In 2002

Patrice Hoppenot,
a former founding partner of the European private equity fund manager BC Partners

Creates
Investisseurs & Partenaires pour le Développement (IPDEV)

To finance with equity starting and growing MSMEs in Sub-Saharan Africa in a development perspective with the following belief: MSMEs create wealth and economic development, we need to create and grow MSMEs where they lack
After 9 years of investment, this financial venture has:

- Created or maintained 2,646 jobs
- Realized a total of 33 investments as minority stakeholder
- Of which 85% in early stage businesses and two thirds below EUR 500 000
- Disbursed EUR 13 million
- Supported 26 African entrepreneurs
- In 10 Sub-Saharan African countries: Cameroon, Benin, Namibia, Mauritania, Niger, Ivory Coast, Madagascar, Uganda, Senegal, Mali
- In 9 business sectors: agribusiness, professional training, transport, textile, microfinance, healthcare, construction, distribution, financial services
This high impact performance was made possible by a favorable legal and economic structure:

- Evergreen fund structure
- Patient capital with concessional expected returns

**Limited Company**

- Growing Financial Portfolio
- Cash
- Equity

**Time horizon**: open-end permanent capital structure

**Gross Portfolio Financial return**: circa 15%

**Promise of financial return made to investors**: renewal of capital
This flexible and adaptive structure has been essential in our capacity to create agribusinesses that connect thousands of farmers to markets.
In 2012

I&P’s managing team decides to scale and raises a fund of EUR 54 million named Investisseurs & Partenaires Afrique Entrepreneurs

With an investing thesis inspired by but slightly different than the IPDEV’s one: To support with Equity and Quasi-equity Sub-Saharan African Entrepreneurs with high growth and positive impact potential
After 5 years of investment, this private equity fund has:

- created or maintained 3,752 jobs
- In 29 investee companies
- With an Investment Range of €300,000 to 1,5 million
- And an investment average size of 1,1 million
- In 11 Countries in Sub-Saharan Africa and Indian Ocean
- In 7 different business sectors: microfinance, construction, agribusiness, transport, healthcare, information and communication technologies, equipment
The legal and economic structure of the vehicle had to evolve in order to reach size target:

- Closed-end 10-year GPLP structure
- Double digit expected net returns

Time horizon: closed-end 10-year Fund

**Limited Partnership**

<table>
<thead>
<tr>
<th>Growing Financial Portfolio</th>
<th>Variable Equity</th>
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<tr>
<td><strong>Targeted Gross Portfolio</strong></td>
<td><strong>Promise of Financial return</strong></td>
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<tr>
<td>Financial return: 25%</td>
<td>made to investors: 10-12%</td>
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November 2017
Because of too short liquidity time horizon and too high expected financial returns, IPAE has not been able to invest in and build agri-businesses involving smallholder farmers in the upstream value chain...
Few Lessons of our 15-Year Experience on the Field

• Economic, environmental and social impact of equity investing in African Ag-SMEs is potentially extremely high: « When you think how small are those companies and how big is the change they make in the smallholder farmers’ life ».

• Market demands are generally not the problem, whether domestic or export. Double digit CAGR is a standard.

• In order to serve these markets, the challenges are operational.

• Technical Assistance is essential.

• Entrepreneurs are key.

• Profitability and returns are achievable, even when investing at a small scale (circa 500 K€): Gross IRRs can exceed 20%. Meanwhile, considering the time spent, and depending on the deal size, net IRRs hardly exceed 5-10%. Therefore, blended finance vehicles are necessary if we are to attract private capital towards Agro-industries in developing countries.

• Time horizon is the important parameter: it takes time to build an agricultural supply chain and to master its production in those contexts. Therefore, liquidity cannot be foreseen before 7 to 9 years and 10-year closed-end funds are not appropriate.
If we are to create and grow inclusive agro-industrial SMEs that connect smallholder farmers to export and domestic markets, we need to adjust structural parameters (time horizon, expected net returns) with blended finance tools.

The Case for Blending

- **Growing Financial Portfolio**: Financial return: circa 15%
- **Variable Equity**: Promised financial return made to investors: 5-10%
- **Development Finance**: Concessional interest rate

**Limited Company**

- **Time horizon**: evergreen fund structure
Investing in Ag-SMEs is certainly not the only way to fight rural poverty. Blending is certainly not the only way to attract private capital for the development of agriculture in sub-Saharan Africa. But it is certain that we need strong and well financed local agro-industries if we want to connect the farmers to the markets.