

# Annual Report 2016



**KAMPANI**  
Investing in family farming

# TABLE *of contents*

2	Capital increase, overview of shareholders
3	Foreword by the Chairman, Steven Serneels
4	Deals in 2016
4	COCOCA Burundi
6	Vert Kenya
9	Financial results 2016
10	Governance
11	A word of thanks to our partners

## CAPITAL *increase* IN 2016

Towards the end of 2016, Kampani welcomed five new shareholders which, combined, invested 800,000 EUR. The total amount of capital raised now stands at 3,050,000 EUR. This means that we are on target to reach a total fund size of 8,000,000 EUR.

The current shareholders are:

The King Baudouin Foundation  
Vredeseilanden (VECO)  
Alterfin  
Louvain Cooperation  
Boerenbond  
Trias  
SIDI

Oxfam Wereldwinkels  
Broedelijk Delen

Five private investors (together representing more than 40 per cent of the capital)

# FOREWORD

*by the Chairman, Steven Serneels*

*Dear readers,*

With great pride, we can conclude that Kampani is no longer in its infancy. Having closed two deals in 2016 – one in Burundi and one in Kenya – we proved that our model works. We are now well-equipped to continue building our portfolio in 2017 and onwards.

In 2016, we also welcomed five new shareholders: three private investors and two NGOs. With this capital round, Kampani secured the support of most of the relevant NGOs in Belgium around this initiative.

Kampani invests in businesses of producer organisations of smallholder farmers in the South. The investment targets can be businesses or cooperatives which produce, process, trade and/or market agro supply, farming products and their derivatives.

By targeting the missing middle – initiatives too big for microfinance but too small for regular finance – Kampani aims to increase the farmers' income, improve their position in agricultural product chains and contribute to the development of their communities.

Delivering social impact for smallholder farmers is our primary driver. Indeed, Kampani is clearly an impact-first investment fund.

Kampani stands out from other social investors that target the missing middle thanks to an audacious combination of strategic choices:

- Investing directly and strengthening the balance sheet of the investee through the use of equity or quasi-equity
- A long investment horizon of up to 10 years
- Operating only in the agro-food value chain
- Active involvement in the governance of the investee
- Small investment amounts (100,000 to 500,000 EUR)

This pioneering combination of strategic choices constitutes Kampani's unique selling proposition. Having built a rather exceptional ecosystem via its shareholders – comprising most of the relevant players in Belgium – and a limited number of close partners, Kampani is convinced it can face the challenges inherent to this approach. For instance, Kampani sources its deals exclusively via this network. This generates not only cost savings but also accelerates the trust-building between Kampani and the investee.

For its fund management activities, Kampani relies heavily on its operational partner Alterfin. I would like to give a special word of thanks to the entire Alterfin team!

We are bound to be confronted in 2017 with many more challenges and obstacles. Addressing the missing middle is risky and difficult. Kampani is therefore very happy that it can count on many organisations and individuals who are prepared to support this innovative effort.

On behalf of the entire Board, I thank you for your confidence and support.



*Steven Serneels*  
Chairman of Kampani



# Deals IN 2016



COCOCA | Burundi

Mr. Ernest Ndimuraro (right), the CEO of COCOCA and Mr. Ephrem Sebatigita (left), the CEO of Horamama Coffee Dry Mill, at the front gate of the factory.

## Vital STATISTICS

<b>Country</b>	Burundi
<b>Sector</b>	Coffee
<b>Investment</b>	Acquisition of a coffee hulling factory (a dry mill), i.e. a vertical integration
<b>Total estimated capital expenditure</b>	501,000 USD over three years
<b>Investment type</b>	Subordinated debt over five years
<b>Total loan amount</b>	324,000 USD
<b>Status</b>	Fully disbursed
<b>Co-investor</b>	ICCO Agribusiness Booster, contributing 100,000 USD
<b>Maximum exposure for Kampani</b>	224,000 USD plus guarantor toward Webcor (the previous owner, which accepted payment over three years) for acquisition of factory
<b>In portfolio since</b>	March 2016
<b>Deal sourced by</b>	The King Baudouin Foundation

## THE deal set-up AND business objective

In March 2016, Kampani made its first investment, awarding a subordinated loan to a newly established subsidiary of COCOCA to acquire a hulling factory.

COCOCA is a fairtrade certified union of coffee producing cooperatives in Burundi. COCOCA's business plan provided for the acquisition or construction of its own hulling factory and warehouse – an activity which used to be outsourced to third parties.

Hulling is the last link in the value chain before export, and transforms parchment coffee into green coffee. All earlier steps in the process i.e. the production itself and the transformation from cherries into parchment coffee are carried out by the base cooperatives in their own washing stations.

To acquire a hulling plant, COCOCA created a subsidiary called Horamama Coffee Dry Mill in January 2016. Via an asset deal, Horamama acquired from Webcor (a Swiss multinational) an existing hulling plant in Ntarambo in the northern part of Burundi (area of Kayanza/ Ngozi). Using subordinated debt, Kampani helped finance the acquisition.

To help mitigate the risk, Kampani invited ICCO Agribusiness Booster to co-invest. Proposed to us by the King Baudouin Foundation, this deal could not have happened without the support and expertise from Broederlijk Delen and Alterfin (Alterfin has been providing trade financing to COCOCA for several years). As such, this first deal also illustrated clearly the added value of Kampani: each organization by itself could not have done this deal.

## THE social IMPACT

COCOCA is the first cooperative player on the Burundi market to own its own dry mill. It currently counts almost 27,000 coffee farmers among its members via 33 base cooperatives.

The vertical integration will generate dramatically improved access to the hulling service for the smallholder farmers and their cooperatives, with better processing and storage services. As a result, coffee flows will be rationalized and the removal of the current bottlenecks will enable the



The dry mill and warehouses.

cooperatives to sell more coffee to COCOCA. The investment will also allow COCOCA to improve the traceability and quality control to better meet the requirements of specialty coffee markets. Finally, the added value of the hulling service itself will remain within the group.

Via the loan agreement Kampani secured a mission lock, and Horamama will be required to provide data points which will allow Kampani to monitor the social impact on smallholder farmers. If any dividends are paid out, they will be disbursed within the framework set by the Fairtrade system.

# Deals IN 2016



*Vert* | Kenya

## *Vital* STATISTICS

<b>Country</b>	Kenya
<b>Sector</b>	Fresh vegetables for export, fruit pulp for local market
<b>Investment</b>	Construction of new factory on newly acquired land and acquisition of pulping machinery
<b>Total estimated capital expenditure</b>	1,800,000 EUR
<b>Investment type</b>	Straight equity combined with a subordinated loan
<b>Kampani's equity investment</b>	371,458 EUR (in Kenyan Shilling), fully disbursed
<b>Kampani's subordinated loan amount</b>	128,542 EUR, to be disbursed in 2017
<b>Co-investor</b>	Grameen Credit Agricole, contributing 500,000 EUR, fully aligned with Kampani
<b>Investor loan</b>	800,000 EUR by Fefisol and Alterfin
<b>In portfolio since</b>	November 2016
<b>Deal sourced by</b>	Alterfin



## THE deal set-up AND business objective

In November, Kampani completed the transaction for its second investment in a Kenyan SME, “Vert”.

Founded in 2000, Vert is specialized in the sourcing, grading, packing and export of fresh vegetables: French beans, snow peas, baby corn, baby carrots, etc. Every day, several tons leave Kenya on the KLM flight for Amsterdam. Some of the produce is for sale in Belgium, specifically in Delhaize.



Look for the FLO ID number 28650 to check whether the package was produced by Vert.

Vert aggregates some 2,000 smallholder farmers by organizing them in community-based organizations and supporting them along the production process. Vert's founders want to improve smallholder farmers' living conditions by offering them reliable access to new market channels, technical support and pre-financing services. Herein also lies the social impact which motivated Kampani to invest. The founders'

commitment in this regard has been codified in a Social Business Charter.

Vert decided to diversify its production by launching a mango and passion fruit pulp business. The pulp processing market has seen tremendous growth over the last eight years in East Africa. But Kenya currently imports a large amount of soft drinks, and Vert intends to help substitute imported products by producing mango and passion fruit pulp that will be locally sourced and processed. This new activity should enable Vert to work with more farmers (around 8,000 by 2020), including in rural areas where poverty alleviation remains a real challenge.

Vert has raised 1.8 million EUR in equity and debt in order to enter the pulp processing business and to move the vegetable business from the current rented facility to a new site. The funding will be used to finance the related capital expenditure and working capital.

This investment is a co-investment between Grameen Credit Agricole and Kampani, each contributing 500,000 EUR. Both equity investors are equal partners and are fully aligned. Most of the remaining financing has been secured with a Fefisol/Alterfin investment loan.

## THE social IMPACT

Translated to a European setting, Vert would be called a social business. The Kenyan entrepreneurs, who founded Vert, have demonstrated a strong commitment to raising the living standard of smallholder farmers, formalized via a Social Business Charter (see next page). Furthermore, Kampani holds a veto power over decisions affecting the smallholder farmers.

Vert strongly believes that sourcing raw materials directly at the farm level can reduce the disruptive effects of brokers and secure a consistent supply of quality raw materials while giving smallholder farmers access to stable and predictable prices year round and enabling them to professionalize their agriculture practices.

The company will contribute to poverty alleviation and livelihood improvement in Kenya through developing an inclusive value chain in the fresh vegetables and fruit pulp sub-sectors.

Vert supports smallholders farmers to become more professional growers and thus to reduce their vulnerability.

Kampani required that Vert's social mission was codified and inserted in the shareholder agreement. A so-called "Social Business Charter" clarifies the principles and subsequent commitments.

For the sake of brevity, this annual report only presents the principles of this Social Business Charter:

#### Principle 1

Vert contributes to poverty alleviation and livelihood improvement in Kenya amongst smallholder farmers by developing an inclusive value chain in the fresh vegetables and fruit pulp sub-sectors.

#### Principle 2

Vert serves smallholders farming communities in Kenya to become more professional growers

and thus to reduce their vulnerability

#### Principle 3

As a social business, Vert aims to achieve economic and financial sustainability while the maximization of social impact is the goal of its shareholders

#### Principle 4

Vert respects its environmental and social environment

#### Principle 5

Vert acts responsibly towards its employees and implements innovative empowerment tools

#### Principle 6

Vert sets up relevant indicators to monitor these commitments and the social impact on all stakeholders and submits a social report to its shareholders on a quarterly and annual basis

These are the indicators that will be monitored:

#	Social Business Indicators	Quarterly reporting	Annual reporting
1	Basic data: number of contracted smallholder farmers, plot size, turn-over rate of the farmers involved	x	x
2	Volume of fresh vegetables sold	x	x
3	Factory-level rejection rate		x
4	Volume of mango/passion fruit pulp processed	x	x
5	Number of Global Gap certified smallholder farmers	x	x
6	Number of FairTrade certified smallholder farmers	x	x
7	Number of Community Based Organizations whose governance body includes women		x
8	Volume of Fairtrade products sold	x	x
9	Share of total volume purchase at Fairtrade conditions	x	x
10	Average yield increase per farmer cooperatives		x
11	Volume of recycled green material		x
12	Volume of CO <sub>2</sub> emissions avoided		x
13	Use of recyclable packaging		x
14	Reduction of energy and water consumption at the factory level, per unit of production		x
15	Number of farmers practicing Integrated Pest Management		x
16	Number of employees	x	x
17	Integration of the Social Business Charter and Vert's Code of Ethics in the HR briefing package		x
18	Number of professional trainings per year		x



# Financial results 2016



Balance sheet in EUR	2015	2016
<b>Fixed assets</b>	-	371,458.51
Intangible fixed assets	-	-
Tangible fixed assets	-	-
Financial fixed assets	-	371,458.51
<b>Current assets</b>	486,175.44	974,342.02
Credit portfolio	26.14	199,980.14
Cash and cash equivalents	484,084.53	767,766.53
Other accounts receivable	2,064.77	6,595.35
<b>Total assets</b>	486,175.44	1,345,800.53
<b>Equity</b>	421,665.21	1,203,109.08
Paid-in capital	562,500.00	1,525,000.00
Issuance premium	-	24,000.00
Accumulated results	- 140,834.79	- 345,890.92
<b>Liabilities</b>	64,510.23	142,691.45
Long term liabilities (> 1 year)	-	94,867.65
Short term liabilities (< 1 year)	64,510.23	35,785.59
Transitory accounts	-	12,038.21
<b>Total liabilities and equities</b>	486,175.44	1,345,800.53

Kampani has raised 3,050,000 EUR from 14 shareholders. 50 per cent has been paid up. On the asset side, the balance sheet shows our first equity deal (in Vert, Kenya), as a fixed financial asset, and our first disbursed loans (Horamama, Burundi) in the credit portfolio. Note, however, that Kampani for our deal in Burundi acts as

the agent for ICCO Agribusiness Booster via a Syndication Agreement. This is why Kampani also has almost 95,000 EUR on its books as a long term liability. Finally, please note that the new shareholders paid a 3 per cent issuance premium. The use of such a premium helps establish solidarity between shareholders.

Profit and losses statement in EUR	2015	2016	Budget 2016
Operating income	485.12	1,406.17	-
Operating expenses	- 141,415.81	- 219,285.70	- 212,000.00
<b>Operating losses</b>	= - 140,930.69	= - 217,879.53	= - 212,000.00
Financial income	+ 117.19	+ 19,035.26	+ 10,000.00
Financial expenses	- 21.29	- 6,211.86	-
<b>Result</b>	= - 140,834.79	= - 205,056.13	= - 202,000.00

The 2016 operating loss is largely in line with the approved 2016 budget. The net financial income is also in line, but the 2016 budget did not take into account the effect of the Syndication Agreement with ICCO Agribusiness Booster. Some of the

money Kampani received from Horamama (and included in the financial income) had to be forwarded to ICCO Agribusiness Booster (and included in the financial expenses).

# Governance

## *The Board of Kampani\**

Steven Serneels	Independent (Chairman)
Pieter Verhelst	Senior Adviser, Boerenbond
Jan Vander Elst	Head of Finance, King Baudouin Foundation
Chris Claes	Co-Executive Director, VECO International (Vredeseilanden)
Felix Vanderstricht	General Manager, Louvain Cooperation
Jean-Marc Debricon	General Manager, Alterfin
Wouter Vandersypen	(Executive Director)

## *The Kampani Investment Committee\**

Wouter Vandersypen	(Chairman of the IC)
Luc Basstanie	Senior Investment Manager, AIF, Boerenbond,
Dimitry Van Raemdonck	Senior Investment Officer, BIO (member in his private capacity and with observer status)
Christ Vansteenkiste	Program Adviser, VECO International (Vredeseilanden)
Patrick Eeckloo	Program Manager, Trias
Suzy Serneels	Program Manager, Broederlijk Delen
Karin Winters	General Manager, Lawsquare
Hugo Couderé	Senior Adviser, Alterfin

\*Kampani is grateful to be able to count on these mandate holders, who fulfil their responsibilities at no financial cost to Kampani.

## *Wouter Vandersypen, Executive Director*

Prior to becoming Kampani's Executive Director, Wouter was a consultant for PwC (PricewaterhouseCoopers). He also worked for the International Committee of the Red Cross, the International Rescue Committee and the World Bank.

He holds a MA in International Relations & Economics from the School of Advanced International Studies at Johns Hopkins University in Washington DC and a MA in Political Sciences from the University of Leuven, having studied in Leuven, Tübingen and Fribourg.

Wouter sits on the Board of Fairtrade Belgium, Trias, and a traditional private equity investment fund, called Invale NV.

# Thank you to our partners

## Portfolio Manager: *Alterfin*



Kampani is intimately linked with Alterfin. As Kampani's portfolio manager, Alterfin provides key services such as helping with deal screening, developing due diligence reports for the Investment Committee, back office support, etc.

## Operational partners



Agriterra, our preferred partner to make cooperatives more bankable via their locally present business advisers.



ICCO Agribusiness Booster, a like-minded social impact investor with whom we co-invest in Burundi.



Exchange provides technical advice (e.g. a liquid foods expert for our deal in Kenya).

## Other support



For legal support on the deal structuring and contracting, we are grateful for the pro bono support from the Brussels-based law firm Van Olmen & Wynant.



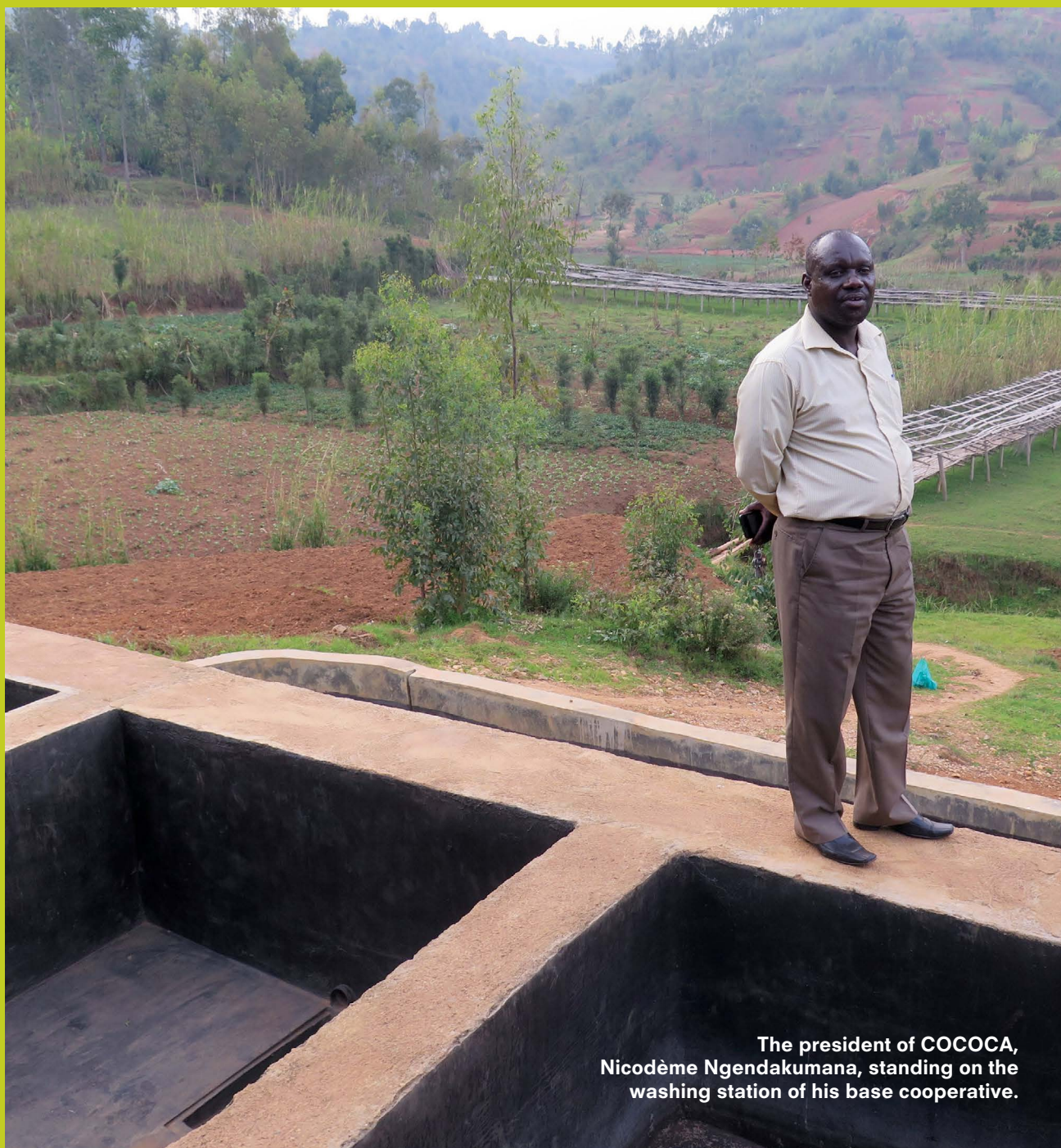
For tax and legal advice, we are grateful for the pro bono support from PwC Belgium.



Our accountant, Vandelanotte, provides Kampani with stellar support at sharply reduced fees.



For all our international transfers, we count on KBCBrussels, at sharply reduced fees.



The president of COCOCA,  
Nicodème Ngendakumana, standing on the  
washing station of his base cooperative.

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