

# Newsletter 8

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*October 2019*

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Dear shareholders and friends of Kampani,

Please find a new update below!

## **Nine (!) new deals in due diligence phase**

Since June an incredible nine new deals have been approved for the due diligence phase, and several other files are going through pre-selection. One more is already in the final stage, see section below.

This is an exciting development and hopefully at least one will lead to a closed deal before year-end. Interestingly, these deals were sourced by four different shareholders, and one other concerns a co-investment with our partner fund Truvalu. We can be optimistic that this is the start of a more consistent flow of deal potential from our different shareholders.

The deal prospects range from a meat processing SME in Tanzania to a small vegetable producing cooperative in Nicaragua.

## **Deal in Burundi – never waste a good crisis**

As discussed during our annual events, our deal in Burundi has known some challenging times.

To recall briefly, Burundian coffee exporter COCOCA, a Fairtrade certified union of smallholder cooperatives, had set up HORAMAMA COFFEE DRY MILL in January 2016 to hull and store coffee beans – an activity which up to that point was outsourced to third parties. To this end and with the support of Kampani, Horamama acquired an existing hulling plant in Ntarambo in the northern part of Burundi (area of Kayanza/Ngozi). As described in earlier newsletters, the social impact of this deal is highly significant.

Early in 2019, the farmer movement experienced some major instability. Some of the dynamics that lead to the crisis were already known to us. Fortunately, therefore we were able to intervene almost immediately. Indeed, the “diagnostics phase” was already completed by May/June. We remain hopeful that the implementation of these decisions – as well as that of pending decisions – will also follow.

The country context also continued to present its own challenges. Affecting Kampani directly, the lack of hard currency in the country has made it difficult for Horamama to pay on time. Any move of hard currency out of the country needs to be approved by the national bank of Burundi. Fortunately, COCOCA/Horamama eventually received authorization after a concerted lobbying effort on the part

of the top management. COCOCA/Horamama has now repaid exactly half the loan amount, which corresponds with the contract terms.

The outlook for this deal, in other words, looks significantly better than it did a few months ago. Nonetheless, this deal remains one of the riskier ones in our portfolio. Indeed, the government recently announced that it wants to take steps to control the coffee sector much more closely. The impact on COCOCA/Horamama at this stage is not yet clear.

**Final stages for a deal in Tanzania**

We are in the final stages for a deal in Tanzania. It concerns a green coffee exporter with its office at the foot of Mount Kilimanjaro, Tanzania. The company has built a socially, environmentally and economically sustainable business by establishing long term relationships between farmers and coffee buyers. It works with co-operatives, associations and groups of smallholder farmers. It is founded, wholly owned and managed by local entrepreneurs.



**Pictures 1 and 2:** the wet mill used by one of the base cooperatives in the Kilimanjaro region. The mill itself is powered by hand.

This file is different from Kampani’s previous investments in the following way: Kampani tends to select and invest in the strongest cooperatives. Here, we would be investing in an SME which sources from relatively weak coffee cooperatives, cooperatives without their own export capacity, and without an independent ability to reach the high-margin certified coffee market.

The company is hitting the limits of what it can do profitably with its current transport and warehouse capacity. Kampani would finance a new warehouse and the acquisition of a truck. While the company may still need to rent warehouse space on an ad hoc basis (especially if the business continues to grow), the investments are expected to generate an important opex saving and optimize the product flow. This in turn is expected to help with maintaining the quality.



**Picture 3:** Location of where the new warehouse will be built

We are preparing the file for final approval from Kampani's Investment Committee. If approved, Kampani expects to sign and disburse in November.

I will continue to keep you posted!

Wouter Vandersypen

Executive Director, Kampani NV

PS: If you would rather not receive this newsletter, just let me know.

**Kampani is a social impact investment fund that aims to unlock the potential of entrepreneurial farming in Africa, Asia and Latin America. Kampani is a pioneering way to fight poverty and promote development. It provides growth capital investments to poor, but entrepreneurial, smallholder farmers organised in cooperatives.**