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1. ALCB FUND OVERVIEW

MISSION

The ALCB Fund was established in 2012 by KfW on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The Fund focuses on three core areas of impact:

- **Act as an anchor investor and provide technical assistance (TA)** to first time and innovative issuers.
- **Improve the sustainability and diversity of funding sources for issuers**, reducing risks for individual institutions and the financial sector.
- **Ensure greater economic opportunity for target beneficiaries**, specifically low-income households and MSMEs, by facilitating sustainable borrowing, long-term investment and financial sector sustainability.

The mission of the ALCB Fund follows the G20 Action Plan to Support the Development of Local Currency Bond Markets (LCBMs), adopted by the Group under the French Presidency in 2011.

BACKGROUND

Functioning local capital markets play a vital role in ensuring balanced growth, offering the private sector a sustainable source of long-term domestic funding, and investors transparent financial instruments to channel savings, pensions, and other pools of capital into the real economy. They help to diversify the range of funding for companies, complement bank lending and expand the overall availability of long-term finance to the economy. Capital market development can therefore help ensure the efficient allocation of capital and improved risk-sharing, driving sustainable economic growth and prosperity. Improving access to local currency funding also increases economic resilience, and in the wake of economic shocks like the COVID crisis, the role of local capital markets is even more important.

Moreover, in most countries, increased economic growth, growing population and high urbanisation rates have intensified the financing needs for infrastructure, affordable housing, food security, healthcare, and climate financing. Well-functioning capital markets can be a significant source of financing for these sectors and other priority sectors, including those that support broad-based economic growth. In line with the ALCB Fund's mandate, we believe that local and regional capital markets can play a significant role in financing affordable housing, financial inclusion, renewable energy, agriculture, health, and education (sectors in which hard currency funding from DFIs is dominant).

In underdeveloped capital markets, investors, intermediaries and potential issuers have limited transaction experience. In addition, high interest rates, limited tenors and high transaction costs create additional disincentives for primary bond issuances, making it more attractive for companies to rely on hard currency in this context. Local institutional capital is concentrated in government securities rather than vital and productive economic sectors such as renewable energy, infrastructure, housing, and agriculture. Foreign currency borrowing creates FX, funding and systemic risks which negatively impact low-income households and MSMEs disproportionately.

Most African capital markets are in a nascent state, with private issuances being infrequent and generally reserved to large financial institutions. There is a lack of a credit culture in virtually all markets, in terms of the investment process, credit ratings and risk-based pricing. First-time issuers are often unaware of the opportunity to raise funds in the bond market or find transaction costs and disclosure requirements prohibitive compared to deal size. Intermediaries often lack deal experience while documentation required to inform and protect investors is often deficient and marketing to investors consequently does not meet minimum standards. As a result, investors prioritise well-known names and incumbents while avoiding credit analyses in unfamiliar sectors.



Improving access to local currency funding increases economic resilience, and in the wake of economic shocks like the COVID crisis, the role of local debt capital markets is even more important



To help bring new deals to market, the ALCB Fund acts as an anchor investor in first-time or innovative bond issuances by corporate issuers

ROLE OF THE ALCB FUND

The key developmental challenge for African bond markets is to increase deal-flow and capital market experience for issuers, investors, and intermediaries. The ALCB Fund offers several interventions. To help bring new deals to market, the ALCB Fund acts as an anchor investor in first-time or innovative bond issuances by local entities. The Fund also provides TA to support bond issuances, which may include defraying the costs for the review of bond documentation to improve standards, public listing of issuances to support market transparency, and obtaining a credit rating to enhance the credit appraisal standards of the market.

ALCB FUND ACTIVITY

The Fund is an advocate for African local capital markets through:

- **Pipeline Development:** identifying potential issuers based on their capacity to raise financing.
- **Advocacy:** informing markets on the advantages of local currency issuances, including diversification of funding and reduced FX risk, as well as reduced maturity and interest rate mismatches.
- **Anchor Investing:** encouraging co-investment and carrying out efficient investment approval processes to assist issuers and their financial advisers throughout the bond marketing process.
- **Due Diligence:** performing rigorous due diligence, encouraging improved credit standards in the market.
- **TA:** supporting roadshows, credit and social ratings, SMART Certification, regulatory filings and legal support.
- **Transparency:** supporting market transparency by setting high standards for the issuers' quality of information disclosure.

2. YEAR IN REVIEW

MACRO-ECONOMIC OVERVIEW

As the curtains closed on 2020, there was cautious optimism that the worst of COVID-19 had passed. Vaccines were on the horizon in the developed world and lockdown measures were slowly being eased. While such optimism may have been well-placed, the emergence of more transmissible variants did take the wind from the sails of some African countries as new lockdown measures were imposed to contain community spread.

According to the World Bank, Sub-Saharan Africa's (SSA) economy expanded by 3.3% in 2021, relative to a contraction of -2.1% in 2020, and is projected to grow by 3.5% and 3.8% in 2022 and 2023 respectively. The growth in 2021 was largely driven by a rebound in economic activities as businesses adapted to living with the pandemic, and higher global commodity prices. However, recovery amongst specific countries in SSA varied depending on the state of the economies pre-pandemic, the severity of 2021 lockdowns, and other structural factors. For example, Angola and Nigeria, despite being resource-reliant economies, are estimated to have seen only a small rebound in growth, while Kenya and Cote d'Ivoire recorded impressive

growth rates estimated at 5.0% and 6.2% respectively.

In 2021, African debt capital markets saw a notable rise in activity driven by: (a) strong local market liquidity, (b) declining local interest rates, (c) improved economic conditions, and (d) a release of pent up demand from issuers that refrained from issuing in 2020 during the most difficult period of the pandemic. Spreads tightened in several key markets, including South Africa and Nigeria.

As we enter 2022, the waters remain choppy, particularly as the dust continues to settle and global markets take stock of the cost (both human and economical) of the past two years. Covid-19 has not gone away, and the ability of the African continent to move past it will rely heavily on the ability of governments to effectively roll out vaccinations. Furthermore, as developed economies begin to reign in monetary support introduced during the pandemic, it is possible some businesses and developing economies may come to realise how reliant they have become on historically cheap funding to grow.

FUND INVESTMENT ACTIVITY

In 2021, the ALCB Fund deployed USD 35.9 million across 7 companies in 5 countries; including its first investment in Namibia, increasing its geographic coverage to 19 countries. In meeting one of its key objectives, four of the Fund's issuers in 2021 came to the capital markets for the first time.

● Dec-20 ● Dec-21

193.5 229.4[↑]
Total investments since inception (USD m)

28 36[↑]
Amount Invested (USD m, year)

35 36[↑]
Number of Companies in outstanding portfolio

133.4 137.4[↑]
Portfolio Outstanding (USD m)

45 45
Number of Investments outstanding

18 19[↑]
Number of Countries

The Fund continues to work with its portfolio companies on follow-on bond issuances in other markets where the issuers operate. IZWE Africa Holdings, a key player in the micro-lending space, has been supported by the Fund in Ghana and Zambia and, in 2021, on its debut issuance for its Kenyan subsidiary. The Fund also anchored a securitisation by Orabank Togo, the first local debt capital market transaction by a subsidiary of Oragroup.

Another landmark transaction was the issuance by the Ecowas Bank for Investment and Development (EBID). EBID's financial intermediation cuts across 15 countries, including Fragile and Conflict-Affected States (FCAS) and various developmental sectors including infrastructure, renewable energy, agribusiness, financial services and education.

A summary of the transactions completed in 2021 is provided in the table below.



Investment Amount: USD 8.3m
Tenor: 7 years
Sector: MSME Finance

ECOWAS Bank for Investment and Development (EBID) is a regional DFI with a mandate to promote the economic integration and development of the ECOWAS region, supporting both private and public sector projects in member states. EBID intervenes through short, medium and long-term loans and limited equity investments, and is a strong avenue to channel funding to projects and businesses in FSDA-classified FCAS markets. Since its reorganisation in 2006, EBID has disbursed over UA 1.5 billion (USD 2.1 billion) to support over 250 projects across the region, with c.47% of the Bank's portfolio in FCAS countries.

In 2021, EBID issued a XOF 60 billion (USD 109 million) bond, its third but largest issuance on the UEMOA bond market; with proceeds earmarked and directed to finance private sector developmental activities of interest to the Fund. The Fund supported EBID's issuance, during this period of increased uncertainty, by investing XOF 5.5 billion (USD 10 million).



Investment Amount: USD 2.3m
Tenor: 3 years
Sector: Micro-credit

IZWE Kenya is part of IZWE Africa Group. The company offers unsecured loans to formally employed but underbanked individuals, and since its formation in 2014 has provided loans to over 18,000 active borrowers across the country.

The ALCB Fund has supported IZWE Group since 2015 on various bond issuances. The Fund invested in two different programmes by IZWE Zambia in 2015 and 2018, investing a total of ZMW 86.1 million (USD 8.1 million). The Fund also provided a bridge-to-bond loan facility of GHS 40 million (USD 6.6 million) to IZWE Ghana in 2019 to support the institution's financing needs whilst seeking regulatory approval for a bond issuance.

Through support of the Fund, IZWE Kenya made its debut bond issuance on the Kenyan capital market in 2021. The Fund supported in identifying a placement agent, and as an anchor investor helped to crowd-in other institutional investors and high net worth individuals. The bond issuance allowed IZWE Kenya to reduce FX risk exposure and support portfolio growth.



Investment Amount: USD 5.6m
Tenor: 3 years
Sector: Micro-credit

Letshego Namibia is a provider of credit and insurance to civil servants and lower income households. In 2021, the company issued its debut bond, aiming to raise NAD 250 million (USD 17.5 million). The ALCB Fund anchored the Transaction, investing NAD 71 million (USD 5.5million) at a tenor of 3 years (bullet). This transaction marked the Fund's first investment in Namibia, and it's second company with the Letshego group (following Letshego Ghana).



Investment Amount: USD 5.0m
Tenor: 5 years
Sector: Infrastructure/MSME

Nedbank South Africa is one of the largest financial services groups in Africa. In April 2019, Nedbank came to market with its first green bond – encompassing solar and wind assets – under the Climate Bonds Standards. This was part of the company's new SDG Impact MTN program, which sets in place guidelines for sustainable, green, and social impact bonds. The Fund invested ZAR 41 million (USD 1.48 million) in the ZAR 1.97 billion (USD 105 million) debut issuance. The Fund further invested ZAR 68 million (USD 5 million) in an Additional Tier 1 Note issued in 2021 under the SDG framework. This was the first-ever AT1 green bond issuance in Africa, and one of only a handful globally. Proceeds will be applied to finance renewable projects under the REIPPP programme in South Africa.



Investment Amount: USD 8.6m
Tenor: 5 years
Sector: MSME Finance

OraBank Togo is a subsidiary of Oragroup, a pan-African financial services provider. Oragroup has operations across 12 countries including Togo, which is the first subsidiary of the Group and the largest by asset size. Orabank Togo offers universal banking services to individuals, SMEs and institutional clients and is the largest financial institution in the country. The Bank supports SMEs and clients in key economic sectors such as construction, manufacturing, transportation, agriculture, and trade whilst also leveraging technology to further financial inclusion through its innovative digital solutions.

The ALCB Fund invested in Orabank Togo's securitisation in December 2021. Securitisation remains novel in the UEMOA banking landscape, with this transaction being only the fourth such transaction in the region and second by a commercial bank. It was also the first capital market issuance by a subsidiary of Oragroup.

The Fund invested XOF 5 billion (USD 8.6 million) in the bond issuance of XOF 25 billion (USD 42.8 million) representing 20% of the issuance size, with co-investors including pension funds, insurance companies and other asset managers. The funds raised have been applied to support the business in strengthening its liquidity and support loan book growth.



Investment Amount: USD 615k
Tenor: 4 years
Sector: Housing

Select Malawi is a retail financial services company that provides unsecured lending primarily to civil servants, with a focusing on financing for housing.

The fund invested USD 1.03 million in the company's MTN program in 2017 and agreed to a follow-on investment of MWK 500 million (USD 615, 377) in 2021.



Investment Amount: USD 5.6m
Tenor: 4 years
Sector: Micro-credit

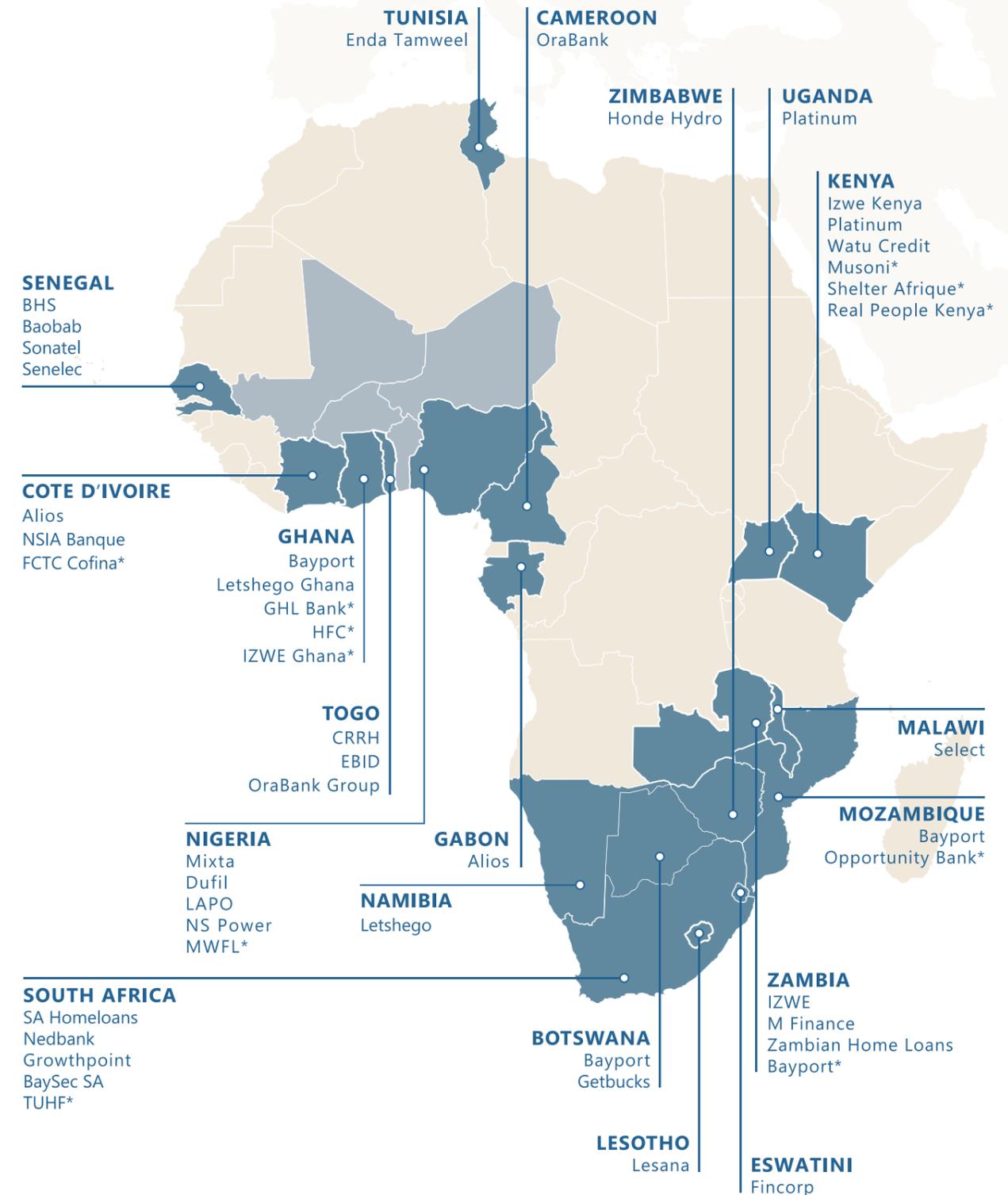
Watu Credit is a base-of-the-pyramid lender in Kenya offering asset-based financing to micro-entrepreneurs for the purchase of boda bodas (motorcycle taxi) and tuk tuks (three-wheeled cycles). It has an active client base of over 71,000.

In 2021, Watu issued its first bond on the Kenyan capital market to support loan book growth. The Fund invested KES 600 million (USD 5.5 million) in the issuer's 5-year note with a tranche size of KES 1.2 billion (USD 11 million). The Fund's participation played a significant role in attracting private sector local co-investors. Along with Izwe Kenya, this transaction marked a return of more bond issuers coming to the Kenyan debt capital markets following a long period of subdued activity after a series of corporate defaults in 2018. The ALCB Fund worked with the issuer and arranger on key terms and investor roadshow approaches. Through the TA facility, the Fund also supported the issuer to enhance the quality of its transaction documentation, and has provided cost-sharing funding to support the development of a robust ESMS for the company.

3. PORTFOLIO

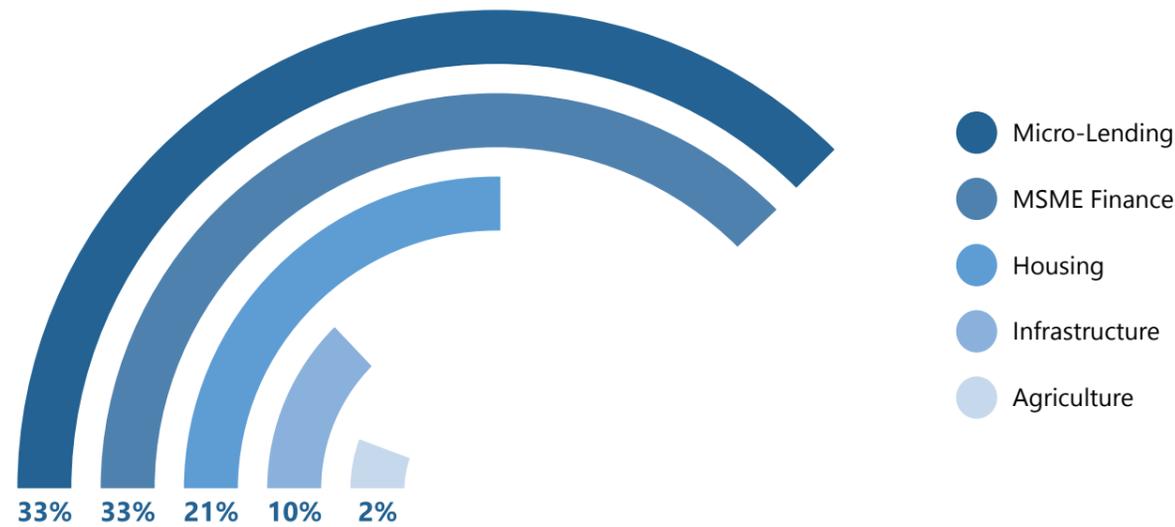
3.1 OVERVIEW

As of 31 December 2021, the ALCB Fund has made 69 investments of USD 229.4m across 47 companies since inception. The Fund's outstanding portfolio of USD138m is spread across 19 countries and 36 companies.

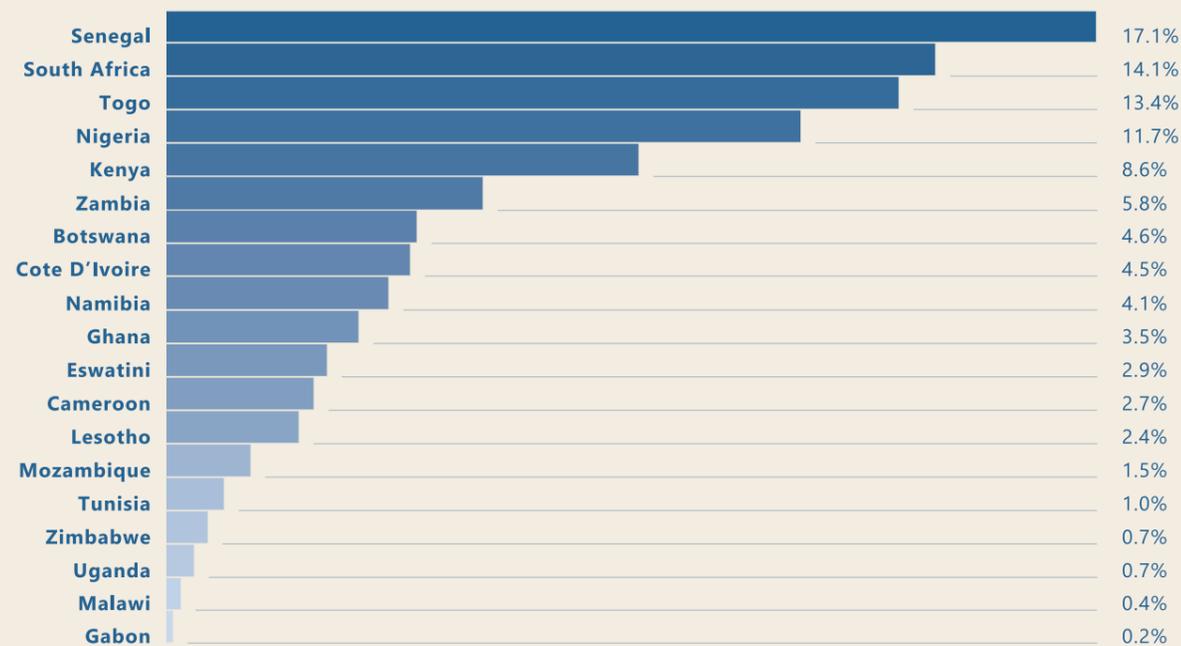


* Exited

OUTSTANDING PORTFOLIO DISTRIBUTION BY SECTOR



PORTFOLIO DISTRIBUTION BY COUNTRY



| COUNTRY | CURRENCY | ISSUER | INVESTMENT (USD m) | OUTSTANDING (USD m) | TENOR | FIXED / FLOATING |
|-----------------------|----------|-----------------------|--------------------|---------------------|-------|------------------|
| AGRICULTURE | | | | | | |
| NIGERIA | NGN | Dufil Prima Foods | 3.84 | 3.84 | 5 | Fixed |
| HOUSING | | | | | | |
| LESOTHO | LSL | Lesana Lesotho | 1.78 | 1.78 | 6 | Fixed |
| | | | 1.48 | 1.48 | 5 | Fixed |
| MALAWI | MKW | Select Malawi | 1.03 | 0.62 | 4 | Fixed |
| NIGERIA | NGN | Mixta Nigeria | 4.00 | 3.44 | 5 | Fixed |
| TOGO | XOF | CRRH | 3.15 | 0.59 | 10 | Fixed |
| | | | 1.50 | 1.00 | 12 | Fixed |
| SOUTH AFRICA | ZAR | BaySec SA | 4.95 | 4.95 | 5 | Floating |
| | | SA Homeloans Class C | 0.56 | 0.56 | 5 | Floating |
| | | SA Homeloans Class D | 1.46 | 1.46 | 5 | Floating |
| ZAMBIA | ZMW | Zambian Home Loans | 1.05 | 1.05 | 7 | Fixed |
| INFRASTRUCTURE | | | | | | |
| NIGERIA | NGN | NS Power | 1.07 | 1.00 | 15 | Fixed |
| SENEGAL | XOF | Senelec | 4.50 | 3.15 | 7 | Fixed |
| | | Sonatel | 10.07 | 10.07 | 7 | Fixed |
| SOUTH AFRICA | ZAR | Growthpoint | 4.68 | 4.68 | 11 | Floating |
| | | Nedbank | 2.77 | 2.77 | 7 | Floating |
| | | Nedbank (AT1) | 5.00 | 5.00 | 5 | Floating |
| ZIMBABWE | ZWD | Honde Hydro | 0.75 | 1.00 | 5 | Fixed |
| MICRO-LENDING | | | | | | |
| BOTSWANA | BWP | Bayport Botswana | 2.85 | 2.85 | 7 | Fixed |
| | | First Cred (Botswana) | 2.59 | 2.14 | 3 | Fixed |

| COUNTRY | CURRENCY | ISSUERS | INVESTMENT (USD mm) | OUTSTANDING (USD mm) | TENOR | FIXED / FLOATING |
|----------------------|----------|------------------------|---------------------|----------------------|-------|------------------|
| MICRO-LENDING | | | | | | |
| GHANA | GHS | Letshego (AFB) Ghana | 4.80 | 4.80 | 7 | Fixed |
| KENYA | KES | Platinum Kenya | 4.01 | 4.01 | 4 | Fixed |
| | | Watu Credit | 5.56 | 5.56 | 4 | Fixed |
| | | IZWE Kenya | 2.28 | 2.28 | 3 | Fixed |
| MOZAMBIQUE | MZN | Bayport Mozambique | 2.09 | 2.09 | 5 | Fixed |
| NAMIBIA | NAD | Letshego Namibia | 5.58 | 5.58 | 3 | Fixed |
| UGANDA | UGX | Platinum Uganda | 1.00 | 1.00 | 5 | Fixed |
| ZAMBIA | ZMW | IZWE Zambia | 5.13 | 5.13 | 5 | Fixed |
| MSME FINANCE | | | | | | |
| CAMEROON | XAF | OraBank Group | 5.85 | 3.66 | 5 | Fixed |
| COTE D'IVOIRE | XOF | Alios Cote D'Ivoire | 3.08 | 1.10 | 7 | Fixed |
| | | FCTC NSIA Banque | 2.39 | 1.59 | 5 | Fixed |
| | | | 4.70 | 4.70 | 2 | Fixed |
| ESWATINI | SZL | FINCORP | 4.05 | 4.05 | 5 | Fixed |
| GABON | XAF | Alios | 2.05 | 0.25 | 7 | Fixed |
| KENYA | KES | Musoni | 2.48 | 2.48 | 3 | Fixed |
| NIGERIA | NGN | LAPO Microfinance | 5.00 | 5.00 | 5 | Fixed |
| | | | 2.74 | 2.74 | 5 | Fixed |
| SENEGAL | XOF | Baobab Senegal | 3.00 | 1.34 | 7 | Fixed |
| | | | 3.01 | 2.71 | 7 | Fixed |
| TOGO | XOF | OraBank Securitisation | 8.60 | 8.60 | 5 | Fixed |
| | | EBID | 8.27 | 8.27 | 7 | Fixed |
| TUSINISA | TND | ENDA Tamweel | 1.80 | 1.40 | 5 | Fixed |
| ZAMBIA | ZMW | M Finance Snr | 1.29 | 1.16 | 5 | Fixed |
| | | M Finance Jnr | 0.49 | 0.60 | 5 | Fixed |

3.2 IMPACT

The ALCB Fund's Annual Development Impact Report has been circulated and presents the Fund's developmental impact achievements in line with its three impact objectives: (1) Contribute to local capital market development; (2) Improve the financial capacity of local issuers; and (3) Support investment in developmental sectors.

In 2021, the ALCB Fund deployed USD 36 million across seven issuers, including four new issuers and three previous issuers. The Fund's portfolio impact metrics at the end of 2021 are standardised in the table below. Further details on the Environmental and Social impacts of the Fund can be found in the Annual Development Impact Report.

| MARKET DEVELOPMENT | 2021 | 2020 | SECTOR IMPACT | 2021 | 2020 |
|---|-------|-------|--|--------------|--------------|
| Bond Investments to Date (USD m) | 209 | 165 | FINANCIAL INSTITUTIONS | | |
| Bridge-to-bond loans to date (USD m) | 21 | 21 | Total portfolio size (Financial institutions) (USD '000)** | 4,105,889 | 3,032,126 |
| Investments Outstanding (USD m) | 138 | 133 | Number of active borrowers** | 3,761,401 | 2,843,589 |
| # Bond Investments to date | 66 | 61 | Average loan amount | 714 | 1,923 |
| #Bridge to bond loans to date | 3 | 3 | Proportion of female/rural borrowers | 43%-36% | 44%-22% |
| # Investments Outstanding | 45 | 45 | INFRASTRUCTURE | | |
| Private sector co-investment (USD m) | 1,840 | 1,503 | Carbon Displacement (TCO2e) | 1,496,868 | 1,254,685 |
| Investment multiplier (since inception)* | 10.1x | 10.2x | Carbon Displacement (TCO2e) (apportioned to Fund) | 35,194 | 23,083^ |
| Number of domestic regional co-investors | 4,370 | 4,320 | Renewable Energy Output (MWh) | 2,653,433 | 2,855,441 |
| ISSUER BENEFIT | | | # households connected by energy distributors | 1,754,753 | 1,387,460^ |
| # of issuers with liability maturities >36 months | 14 | 17 | # SMEs connected by energy distributors | 406,254 | 362,705 |
| % of issuers with liability maturities >36 months | 39% | 49% | Rural Electrification | 526,973 | 445,221 |
| Average funding maturity (months) | 56 | 46 | HOUSING | | |
| # Of issuers with no floating rate liabilities | 8 | 10 | Number of affordable houses sold (Nigeria) | 385 | 93 |
| Reduction in cost of funding (% of issuers) | 25% | 43% | Number of housing finance borrowers | 116,991 | 246,633 |
| Average FCY Funding | 12% | 6.5% | Value of housing loans (USD '000) | 670,952 | 1,005,658 |
| Issuers with no FCY funding (% of issuers) | 31% | 51% | EMPLOYMENT | | |
| | | | Direct jobs supported by Fund investment (and % Female) | 28,498 (40%) | 20,604 (41%) |

*Calculated as total amount raised by issuers divided by the Fund's investments to date (excluding bridge to bond loans and one commercial paper).

**Excluding Orabank Group.

^Corrected for previous year's misstatement.

In addition to the Impact Framework, the Fund has in place an SDG-linked Theory of Change Framework. Primary SDGs supported by the Fund are: SDG 1: No Poverty; SDG 8: Decent work and economic growth; and SDG 17: Partnerships for goals. The table below summarizes the SDG contributions of the Fund's investments as of 2021.



In addition to the Impact Framework, the Fund has in place an SDG-linked Theory of Change Framework

| SDG | INDICATOR | MICRO LENDING | MSME FINANCE | HOUSING | RENEWABLE ENERGY | INFRASTRUCTURE | AGRICULTURE | TOT |
|-----|--|---------------|--------------|---------|------------------|----------------|-------------|-----------|
| | FI Issuer end-borrower use of proceeds - Microenterprise (USD '000) | 292,320 | 442,188 | 0 | na | na | na | 734,508 |
| | FI Issuer end-borrower use of proceeds - SME/Commercial (USD '000) | 28,554 | 1,327,791 | 0 | na | na | na | 1,356,345 |
| | Health/emergencies financing (USD '000) | 68,564 | 1,090 | 274 | na | na | na | 69,928 |
| | Total output in MT | na | na | na | na | na | 492 | 492 |
| | FI Issuer end-borrower use of proceeds - Agriculture activities (USD '000) | 1,633 | 14,225 | 0 | na | na | na | 15,858 |
| | FI Issuer end-borrower use of proceeds - education financing (USD '000) | 102,363 | 20,969 | 12,993 | na | na | na | 136,325 |
| | Number of direct jobs supported by the Fund's investments | 8,512 | 9,460 | 2,037 | 342 | 3,932 | 4,215 | 28,498 |
| | % of female financial institutions' clients | 30% | 57% | 28% | na | na | na | 43% |
| | % of female staff | 49% | 56% | 51% | 10% | 8% | 15% | 40% |
| | Loan book size of micro-lending and MSME Finance Institutions (USD '000) | 1,245,706 | 2,007,945 | na | na | na | na | 3,253,651 |
| | Number of borrowers in micro-lending and MSME Finance Institutions | 1,797,584 | 1,842,738 | na | na | na | na | 3,640,321 |
| | FI Issuer end-borrower use of proceeds - Housing (USD '000) | 263,728 | 72,027 | 335,198 | na | na | na | 670,952 |
| | Number of affordable houses sold (houses costing less than USD 45,000 (Nigeria)) | na | na | 385 | na | na | na | 385 |
| | Carbon Displacement (tCO2) | na | na | na | 1,446,530 | 50,338 | na | 1,496,868 |
| | Number of households and MSMEs served by renewable energy producers/distributors | na | na | na | 200,000 | 1,961,007 | na | 2,161,007 |
| | Renewable energy Output | na | na | na | 2,766,242 | na | na | 2,766,242 |
| | Co-investment amount (USD m) | 339 | 316 | 553 | 299 | 308 | 24 | 1,840 |
| | Number of Co-investors | 821 | 1,527 | 949 | 41 | 770 | 262 | 4,370 |

4. TAF

OVERVIEW OF THE TAF

The ALCB Fund was established in 2012 by KfW to support innovative transactions and bring new issuers to market. The ALCB Fund has in place a TAF (ALCB Fund TAF) which became operational in 2015 and is managed by LHGP Asset Management. Specifically, the ALCBF TAF is designed to provide supplementary

resources to issuers, ensuring that bankable local currency deals come to market and appropriate incentives are in place for issuers, investors and intermediaries. TA activities are broadly divided into the six categories below:

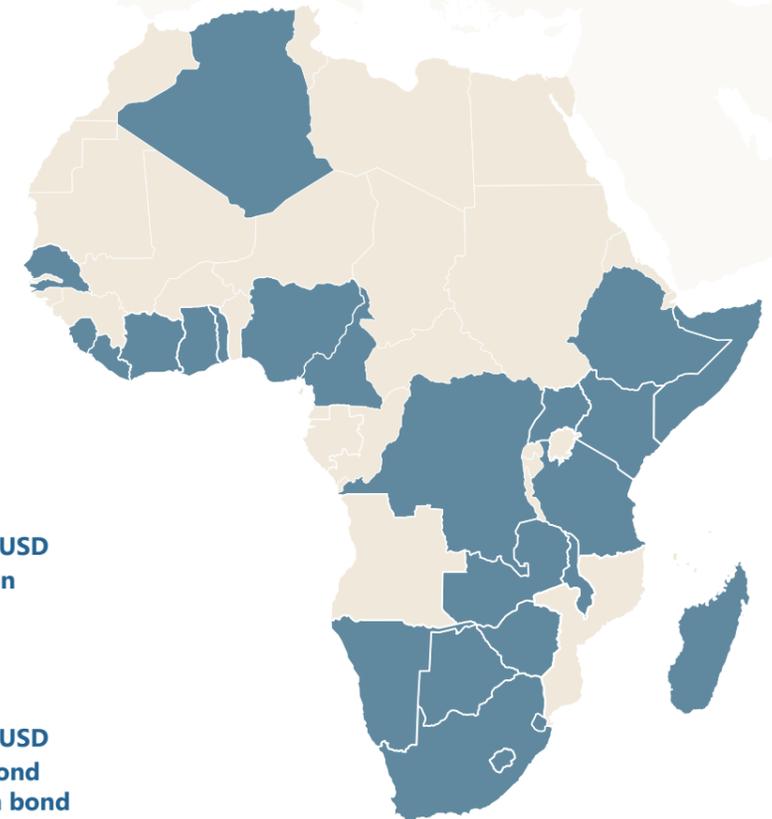
| APPROACH | DESCRIPTION | ALLOCATED [^] | FUNDING |
|---------------------|---|------------------------|-----------|
| Issuer Capacity | Providing financial support on a cost-sharing basis, in relation to SMART/Social Ratings, early-stage bond program development, and Environmental and Social performance management. | USD 344K | KFW |
| Transaction Support | Providing financial and technical support, on a cost sharing basis, for appointment of transaction advisors such as legal or accounting advisors, credit ratings, green bond program structuring costs, etc. | USD 740K | KFW |
| Market Standards | Provide support for activities such as reviewing transaction docs in frontier markets (in particular security docs) and EIA-gap analyses in infrastructure sectors. | USD 878K | KFW, FSDA |
| Product Development | Financing for development of new products/initiatives that can support and promote capital market development and deal origination for the Fund. | USD 250K | KFW, FSDA |
| Market Studies | Scoping studies for frontier markets or specific sectors to assess the general conditions for bond issuance, scope relevant market actors, market infrastructure and exploring specific barriers in target markets. | USD 268K | KFW, FSDA |
| Knowledge Building | InfrAd-hoc knowledge products developed for dissemination to stakeholders through research papers, workshops, data centres, and events. | USD 370K | FSDA |

[^]Since inception

The facility has key guidelines to ensure its integrity and quality:

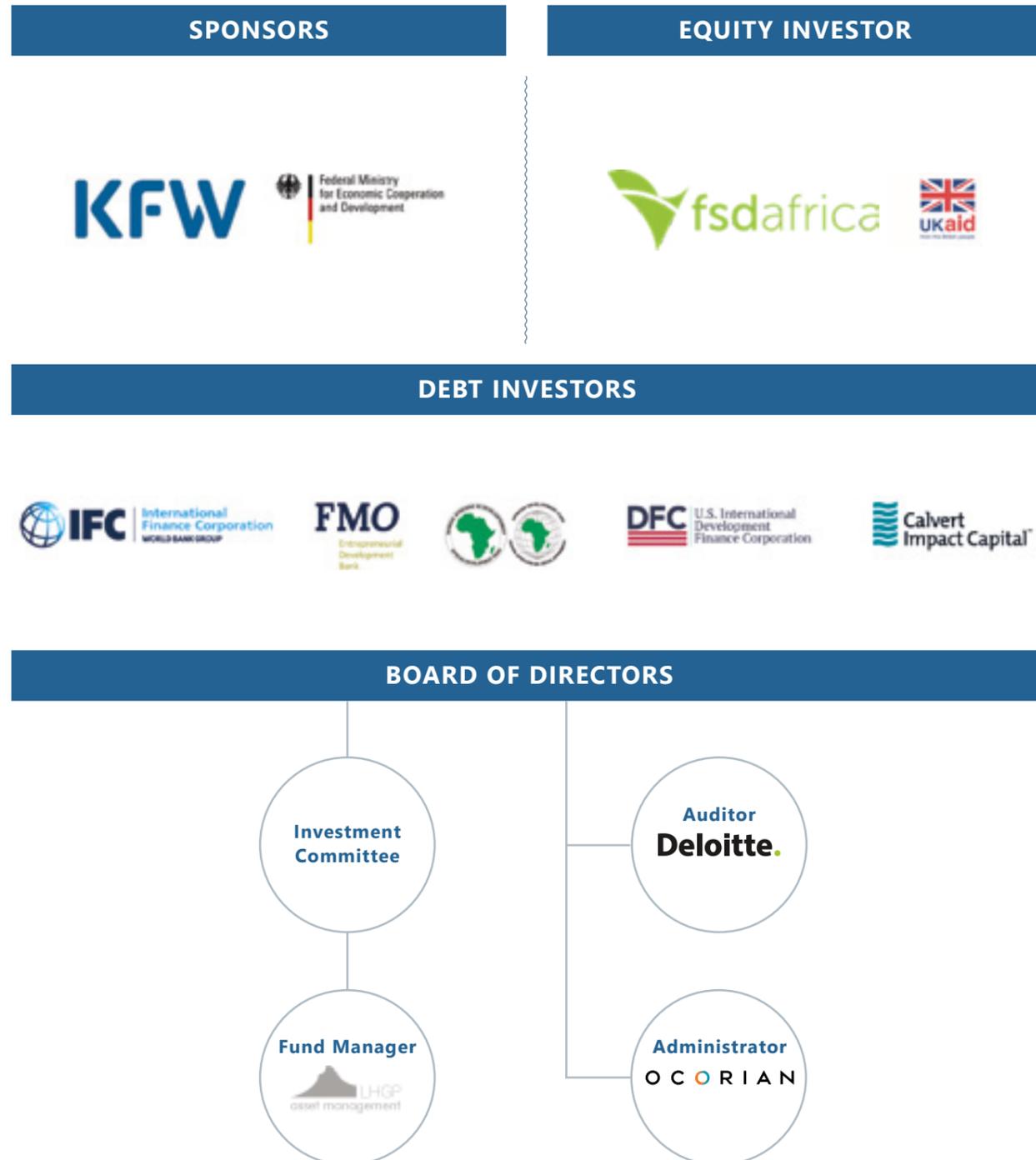
- **Selection of advisers will be conducted transparently** with a process and mechanisms to ensure fair selection; the Fund Manager will work with advisers.
- **Evaluation and procurement procedures will be standardised**, as will consulting contracts, to ensure low administrative complexity and easy access.
- The Fund, as part of its market development role, will look to **promote local service providers** to ensure a lasting impact on the market and its intermediaries.

The activities of the TAF are supported by contributions from the KfW (EUR 2.5m) and the FSDA (EUR 562,000), bringing total contributions to EUR 3 million. The diagram below displays the TAF's activities since inception and countries of impact.



In 2021, ALCBF TAF activities included: (a) legal reviews of seven companies, (b) Algerian capital markets studies, (c) an analysis of the feasibility of LCY financing for power projects, (d) review of the legal and regulatory framework for bonds issued in UEMOA and CEMAC, (e) Africa bond investor landscaping exercise, and (f) five transactions and issuer capacity projects.

5. GOVERNANCE, INVESTORS AND FUND MANAGER



GOVERNANCE

The ALCB Fund has in place a Board alongside four committees: Investment Committee (IC), Asset-Liability Committee (ALCO), Financial Committee (FINCO) and Technical Assistance Facility Committee (TAFC). ALCB Fund's operations are governed by these committees, which provide investor oversight and direction on strategy and implementation, as well as independent private sector capacity to strengthen investment decisions and portfolio/ treasury management.

Over the course of 2021, the ALCB Fund held two Board meetings, seven IC meetings, four FINCO/ALCO meetings and 3 TAFC meetings.

BOARD OF DIRECTORS

- Mr. Karl von Klitzing (Chairman)
- Mr. Sachidananda Govina
- Mr. Rishal Tanee
- Ms. Poonam Sultanti **
- Mr. Vitalis Ritter
- Mr. Evans Osano
- Mr. Mark Napier *

INVESTMENT COMMITTEE

- Mr. Jonathan Segal (Chairman)
- Mr. Philip Buyskes
- Mr. Evans Osano
- Mr. Vitalis Ritter
- Mr. Karl von Klitzing
- Mr. Martin Kimmig (Observer)

TAF COMMITTEE

- Ms. Anne-Marie Chidzero
- Mr. Michael Schuster

FINCO & ALCO

- Ms. Anne Eriksson
- Mr. Vitalis Ritter

* Alternate to Mr. Evans Osano

** Alternate to Sachidananda Govina

SPONSOR

The ALCB Fund was initiated by KfW Development Bank (www.kfw.de) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) in 2012.

INVESTORS

Equity: ALCB Fund is a company limited by shares held by KfW and FSDA Investments. In December 2021, KfW provided additional equity of USD 33.8 million. Since inception, USD 108.6 million has been invested in equity by KfW and USD 10.2 million in equity by FSDAi.

Debt: Since inception, the Fund has raised ca. USD100 million in senior funding from DFIs and impact investors, as well as ca. USD 43 million junior debt from shareholders. Senior debt investors are International Finance Corporation (IFC), African Development Bank (AfDB), FMO, Development Finance Corporation (DFC) and Calvert Impact Capital. Junior debt has been provided by both KfW and FSD Africa investments.

In 2021, the ALCB Fund raised EUR 29 million in Junior Debt from KfW in the form of an XOF-linked facility with proceeds meant to support investments in Senegal. The ALCB Fund also raised senior funding of USD 10 million from Calvert Impact Capital. This was Calvert's second investment in the Fund, following an initial investment in 2017.

FUND MANAGER

LHGP Asset Management is the appointed Fund Manager to the ALCB Fund. LHGP Asset Management is part of Lion's Head Group Limited (www.lhgp.com), an investment bank with operations in London, Nairobi, Lagos, Dubai, Amsterdam and New York, applying capital market expertise to development finance initiatives in Africa and other frontier markets. Authorized and regulated by the UK Financial Conduct Authority (FCA), Lion's Head's experience includes fund management, capital markets and financial advisory work across financial inclusion, trade, renewable energy, agriculture and health sectors.

6. INVESTMENT AND TECHNICAL ASSISTANCE FACILITY PROCESS

STANDARD INVESTMENT PROCESS:

Initial Contact

The Fund Managers carry out initial screening and discussions with the issuer. This may include discussions on technical assistance requirements.

Investment Committee Memo:

The Investment Managers of the ALCB Fund presents to the Investment Committee key information about the issuer and the initial terms discussed. In order to move forward in the negotiation process, the manager must secure a positive decision from the investment committee.

Due diligence

Full Investment Proposal:

Investment Managers conduct diligence and submit a detailed investment proposal. The proposal will include specifics of the transaction, overview of issuers activities and strategy, company shareholders and lenders, and any other information requested by the investment committee.

Execution:

If approved, the investment manager will finalise negotiations and execute the legal documentation, which may include a variety of social and financial covenants and reporting requirements.

Timeline: 2-4 weeks

Monitoring and Reporting:

As agreed upon during execution, the issuer must provide the ALCB Fund with reports on a regular basis. The Fund Manager will monitor this information to ensure compliance with the covenants and terms and conditions of the agreement.

ENGAGEMENT OF TA FACILITY:

T AFC Memo:

The Facility Managers assess, in coordination with the issuer, specific technical assistance needs.

T AFC Proposal:

Facility Managers present to the TAF committee key information about technical assistance needs, including pricing, importance to issuer and relevance to local capital market development.

Selection of Advisors:

The TAF uses its established guidelines for standardised procurement, evaluation and contracting procedures order to ensure a quick and transparent selection of high quality advisors.

Timeline: +4-8 weeks

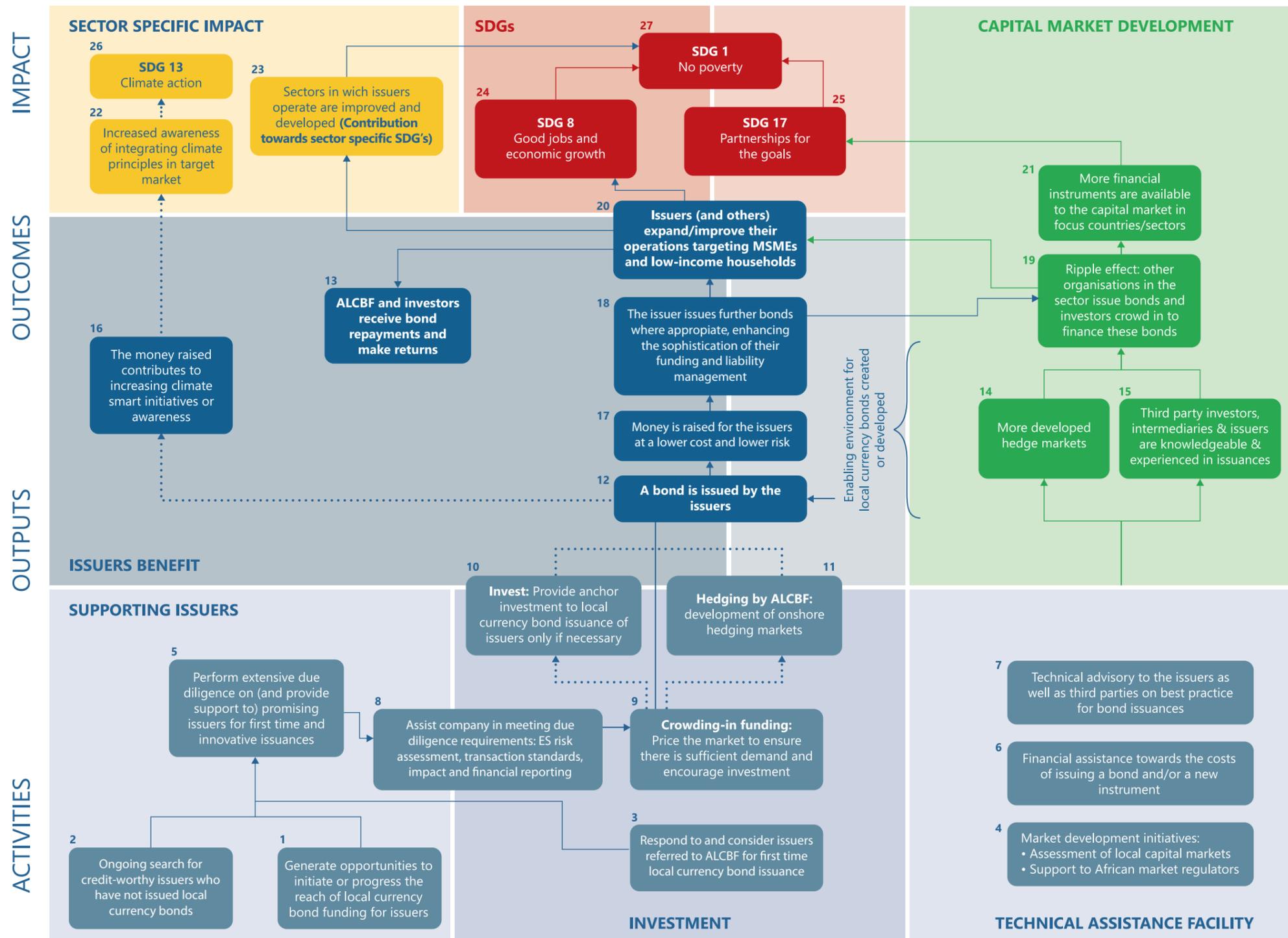
7. THEORY OF CHANGE

The ALCB Fund has developed a Theory of Change Framework that guides the Fund's activities towards attaining its developmental objectives. The Fund has identified three key SDGs as the main drivers of the overall portfolio impact goals. These are: SDG 1: No Poverty; SDG 8: Decent Work and Economic Growth; SDG and SDG 17: Partnerships for the Goals. In addition,

the Fund continues to target investments in green bonds and green infrastructure and therefore remains actively engaged in seeking investment opportunities to support the objectives of SDG 13: Climate Action. As the Fund targets investments in several sectors, its investment activities are also positioned to contribute to a diverse number of additional SDGs as outlined

under the sector-specific indicators.

The diagram below illustrates the Fund's Theory of Change, demonstrating how the fund will attain its impact objectives through a series of targeted outcomes, expected outputs, and relevant activities to be undertaken in this regard.



THE FUND

The ALCB Fund

c/o Ocorian (Mauritius) Ltd.

6th Floor, Tower A, 1

CyberCity, Ebene 72201

Mauritius

www.alcbfund.com

info@alcbfund.com

FUND MANAGER

LHGP Asset Management18 Ltd

130 Buckingham Palace Road

London SW1W 9SA

United Kingdom

www.lhgp.com

info@lhgp.com

Improving lives
through capital markets