



THE HISTORY OF I&P : A PLEA FOR BLENDING

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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

IPDEV

After 9 years of investment, this financial venture has :

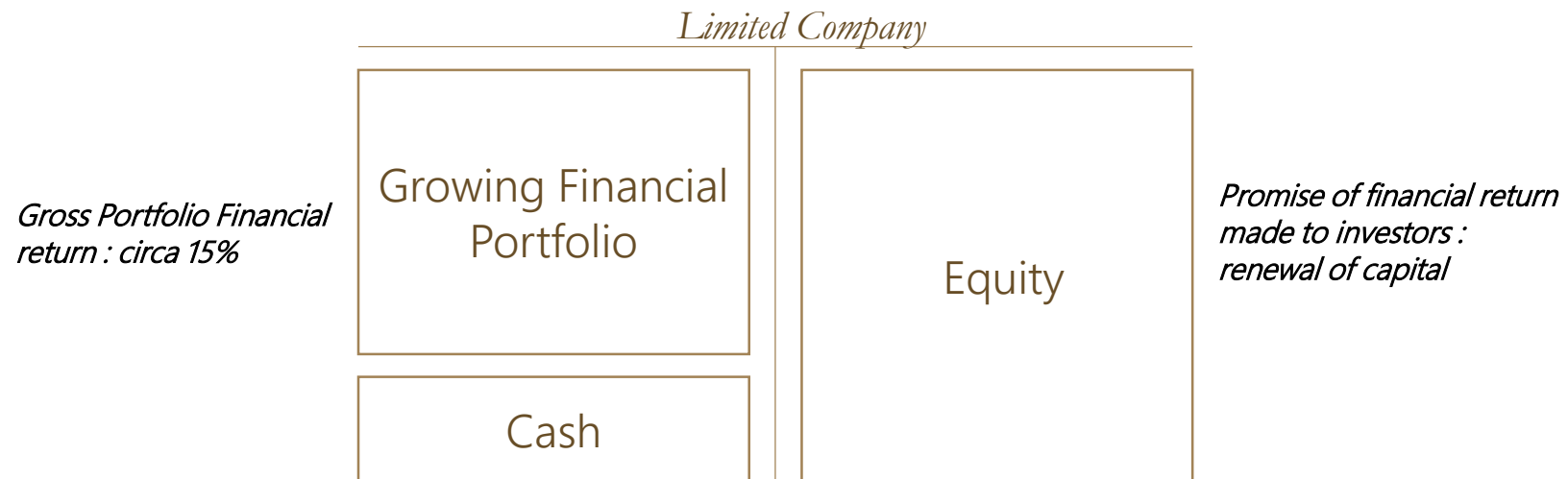
- Created or maintained 2,646 jobs
- Realized a total of 33 investments as minority stakeholder
- Of which 85% in early stage businesses and two thirds below EUR 500 000
- Disbursed EUR 13 million
- Supported 26 African entrepreneurs
- In 10 Sub-Saharan African countries : Cameroon, Benin, Namibia, Mauritania,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

IPDEV

This high impact performance was made possible by a favorable legal and economic structure :

- Evergreen fund structure
- Patient capital with concessional expected returns

Time horizon : open-end permanent capital structure



IPDEV

This flexible and adaptive structure has been essential in our capacity to create agribusinesses that connect thousands of farmers to markets

LA LAITERIE DU BERGER



- Creation of a dairy company producing yoghurt with the milk of the nomadic cattle breeders of Northern **Senegal**
- Equity investment in 2006 along with the local entrepreneur, a veterinary
- **800 small farmers** impacted with a revenue growth of three times over the period, 130 permanent jobs created

BIOTROPICAL



- Creation of a certified organic fruit export and transformation company in **Cameroon** who trained and assisted the farmers
- Equity and quasi-equity investment in 2007 along with the entrepreneur, an agronomist
- **More than 100 small farmers** connected to markets, structuration of the organic value chain, 100 permanent jobs created or maintained

PHILEOL



- Creation of an export castor oil company in Southern **Madagascar**
- Equity investment in 2009 along with a French and two Malagasy entrepreneurs, a chemical engineer, an agronomist, one rural economist
- **6000 farming families** included with stabilized revenues, 272 producer organizations set up, 3500 ha of non arable land valued

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

IPAE

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

IPAE

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





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

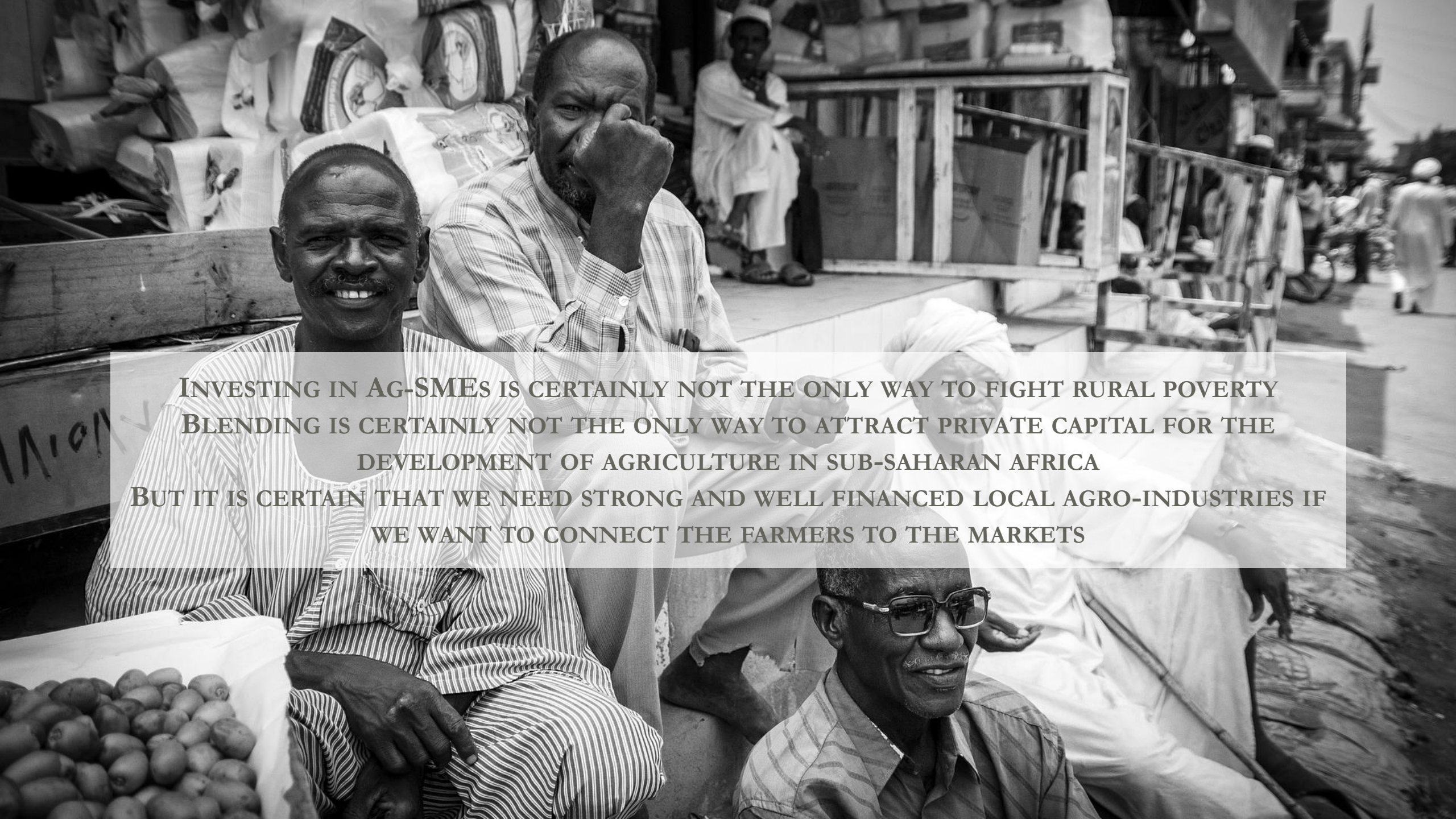
- Economic, environmental and social impact of equity investing in African Ag-SMEs is potentially extremely high : « When you think how small are those companies and how big is the change they make in the smallholder farmers' life ».
- Market demands are generally not the problem, whether domestic or 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.

THE CASE FOR BLENDING

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

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