African Private Equity and Venture Capital Association

INJARO INVESTMENTS

MEMBER PROFILE

Jerry Parkes
Chief Executive Officer

Dadié Tayoraud
Chief Operating Officer

Established in 2009, Injaro Investments (Injaro) is a private equity firm focused on SME investments in Africa. ***Injaro*** is derived from *Kilimanjaro*, which means *'mountain of greatness'* in Swahili. The team is comprised of seasoned industry professionals who have experience in investment banking, management consulting, and agribusiness.

Injaro's investment approach is centred on the provision of capital, business advice, and capacity building to high-potential SMEs.

AVCA speaks to Jerry Parkes, *Chief Executive Officer* and Dadié Tayoraud, *Chief Operating Officer*, about Injaro's unique approach to investing in African agribusiness.

Q: Injaro Investments (Injaro) plays quite a niche role in the African private equity (PE) industry. What is the history of the firm, and how has it evolved over time?

A: Injaro emerged from the desire of two West Africans to solve development challenges at home. We met in 2004 at the Wharton School of the University of Pennsylvania and quickly realised that we had a common interest in West Africa, and we both wanted to go back there to achieve something meaningful. Our ambition was to create a platform that would enable talented African entrepreneurs to access capital to grow their businesses. Whilst we sought to generate financial returns by investing in Small and Medium Enterprises (SMEs), we were ultimately driven by a desire to positively impact as many lives as possible.

We started raising capital in 2009, which was a rather challenging time due to the global financial crisis and the sectors we were targeting: agribusiness and SMEs. However, we were very fortunate to find early investors who believed in our vision. Our first investor was the Lundin Foundation, followed by Alliance for a Green Revolution in Africa (AGRA). Five years later, in 2014, we had US$49mn under management and a total of 9 investors. Today, we have US$30mn deployed in 13 investments across 5 countries — Burkina Faso, Côte d'Ivoire, Ghana, Mali, and Niger.

Q: Injaro has successfully secured support and commitment from an impressive group of investors (LPs). How were you able to achieve this?

A: It really came down to an alignment of vision with our first investor. We participated in their selection process for fund managers where we were asked: 'If you had US$15mn, what kind of fund would you create?' We shared our idea of a fund based on agriculture (50%) and on SMEs (50%) in other sectors, emphasising that the agriculture industry tends to have a positive influence on most people's lives, combining both profit and impact.

We were probably the only team that suggested an idea linked to the agriculture sector, which the Lundin Foundation found particularly interesting. The Lundin Foundation then became an advocate for Injaro, helping us engage an industry veteran as mentor and facilitating introductions to several family offices. They also introduced us to AGRA who were pleasantly surprised to find two young MBA graduates willing to start a fund focused on agriculture. The Lundin Foundation and AGRA committed US$7mn to enable us to build our track record, and soon after that the Soros Economic Development Fund and three other financial organisations came on board, increasing our AUM to US$17.5mn.

The support of the Lundin Foundation, the Soros Economic Development Fund, and AGRA has been invaluable not only because they were the very first investors who placed their trust in us, but also because they provided us with the assistance and capacity that we needed to gain knowledge and build a track record. The real turning point was in 2013, when CDC Group (CDC) issued a request for proposals for impact investment funds. Our fund was already an impact investment fund with a track record to showcase, so CDC decided to come on board. CDC's commitment piqued the interest of several other development finance institutions (DFIs). Their support has been particularly valuable and the likes of CDC and Proparco have funded technical training for our team in areas such as economic, social and governance (ESG) integration, which has been beneficial to Injaro.

Q: Your approach is not that of a *typical* PE investor – how have you built Injaro's unique brand and culture?

A: It is true that Injaro takes a unique approach. We see ourselves as open-minded entrepreneurs who are continuously developing knowledge in order to identify the best outcomes for businesses. We have tried to be very mindful of the internal culture we create, as our success depends on people actively wanting to engage with us. Through our brand, we seek to marry local insights, experience, and culture. One of our challenges has been to identify and build this particular blend of talent from the greater pool out there. On an operational level, we offer a very friendly and honest working environment so that people are motivated to develop and deploy their full potential.

Q: Do you see a lot of competition in your sector of focus?

A: There are now about seven funds investing in agriculture in Africa, but we have never really competed with any of those funds on transactions. For some of the bigger transactions we are exploring, we definitely see more competition than in the past, but we are far from a bidding war on assets in the sector. One trend that we have observed is a growing interest from international investors in the poultry industry.

Q: How do you source deals for Injaro's portfolio?

A: We have managed to create a brand with a strong local footprint, which means people are not only aware of Injaro Investments but also of what we might be interested in. We usually generate deals through introductions from bankers and other private equity funds, as well as unsolicited messages through our website. We also identify particular companies based on a top-down analysis of the sector and go after the ones we like, and we consider other sectors which could be ripe for investment in future funds.

Beyond the agriculture sector, there are many under-served sectors in which we can deliver impact such as education, healthcare, and financial services (focused on financial inclusion).

Q: Are you also looking at sub-sectors within the agriculture industry?

A: Yes, there is huge growth potential in the food and agriculture value chain, and some sub-sectors offer great opportunities, including cold chain, packaged food production, and supply chain management. We look for opportunities across the agricultural value chain with a view to identifying companies that act as critical enablers with the potential to create and capture value within the sector. We have so far invested in seed production, the poultry value chain, shea butter based personal care products and in pineapple production. Over the course of our investment journey, we have developed a profound respect and passion for farmers – their job is extremely challenging and constantly affected by various factors, many of which are difficult to control.

Q: Can you tell us more about some of the companies you have invested in?

A: What our portfolio companies have in common is a business model that inherently benefits small scale farmers across West Africa, with several of them being located in relatively poor Sahelian countries. The portfolio therefore includes companies in the poultry value chain, seed production, and shea butter processing in countries such as Burkina Faso, Mali and Niger.

Our investment in Nafaso, a company in Burkina Faso, tells one of the more inspiring stories. The founder, who started out as a subsistence farmer, grew to become the largest seed producer in Burkina Faso and is now a regional supplier of seeds with exports across ECOWAS member states, including Liberia and Nigeria. The company had created significant impact (over 350,000 beneficiaries) and grown its top line by three times over the investment period.

Our most recent achievement was when the London Stock Exchange published its inaugural edition of the *Companies to Inspire Africa* report. 11 out of 300 featured companies in the report were in the agriculture sector, and 5 of them were part of the Injaro portfolio — Agricare, Comptoir 2000, Faso Kaba, Nafaso, and Proveto.

> "What our portfolio companies have in common is a business model that inherently benefits small-scale farmers across West Africa."

Q: You mentioned that some of your investors funded technical training in ESG integration. How effectively have you been able to deploy this training across your portfolio?

A: We found that our portfolio companies had mixed reactions and results when implementing ESG principles and standards. It takes a lot of patience and persistence to communicate ESG messages and embed this operationally at portfolio level. For smaller companies, there are minimum hurdles to overcome, such as making sure managers and employees have contracts. It can sometimes take months and cause delays in the investment process. Even post-investment, it is sometimes challenging to make improvements as there is always a certain level of resistance to change. Costs associated with ESG compliance are usually perceived as unnecessary. Besides, some entrepreneurs do not particularly appreciate being told what to do, especially when they have been successful in building their businesses. Our challenge – and *responsibility* – is to communicate how ESG reduces business risk, how it improves expected financial return, and to ensure that businesses are sustainable in the long term.

Q: How do you measure impact?

A: To measure impact, data collection is critical, and we have a clearly defined impact measurement approach. For example, we track the numbers of smallholder farmers and low-income people impacted by our investments, with a focus on job creation and income earned. Such metrics are relatively easy to report as they are clearly defined and often tracked in the normal course of business. Attempting to delve deeper can be more challenging, particularly in trying to assess the gender balance of thousands of smallholder farmers purchasing seeds. In such cases, we have worked with our investors' impact measurement teams to agree on a methodology for generating reasonable estimates.

Q: What are your views on the development of private equity and impact investing in the West African region

A: Private equity, particularly impact investing, has a catalytic role to play in West Africa's economic development.

If you believe in the potential of SMEs as the driver of economic growth, then realising this potential relies on access to long-term patient capital, and the right human capital. Unfortunately, SMEs have extremely limited access to all forms of capital. They are at the bottom of the list for commercial loans from banks, and there are very few funds that target the lower ticket sizes that are accessible to small, growing businesses.

Private equity and impact investors can fill this funding gap profitably while benefiting millions of Africans, contributing to local taxes and improving the general management of companies. Although francophone West Africa is catching up with more developed private equity markets in other parts of Africa, there is still a lack of capital in the region, partly due to successive crises in Côte d'Ivoire and Mali, and slowing growth in Burkina Faso. This creates an opportunity for all types of investors, including non-impact investors, to finance capital-starved companies.

From an impact perspective, the challenges of francophone countries are very similar to those of their anglophone neighbours due to shared culture and historical economic linkages. We therefore see very real possibilities of generating financial returns with impact in the francophone markets.

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