ZAMBEZI
TRADE CAPITAL

ZAMBEZI TRADE CAPITAL — WHITE PAPER V1, FOUNDER HYPOTHESIS

Finance the Order, Not the Country

Working capital for African exporters with confirmed international orders

This document states what we believe and how we intend to find out whether it is true. It is a business thesis, not an offer. Zambezi Trade Capital is not currently authorised or regulated by the Financial Conduct Authority, and nothing in this document is an offer, invitation or inducement to invest.

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Summary

An agricultural producer in Zimbabwe holds a confirmed order from a European buyer. The buyer is established, creditworthy and will settle in hard currency on delivery. The producer cannot fulfil the order, because inputs must be bought months before payment arrives and no affordable working capital exists.

The order lapses. The buyer sources elsewhere. Nothing about that transaction was risky in the way the finance market assumes it was.

This is not a shortage of capital. Global trade finance is abundant and actively seeking yield. It is a **structuring failure**: capital does not reach these transactions because the conventional way of assessing them prices the wrong risk.

A confirmed order from a creditworthy international buyer is a **hard-currency receivable that happens to originate in a soft-currency jurisdiction**. Financed conventionally, it carries the country's currency risk, exchange control risk and banking system risk. Financed as a self-liquidating export transaction settling offshore, it carries the buyer's credit risk and the producer's performance risk — and almost nothing else.

Those are different assets with different prices. The gap between them is the opportunity.

Zambezi Trade Capital finances confirmed export orders for African producers, beginning in Zimbabwe. The business is at pilot stage, financing transactions from its own capital and building a documented performance record.

Four propositions determine whether this business exists. All four are testable at modest cost, and the pilot is designed to test them before any external capital is involved:

THE FOUR PROPOSITIONS

01 Demand

Producers with confirmed orders from creditworthy international buyers genuinely cannot access working capital at a price that leaves the transaction viable.

02 Structure

Offshore settlement genuinely removes exchange control and currency conversion risk in practice, not merely on paper.

03 Credit

Losses occur at a rate that supports pricing — and the dominant risk is producer performance, not buyer default.

04 Access

The structure can eventually be opened to external participants through a properly authorised route.

Proposition 3 is where this business most likely fails, and section 6 addresses it directly rather than at the end.

1 The problem

1.1 The transaction that does not happen

The pattern repeats across African export agriculture and light manufacturing:

A producer holds or can obtain a firm order. Fulfilment requires expenditure months ahead of payment — seed, fertiliser, chemicals, fuel, labour, packaging, certification, freight. The producer has land, equipment, skill and a buyer. What they lack is the bridge between spending and receiving.

Local bank finance, where it exists, is scarce, slow, and priced for the sovereign rather than the transaction. Security requirements typically demand fixed property. Approval timelines routinely exceed the planting window. Facilities are often denominated in local currency while costs and revenues are in hard currency, introducing a mismatch that can exceed the transaction's entire margin.

The producer therefore does one of three things: fulfils a fraction of the order using retained earnings; accepts pre-financing from the buyer at terms that transfer most of the margin; or declines.

Each outcome represents export revenue that does not occur, employment that does not happen, and hard currency that does not enter the economy.

1.2 Why capital does not reach it

Not because the transactions are bad. Because assessing them is expensive and the conventional frame prices them wrongly.

Country risk is applied to transactions that do not carry it. A lender assessing exposure to Zimbabwe applies a sovereign and currency overlay. But a transaction where a European buyer settles in euros into an offshore account is not meaningfully exposed to Zimbabwean currency, and only partially to Zimbabwean sovereign risk. The overlay prices a risk the structure has already largely removed.

Ticket sizes are below institutional thresholds. Transactions in the tens of thousands of dollars are too small for trade finance desks whose diligence cost is fixed regardless of size. The origination and monitoring cost is real; the institutional response is to ignore the segment rather than build for it.

Origination requires local presence. Knowing which producer can actually deliver, which aggregator is reliable, and which offtaker relationship is durable is knowledge held locally and not available from a desk in London. Institutions that could price the risk cannot originate it. Parties who can originate it cannot price or fund it.

That separation — capital without origination, origination without capital — is the market failure this business exists to close.

2 The thesis

Four claims, in order of dependence.

Claim one: the asset is the order, not the borrower. Conventional lending assesses a balance sheet and takes security over property. Trade finance assesses a specific self-liquidating transaction: a defined order, a defined buyer, a defined delivery, a defined payment. The producer's historic financial position matters less than whether this transaction will complete. That distinction is what makes lending to thinly-capitalised producers rational.

Claim two: settlement location changes the risk, not merely the paperwork. Where the international buyer settles offshore in hard currency, the repayment never enters the domestic banking system or the exchange control regime. The transaction is no longer contingent on currency availability, conversion approval, or a central bank's discretionary permission to remit. This is the structural core of the business and it is what makes the asset financeable at all.

Claim three: the dominant risk is performance, not buyer credit. If the buyer is genuinely creditworthy and the order genuinely firm, the question is not whether they will pay. It is whether the goods will be produced, to specification, on time, and delivered to that buyer rather than diverted. Underwriting must therefore concentrate on production capability and diversion risk. Section 6 addresses this.

Claim four: origination is the scarce input and it is local. The judgement that separates a transaction that completes from one that does not — which producer can deliver, which aggregator is reliable, which relationship is durable — is accumulated through years of presence in a specific market. It cannot be acquired quickly, purchased, or performed remotely. It is the asset a competitor cannot replicate by raising more money.

3 The transaction

3.1 Structure

01

Order confirmed

An established international buyer places a firm order with an African producer, payable in hard currency on delivery or on agreed terms.

02

Assessment

The buyer's standing, the order's terms, and the producer's capacity to deliver are assessed independently. Input requirements are costed.

03

Facility structured

A defined working capital facility against the specific transaction, with security over the order proceeds and, where practicable, over the crop or goods.

04

Disbursement

Funds released against verified need, in stages, tied to the production cycle rather than advanced in a lump.

05 **Production and monitoring**

The producer fulfils the order. Progress is verified at defined points.

06 **Export and settlement**

Goods are shipped. The buyer settles into the designated offshore account.

07 **Repayment**

The facility is repaid from settlement proceeds. The producer receives the balance.

3.2 What this structure does

It changes what is being underwritten. Not a country, not a balance sheet, but a specific transaction with a named counterparty and a defined completion.

It removes the repatriation question. Repayment occurs offshore, in the currency of the order. No exchange control approval is required for the lender to be repaid. This is the single most important feature: it is why this asset is financeable when a domestic loan to the same producer is not.

It aligns disbursement with need. Staged release against production milestones reduces both the diversion window and the outstanding exposure at any point.

It creates repeatable relationships. A producer who completes one financed order is a materially better credit for the second. The value of the ongoing relationship becomes a meaningful part of the security.

4 Why this has not been done at scale

Three reasons, and each is a constraint on us as much as on anyone else.

Origination cost exceeds ticket size for institutions. A trade finance desk's diligence cost is broadly fixed. Below a threshold, the transaction cannot pay for its own assessment. The answer is not to assess less carefully but to build origination capability locally where its marginal cost is far lower — which requires being present rather than being large.

The knowledge is not transferable in documents. Determining whether a producer will deliver is judgement built from long observation of a specific market. It does not survive translation into a credit memo written by someone who has never visited.

African agricultural credit has a bad history, much of it deserved. Side-selling, input diversion, weather correlation and political interference have destroyed a great many well-intentioned lending programmes. Any credible entrant must confront that record directly rather than assert that this time is different. Section 6 is that confrontation.

5 Where we operate, and why Zimbabwe first

Zimbabwe is the hardest version of this market, and we begin there deliberately.

It has genuine export capability — tobacco, horticulture, citrus, macadamia, specialty crops — with established international buyer relationships. It also has a currency history, an exchange control regime, and an investment reputation that together deter conventional finance almost entirely. That deterrence is precisely what leaves the transactions unfunded.

The structural argument is that a transaction settling offshore in hard currency is substantially insulated from the features that make Zimbabwe unattractive. If that argument holds in Zimbabwe, it holds anywhere in the region. If it fails, it fails cheaply and early, in a market where we have the relationships to understand exactly why.

We are clear-eyed that this is a harder story to tell than a Kenyan or Ghanaian equivalent. We think proving it in the difficult case is worth more than proving it in the easy one.

6 The credit problem, stated honestly

> **This is where the business most plausibly fails, and it is not buyer default.**

If the buyer is genuinely established and the order genuinely firm, non-payment is a manageable and priceable risk. The real exposures are performance and diversion.

6.1 Side-selling and input diversion

The classic failure of African agricultural finance. A producer is financed with inputs or cash for a specific order, and then sells the resulting crop to whoever offers the best price at harvest — or diverts the inputs entirely. The financier holds security over proceeds that never arrive.

This has destroyed contract farming schemes repeatedly and across many countries. It cannot be dismissed and it cannot be solved by contract terms alone, because enforcement against a smallholder is slow, expensive and often worthless.

The mechanisms that actually reduce it, in rough order of effectiveness:

Finance inputs in kind, not cash. Deliver seed, fertiliser and chemicals directly to the producer rather than advancing money. Inputs can still be resold, but the friction is higher and the loss rate materially lower.

Contract directly with the buyer as well as the producer. A tripartite arrangement in which the international buyer acknowledges the facility and settles directly to the financier's designated account removes the producer's opportunity to redirect proceeds. This is the single strongest mechanism available and it should be a precondition rather than a preference.

Finance existing relationships, not new ones. A producer with a multi-year history with a specific offtaker has a relationship worth more than one season's arbitrage. A first-time counterparty does not. Weight this heavily in selection.

Stage disbursement against verified progress. Reduces exposure at any point and creates natural checkpoints.

Make the repeat relationship valuable. A producer who expects to be financed again next season, on better terms, has a strong reason to complete this one. This only works if the offer is genuinely worth returning for.

Verify physically. Site visits at defined points, recorded. Expensive, and it is what origination presence exists to make affordable.

6.2 Correlation

Twenty transactions with twenty growers in one region, one crop, one season, under one rainfall pattern is one transaction, not twenty. Drought, a currency move, a policy shock or an export ban strikes them simultaneously.

Diversification across crop, region, offtaker and season must be deliberate, and it will sometimes mean accepting individually less attractive transactions to avoid concentration. A portfolio that looks excellent deal by deal and terrible in aggregate is the standard way this category of lender fails.

6.3 Performance

The producer may simply fail to deliver — poor yield, quality rejection, logistics failure, certification lapse. Assessment must therefore address capability, not merely intent: has this producer delivered this crop, at this specification, to this buyer, before?

6.4 What cannot be structured away

Expropriation, export bans, sudden policy change, and the failure of an international buyer. The offshore settlement structure addresses currency and exchange control risk. It does not address the risk that goods never leave the country, or that the buyer's own business fails. These remain, they should be stated to anyone considering participation, and they are part of why this business begins with its founders' own capital.

7 Capital

The business is at pilot stage. Transactions are currently financed from the founders' own capital.

The intended progression, each stage conditional on the last:

Stage one — own capital. A pilot programme of transactions, staged in tranches against defined gates, building a documented record of origination, assessment, security, collection and loss. The purpose is not return; it is evidence.

Stage two — institutional and development capital. Once a loss record exists, participation from parties equipped to assess it directly — development finance institutions, impact lenders, trade finance funds. This route does not require retail authorisation.

Stage three — a properly authorised structure for wider participation. Any structure permitting broader participation would require the involvement of an authorised firm, either through authorisation of our own or by operating under an authorised principal. **This is not currently available and we make no representation that it will be.** It is a stated intention, conditional on regulatory approval that has not been sought.

Nothing in this document constitutes an offer or invitation to participate at any stage.

8 Why the United Kingdom

Legal and regulatory framework. Any structure through which capital is eventually pooled and deployed across borders must sit in a jurisdiction whose courts, contracts and regulatory perimeter are trusted by the parties on both sides. The UK provides this; the alternatives available to an African-founded business generally do not.

Trade finance ecosystem. London remains a global centre for trade finance, commodity trade and specialty risk. Documentation standards, insurance capacity and correspondent relationships are concentrated there.

Access to development capital. British International Investment is among the largest development finance investors in African businesses, and the UK's stated approach to Africa prioritises trade, responsible private investment and mutually beneficial economic partnership. A UK-domiciled platform is directly aligned with that direction.

A route to broader participation. The United Kingdom has an established regulatory framework under which retail participation in emerging market lending has been conducted lawfully by authorised platforms. That framework is what makes stage three conceivable at all.

The UK entity is not a fundraising wrapper for an African operation. It develops and owns the origination methodology, the credit assessment framework, the transaction structures and the operating systems. The intellectual property is created and held in the UK; the transactions are originated where the knowledge is.

9 Current status

Pilot stage. Transactions financed from the founders' own capital, deployed in tranches against defined gates, with a ceiling set deliberately below the level at which a total loss would impair the programme.

Objective of the pilot: twenty to twenty-five completed transactions with full documentation — origination, assessment, security, disbursement, delivery evidence, settlement and outcome — including those that lose money.

What we will publish when it exists: the loss record. Not a selection of successes. A lender's credibility rests on being able to state what proportion of its judgements were wrong and by how much, and a first cohort with no losses would indicate insufficient testing rather than exceptional skill.

> **No external capital is being sought or accepted at this stage.**

10 What this is not

- **Not a remittance business.** We do not transfer money between individuals and we do not operate a payment service.
- **Not a bank or deposit-taker.** We do not accept deposits and do not hold client money.
- **Not an authorised or regulated firm.** Zambezi Trade Capital is not currently authorised or regulated by the Financial Conduct Authority.
- **Not an investment offering.** No participation is currently available and nothing here is an offer, invitation or inducement to invest.
- **Not a microfinance or development programme.** These are commercial transactions assessed on commercial terms. Development outcomes — employment, export earnings, producer income — are consequences of transactions that work, not the basis on which they are selected.
- **Not a general-purpose African lender.** We finance confirmed export orders with international offtakers. Domestic-currency lending, consumer credit and unsecured working capital are outside our scope.

11 Risks

Side-selling and input diversion

The principal credit risk. Addressed in section 6.1; mitigated structurally rather than contractually.

Correlation

A portfolio that is diversified in name only. Addressed by deliberate variation of crop, region, offtaker and season.

Producer performance failure

Yield, quality, logistics or certification failure. Addressed through capability-based assessment and staged disbursement.

Buyer default

Lower probability, higher severity. Addressed through counterparty selection and, where available, credit insurance.

Policy and country risk that cannot be structured away

Export bans, expropriation, sudden regulatory change. Not mitigable; disclosed.

Origination capacity

The judgement on which the business rests currently sits with one person. Transferring it — deliberately, measurably, and before scale — is a first-order priority, not an operational detail.

Regulatory pathway

Stage three depends on approval that has not been sought and may not be granted. The business must be viable through stage two without it.

Reputation of the category

African agricultural credit carries a history of failed programmes. We expect to be assessed against that history and consider it reasonable that we should be.

12 Capability

Origination and credit. Direct relationships across Zimbabwean agricultural and commercial markets accumulated over three decades, including the auction floor system through which much of the country's export crop is graded and traded. This is the input that cannot be purchased.

Structuring and analysis. Transaction assessment, security design, portfolio construction, loss modelling and the professional credentials in international trade finance that a counterparty or regulator would expect.

Systems. The origination, assessment, documentation and monitoring platform through which transactions are executed and evidenced — developed and owned in the United Kingdom.