LAFCo's borrowers. The increase in Scope 3 can be attributed to data reported for waste generation.

Total CO₂e per country



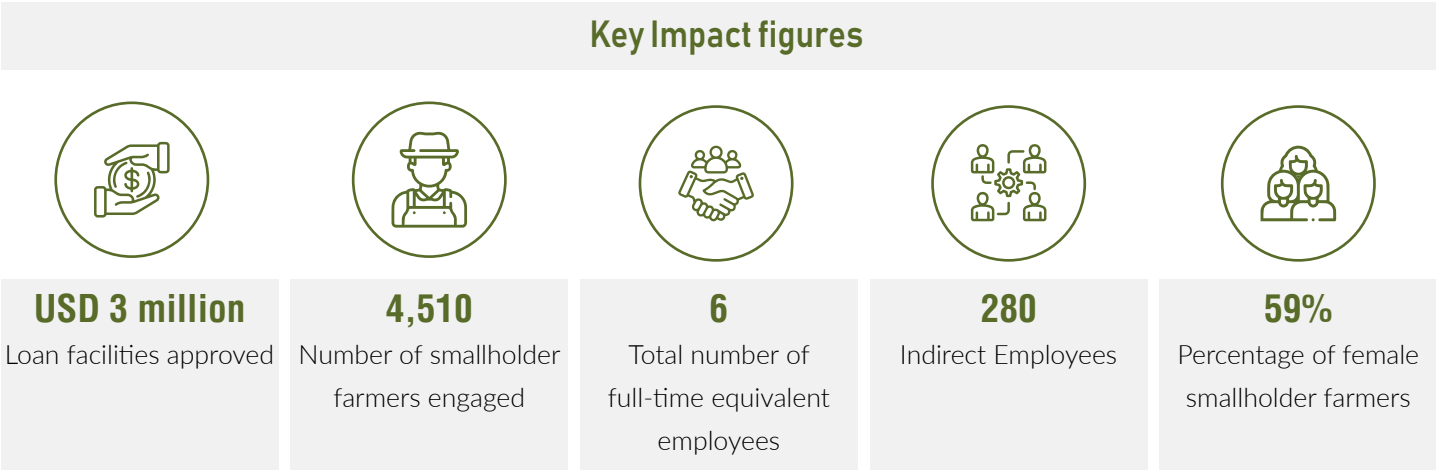
The graph above illustrates the comparison of the total carbon emissions data reported per country in 2022 and 2023. There is one borrower per country each involved in different commodities in agriculture and at different phases of the value chain. The majority of the borrowers across the portfolio source and purchase agricultural products from smallholders, which then undergo processing and then sold or distributed to local and international markets.

If we consider the nature of each borrower's operations in their respective markets, it is assumed that the contributions to Scope 2 and 3 emissions would be higher with more accurate and comprehensive reporting.

Although there has been an improvement in the data reported per borrower since 2022, there is room for improvement in data collection and reporting to ensure reliability of the carbon footprint calculations. LAFCo is committed to providing support and working with its portfolio to improve the quality of carbon data reported to allow for increased accuracy and transparency.

LAFCo implemented a software enabled monitoring and reporting solution in 2023 to assist and improve data capture and monitoring processes across its portfolio.





Company Overview

Established in 2019, MacsKen operates in the agricultural commodities trading sector with a primary focus on the macadamia nut market. The company, located in Kenya, has emerged as one of the leading exporters of macadamia kernels from the country. MacsKen acquires its nuts from local farmers through aggregators and has entered into a toll processing arrangement with Privam Nuts EPZ Limited (Privam) in Embu, Kenya for the processing of its macadamia nuts.



Key Impact Focus

- Foster economic empowerment within farming communities by establishing a sustainable market for farmers involved in cultivating various commodities.
- Promote food security and social stability through boosting agricultural productivity.

Impact Overview

Macadamia farming offers a significant source of income for producers in SSA and beyond, particularly benefiting smallholder farmers. Kenya, currently the third top macadamia producer globally, relies heavily on the contributions of approximately 200,000 smallholder farmers to its production. The nuts are highly versatile, serving both as a snack and as a commodity for roasting and flavouring, with markets spanning across regions like the USA and Europe.

Amidst this backdrop, companies like MacsKen are leading the charge in integrating sustainable management practices into their operations, aiming to address environmental, social, and economic challenges.

MacsKen, has partnered with a company called Privam that is in charge of the processing of the nuts. MacsKen sources from various aggregator, which source from different

smallholder farmers. The nuts are then brought to Privam for processing. MacsKen is involved in the stringent screening processes to ensure that raw nuts are in line with the company requirements. Through this collaboration, MacsKen has sustained over 290 indirect jobs whom are employed through Privam, primarily in macadamia kernel production and packing, with a significant proportion of these jobs held by women. Additionally, MacsKen have engaged approximately 4,510 smallholder farmers (through the aggregators), significantly contributed to bolstering local economies and fostering community development.

However, MacsKen has faced temporary setbacks in its journey, particularly in engaging with smallholder farmers. This is due to reduced demand from Western countries, due to the ongoing Russia/Ukraine war contributed to decreased demand from Western countries and the trickle down effect of interest rates and inflation rates, further

impacting the demand and commodity flow. The future of the macadamia industry looks quite optimistic, with significant price increases expected in 2024 as the Kenya government's move to allow in-shell trading has attracted nut in-shell trades to China.

The company remains steadfast in its commitment to uplifting local communities. Initiatives such as distributing bags during harvest seasons have not only reduced rejection rates and increased farmer incomes but have also promoted economic empowerment and social cohesion within the community.

From an environmental perspective, macadamia trees play a vital role in carbon sequestration, soil stabilization, and water conservation. In addition, the processing warehouse, waste shells are used for energy production.

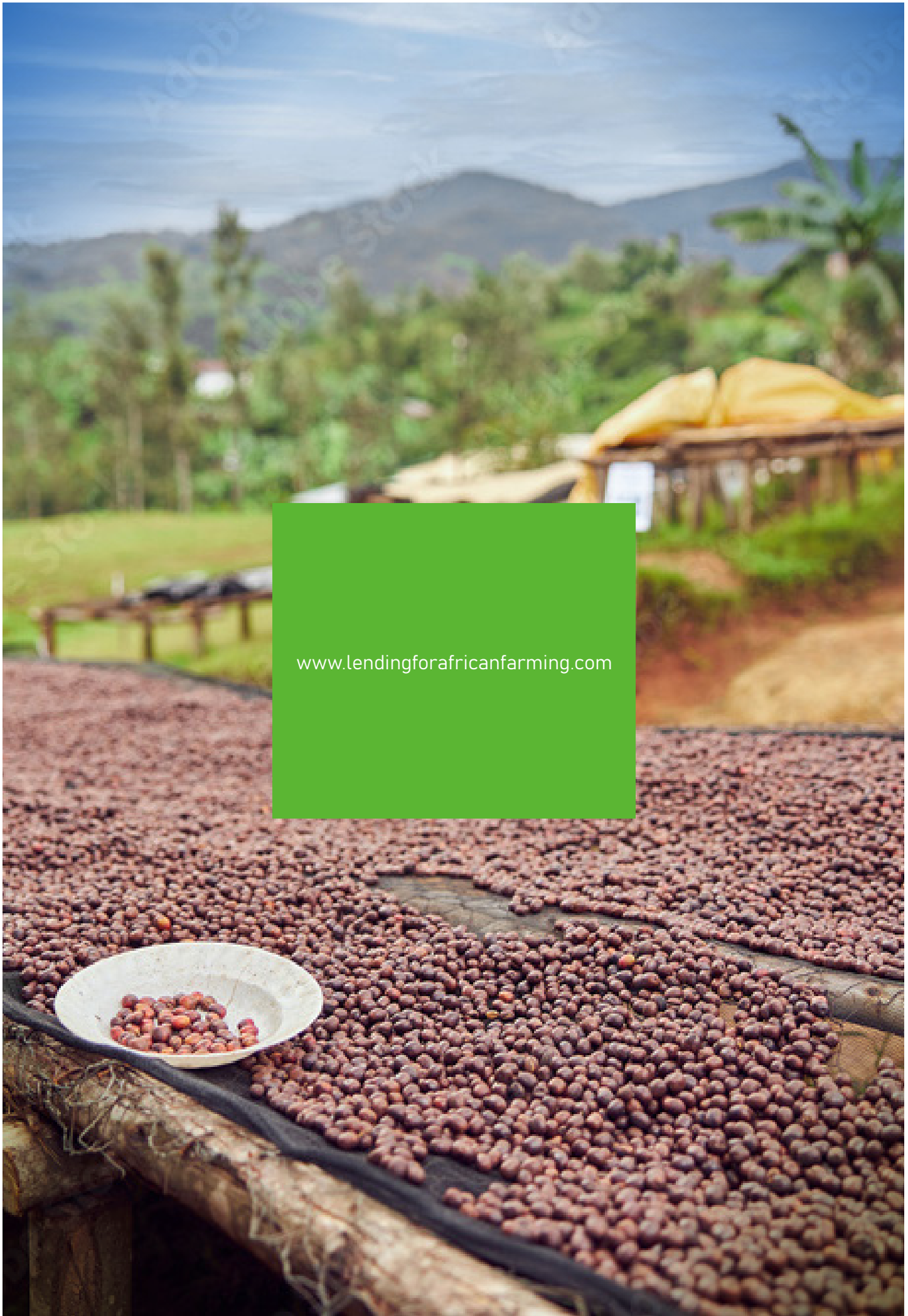
MacsKen in pictures





LAFCo's 2023 annual impact report highlights significant strides in addressing the persistent agricultural finance gap in SSA, emphasizing strategic initiatives to unlock investment potentials and drive impactful change.

Collaborative efforts with AgDevCo have secured technical assistance grants for market scoping in West and East Africa, strengthening origination strategies and capacity-building to enhance LAFCo's ability to create positive impact through more targeted funding. The successful conclusion of deals like GSC in Uganda showcases LAFCo's expansion into new regions and sectors, fostering economic prosperity and sustainability. Despite encountering challenges within the portfolio, including economic downturns and borrower defaults, LAFCo remains resilient, actively engaging in recovery efforts while enhancing impact management systems and environmental stewardship practices. By prioritizing responsible investing principles and community empowerment, LAFCo underscores its commitment to fostering sustainable development and financial inclusion across SSA, positioning itself for continued growth and positive impact in the years ahead.



www.lendingforafricanfarming.com