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Technical Assistance to Support the Implementation of Investment Promotion and Business Linkages Activities in Ghana

Survey of private equity providers

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A report prepared by Investment Promotion in agri-business

Part of the Technical Assistance to Support the Implementation of Investment Promotion
and Business Linkages Activities in Ghana Project

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AGI
Association of
Ghana Industries

Project implementation partner
Association of Ghana Industries



Agriconsulting Europe S.A.



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1 An introduction to the report

About this report

This report is an output from Investment Promotion in Agri-business.

Investment Promotion in Agri-business is part of the European Union funded Technical Assistance to Support the Implementation of Investment Promotion and Business Linkages in Ghana Project (the Project). The Association of Ghana Industries (AGI) is the implementation partner for the Project.

The aim of Investment Promotion in Agri-business is to increase the use of equity and quasi equity instruments as a source of relatively low cost, long term funding to businesses operating in the Ghanaian agri-business value chain.

To achieve this, Investment Promotion in Agri-business has two objectives:

- Promote equity-based investment in Ghanaian agri-business value chains.
- Increase investment funds present in Ghana, notably impact investment funds.

The overall objective of the Project is to contribute to the Ghana Employment and Social Protection programme (GESP) by supporting employment and social protection and the private sector development agenda of the Government of Ghana.



1 An introduction to the report

The report findings

This report sets out the findings from a survey of private equity providers with an investment focus that includes agri-business in West Africa and/or Ghana.

Appendix A provides the list of the 74 private equity providers that we identified as targets for the survey.⁽¹⁾

The aim of the survey is for us to better understand private equity providers' views on:

- Private equity investing and investment in agri-business.
- Ghana's competitiveness as a location for agri-business investment.
- Opportunities for investing in Ghana agri-business.
- The likely impact of COVID-19 on investing and investment in agri-business in Ghana.

The survey took place in the period from June to October 2020. It was undertaken in parallel with a survey of agri-businesses operating in Ghana.

This report provides the results of the survey of private equity providers. It sets out details regarding:

- Private equity fund providers – main characteristics.
- Private equity funds – objectives and approach and investment approach.
- Private equity investment in agri-business – value-chain sectors and activities.
- Ghana as an agri-business investment location – competitiveness, prospects and opportunities prospects.
- Agri-business investment support in Ghana – awareness and engagement with sources.
- The impact of the Coronavirus COVID-19 pandemic.

The results from the survey of agri-businesses in Ghana are set out in a separate report (Survey of agri-businesses, November 2020).

(1): The response rate was lower than anticipated, despite efforts to encourage participation in the survey.



1 An introduction to the report

Acknowledgements and thanks

The survey was carried out in collaboration with Professor Kwabena A. Anaman, Department of Agricultural Economics and Agribusiness, at the University of Ghana.

We would like to thank Professor Anaman for his assistance and perseverance with the implementation of this survey.

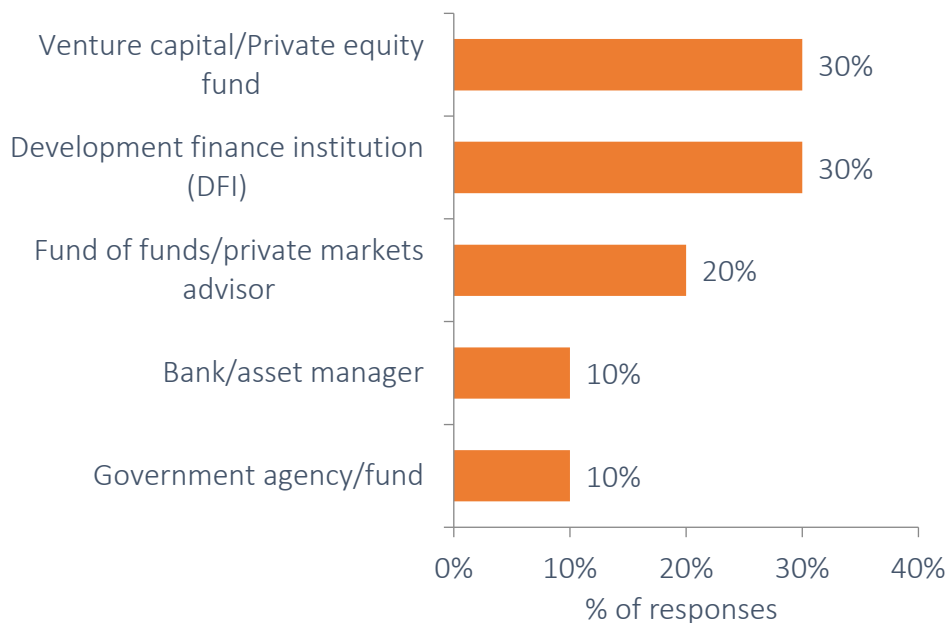
This report and its findings would not have been possible without the responses we received from individual private equity providers.

We would like to thank you for taking the time and effort to complete the survey.

2 Private equity providers: Characteristics

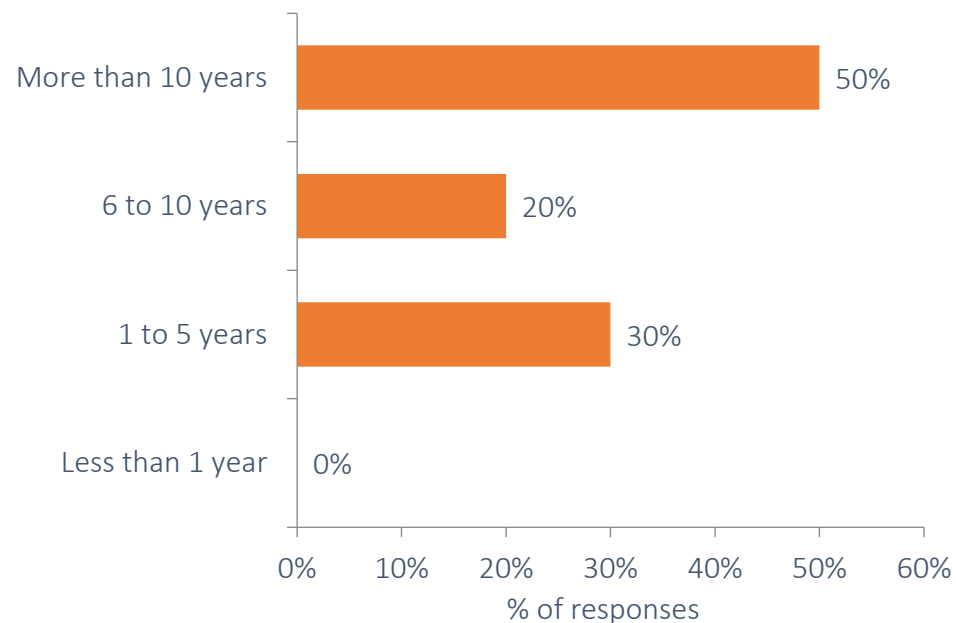
Which of the following categories does your business belong?

Most private equity providers (60%) operate as venture capital/private equity businesses or development finance institutions.



How many years has your business been making private equity investments?

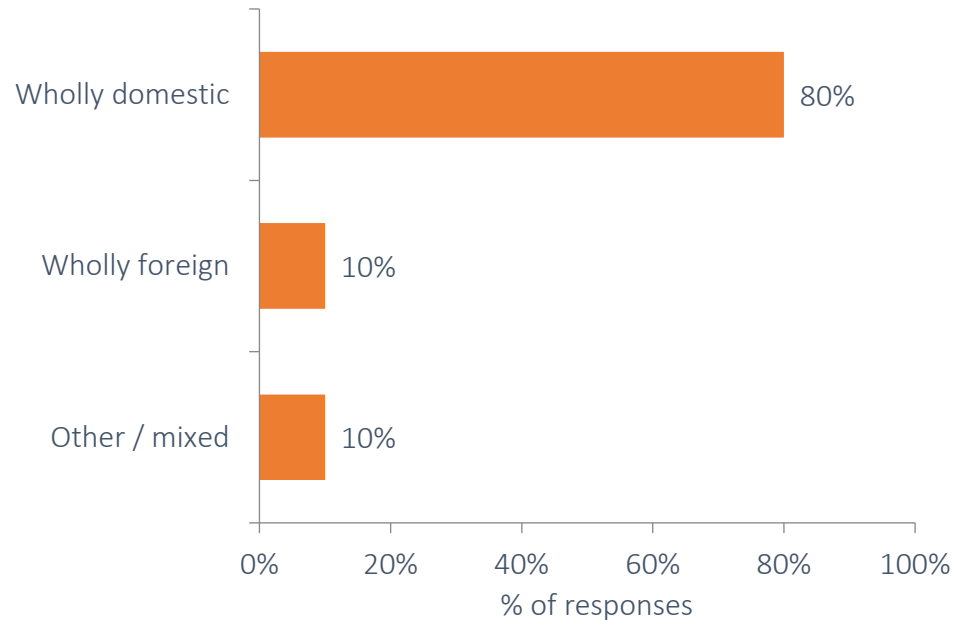
Most private equity fund providers (70%) are experienced – they have been operating for more than 6 years.



2 Private equity providers: Characteristics

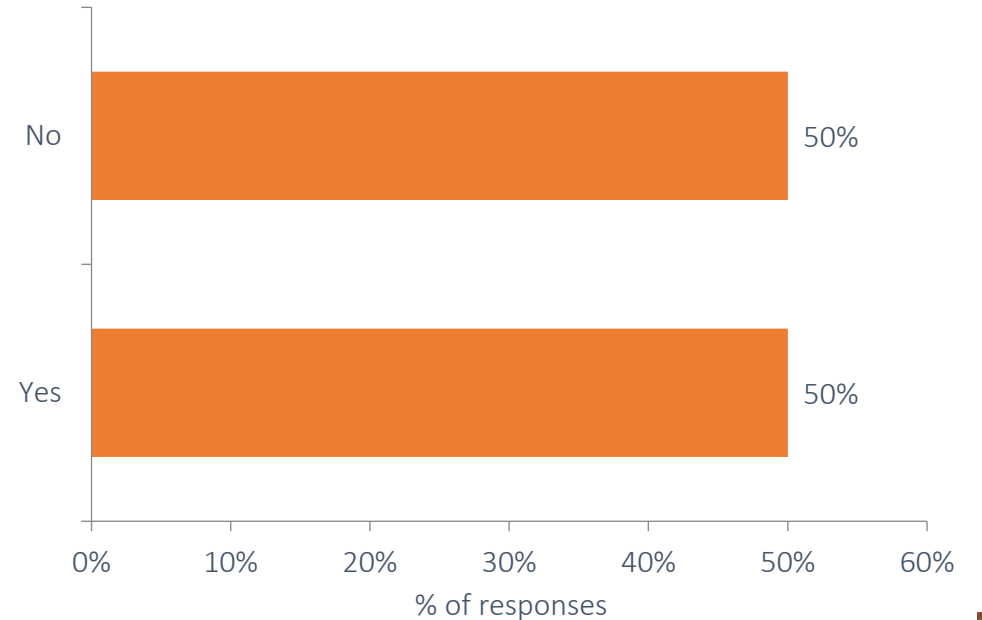
What is the ownership status of your business?

Most private equity providers (80%) operate as wholly domestic business.



Does your business have an office or presence in Ghana?

Half of private equity providers report having an office presence or office in Ghana.



2 Private equity providers: Characteristics

What most influenced your decision to establish a presence in Ghana?⁽¹⁾

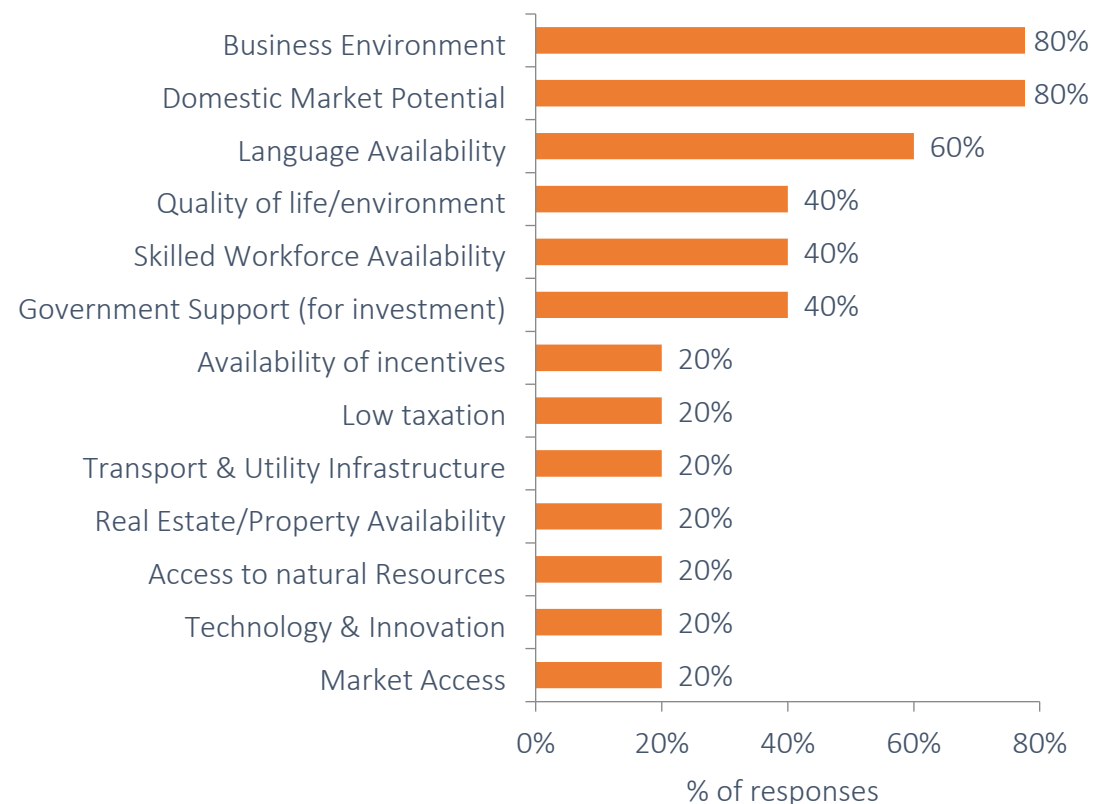
Private equity providers report that three factors were predominant influences in them having a presence or office in Ghana:

- The business environment (80%).
- Domestic market potential (80%).
- Language availability (60%).

Other factors, of relevance were:

- Quality of life/environment (40%).
- Availability of a skilled workforce (40%).
- Government support for investment (40%).

Other issues were less relevant influences on their decision to have a presence in Ghana.

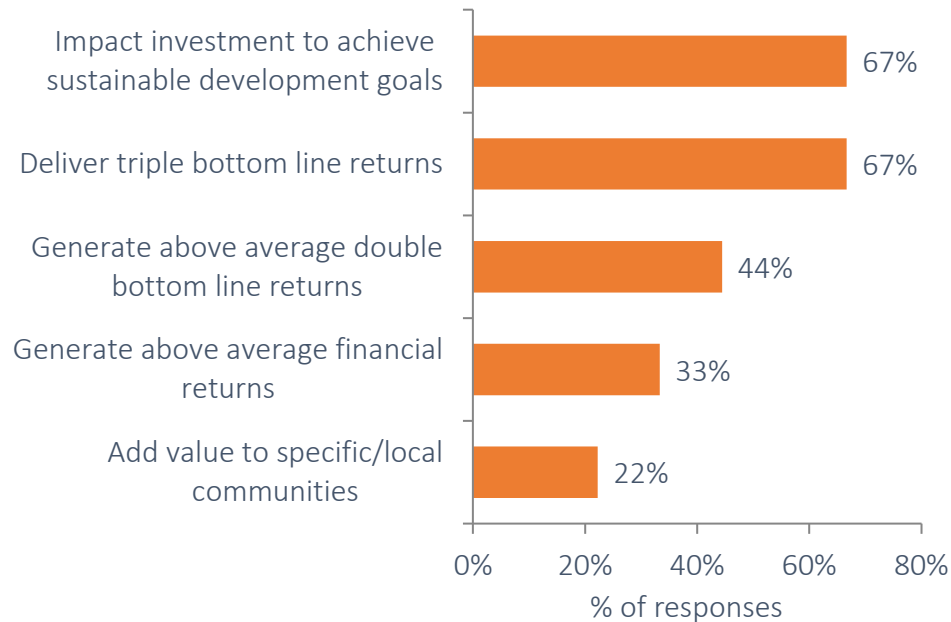


(1): The pattern of responses shows some similarity to how respondents rate Ghana's competitiveness for agri-business (see page 13).

3 Private equity funds: Objectives and focus

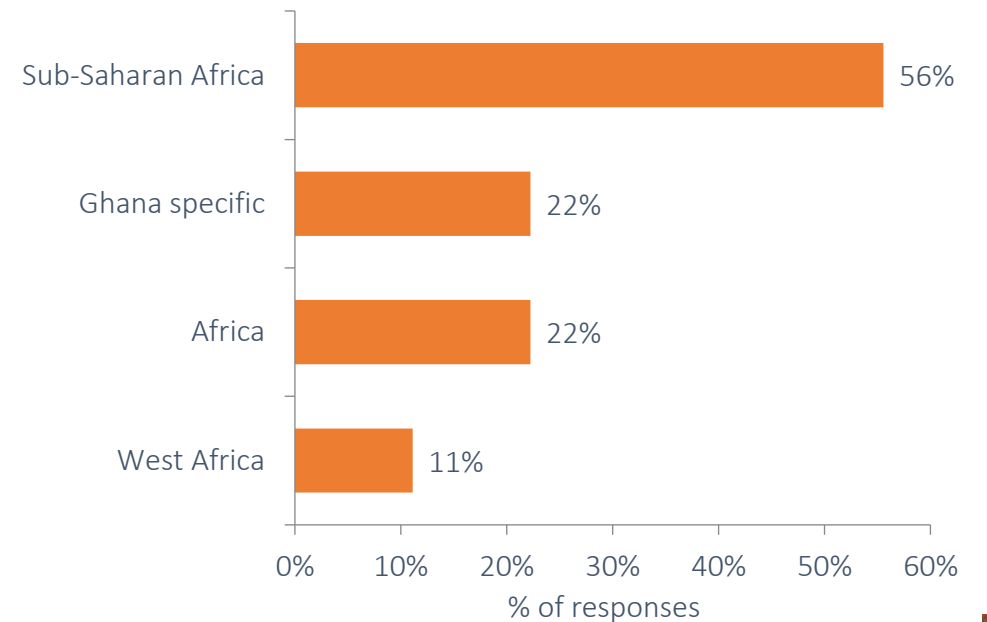
What are the main objectives of the agri-business investment funds?

Sustainability is a key objective in managing agri-business investment funds. The main emphasis is on meeting sustainable development (67%) or a triple bottom line (financial, social, environmental) objectives (67%).



What is the geographic focus of any Africa related agri-business investment funds?

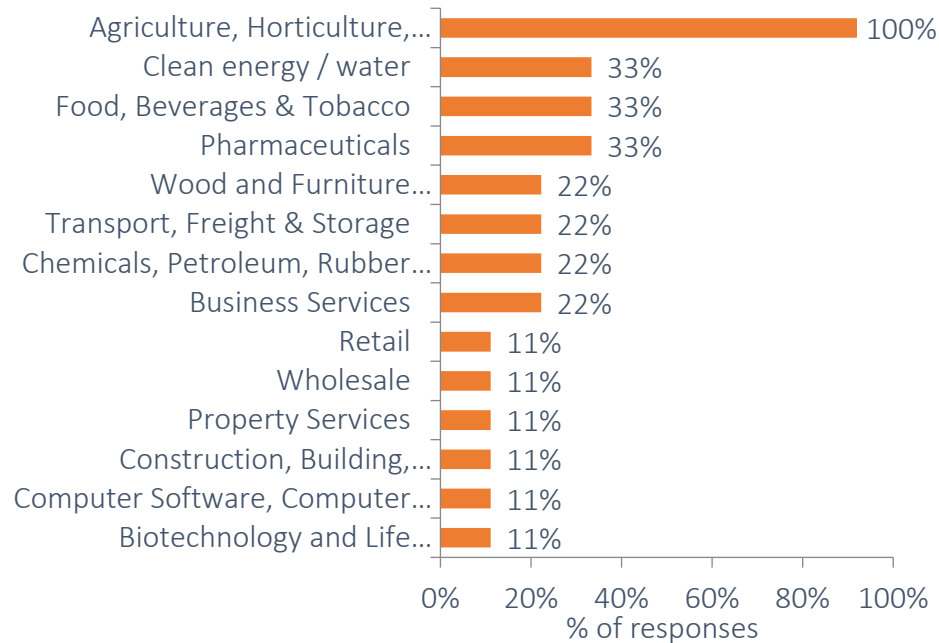
Investing in Sub-Saharan Africa is the main focus for most agri-business investment funds (56%). Some agri-business investment funds (22%) do have a specific focus on Ghana.



3 Private equity funds: Objectives and focus

What is the sector focus of the agri-business investment funds?

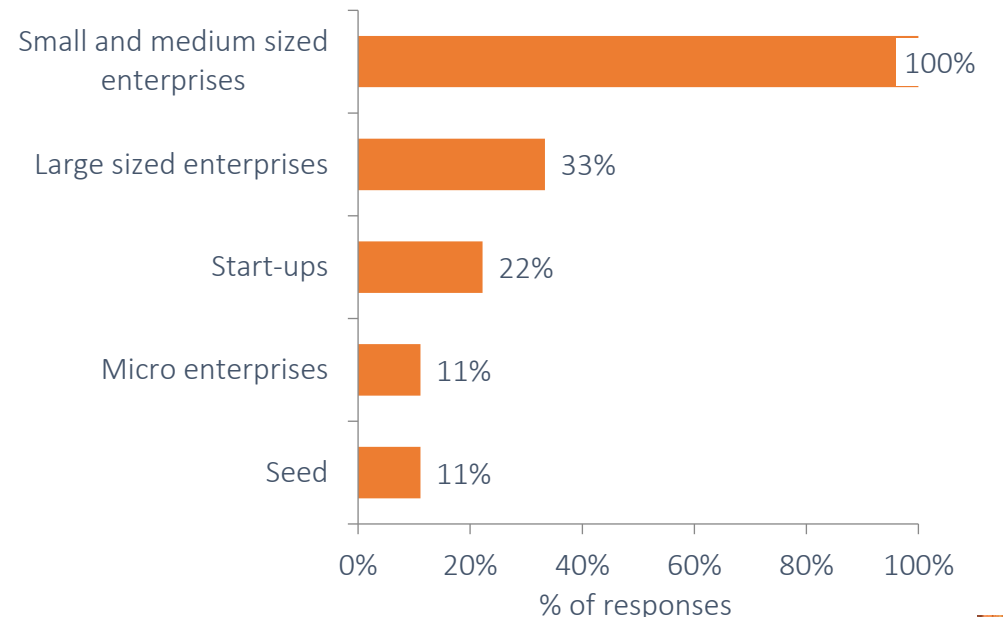
All agri-business investment funds (100%) focus on the agriculture, horticulture, forestry, livestock and fishing sector. Outside this, funds operate a portfolio approach investing across a range of sectors in the agri- value chain.



What is the focus of the agri-business investment funds, in terms of business size?

All agri-business investment funds (100%) focus on investing in SMEs.

Most agri-business investment funds place limited emphasis on make early stage or micro businesses.⁽¹⁾



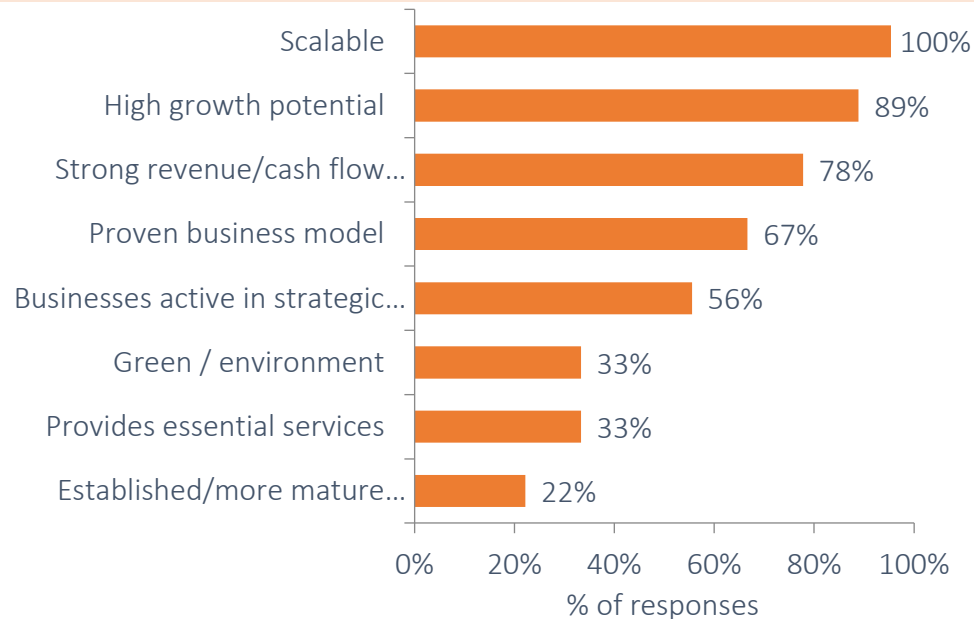
(1) In Ghana, micro-businesses are defined as having less than 5 employees and a turnover of less than US\$10,000.

3 Private equity funds: Objectives and focus

What is the focus of the agri-business investment funds, in terms of business type?

All agri-business investment funds (100%) focus on whether the business is scalable.

Other important requirements include high growth potential (89%), strong, positive cash flow (78%) and whether the business has a proven business model (67%).

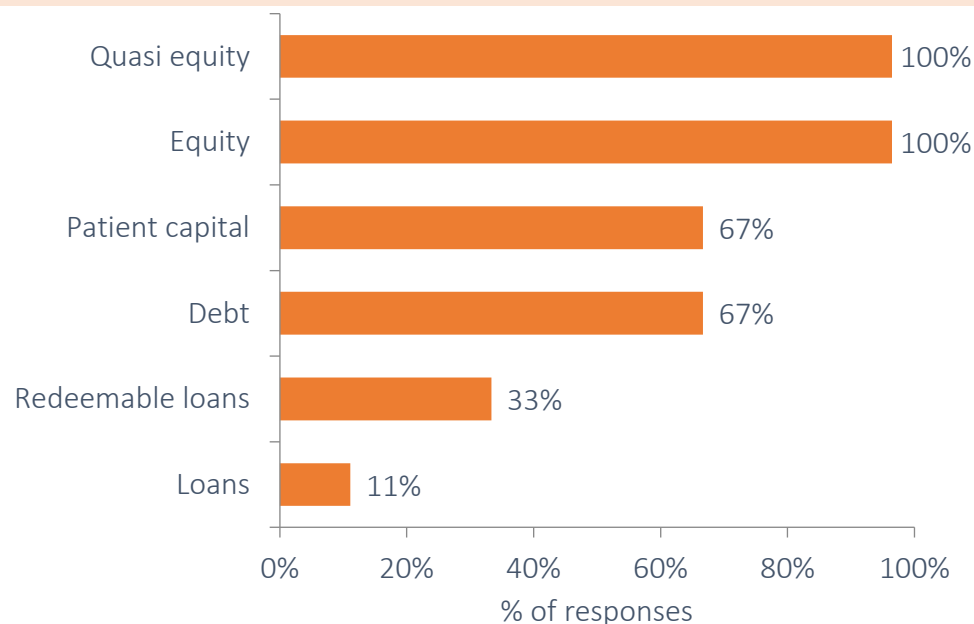


4 Private equity investments

What are the main types of debt/financial instrument that your business provide?

All agri-business investment funds (100%) provide quasi equity and equity funding as part of their investment “offer” to agribusinesses.

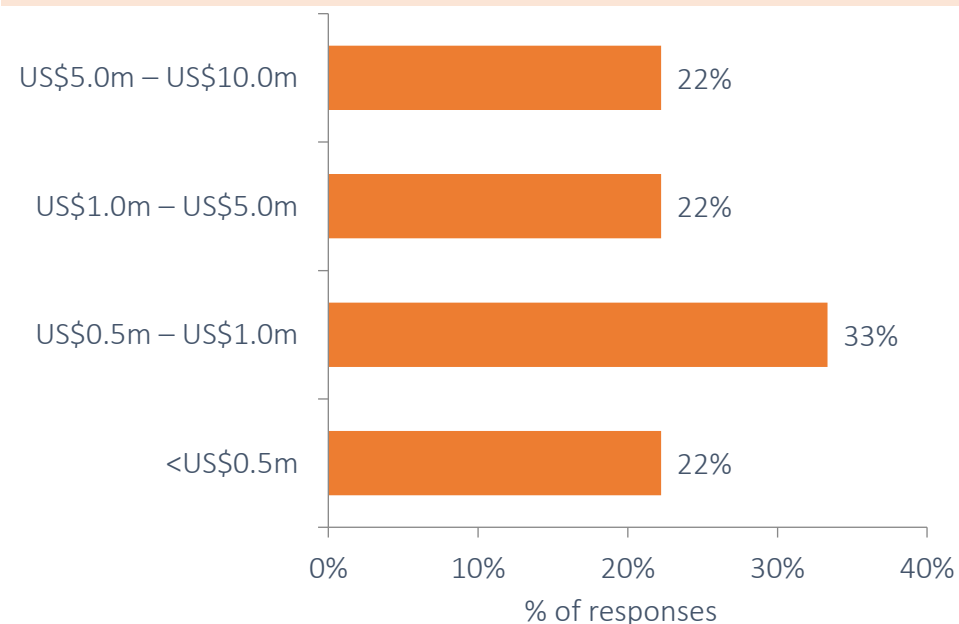
Patient capital (67%) and debt funding (67%) are also important components of the investment “offer”.



What is the typical scale of investment that your agri-business investment fund provide?

The size of investment made by agri-business investment funds is evenly distributed over a range from under US\$0.5m to US\$10m.

The typical size of an investment by an investment fund is US\$0.5m to US1m.



4 Private equity investments

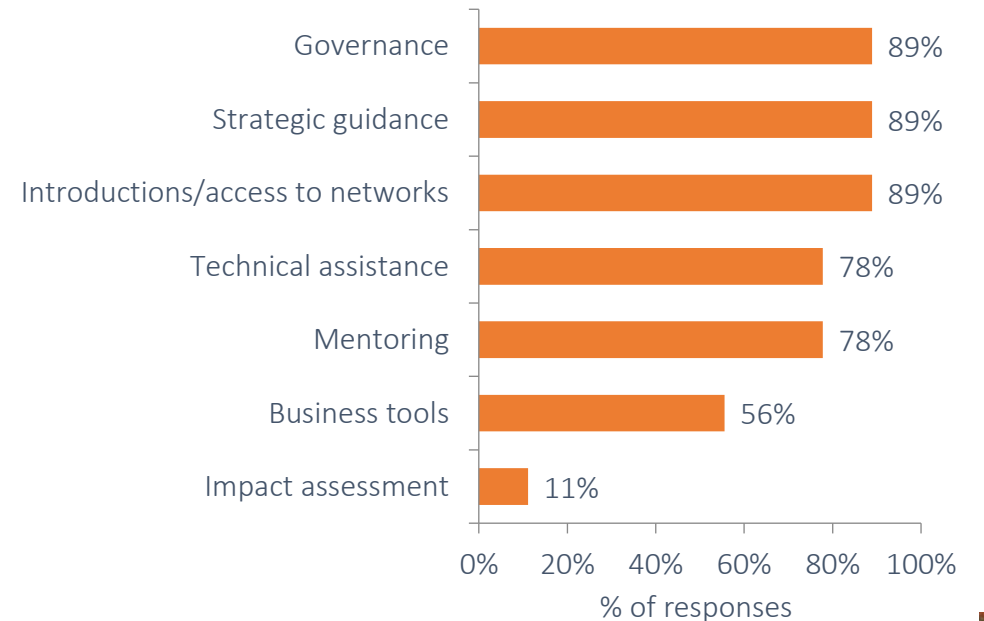
What criteria do you use for selecting agribusinesses projects?

Agribusiness investment funds consider multiple criteria to inform their investment decision. The most important of these are alignment with investment strategy/themes (100%) and the track record/quality of management team within the business (100%).



What are the main types of support that your agri-business investment funds provide?

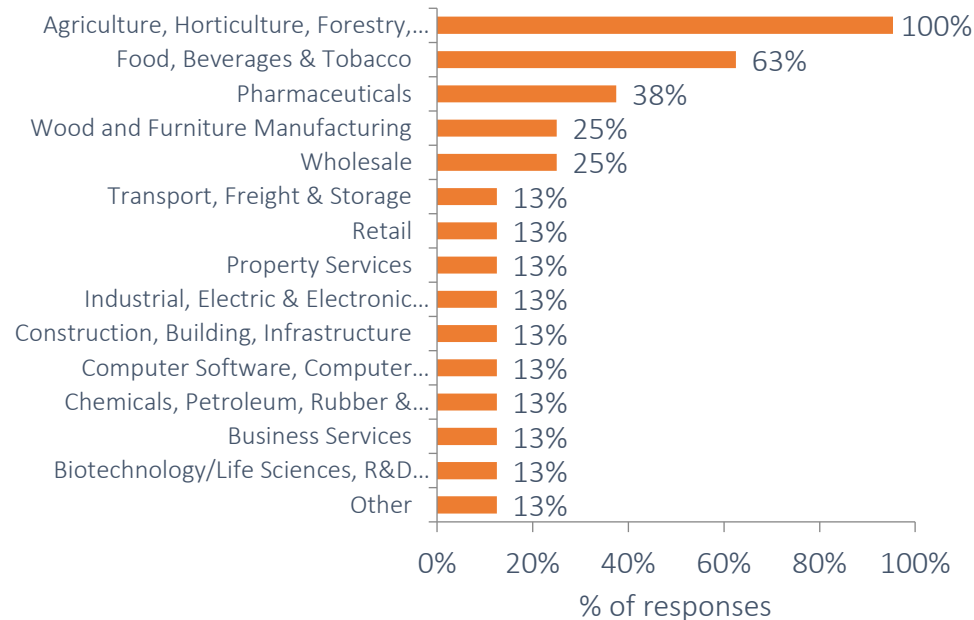
In addition to investment, agri-business investment funds provide or facilitate access to a range of support services and advice to the businesses in which they invest. This includes, advice on governance (89%), strategic guidance (89%) and introductions to their business and investment networks (89%).



4 Private equity investments

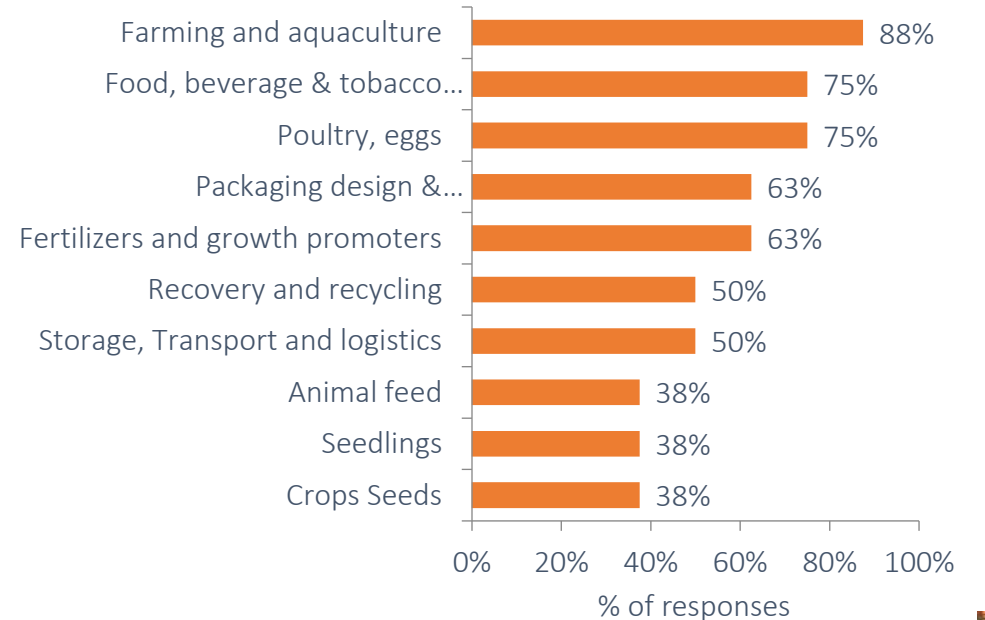
In which parts of the agri-business value-chain has your business invested/intend to

Agribusiness investment funds make most of their investments in three agri-business sectors – Agriculture, Horticulture, Forestry, Livestock and Fishing (100%), Food, Beverage and Tobacco Manufacturing (63%), and Pharmaceuticals (33%).



In which agri-business activities has your business invested/intend to invest?

Agribusiness investment funds invest across range of agri-business activities. The predominant activity is farming and aquaculture (88%). The other main activities are food, beverage and tobacco manufacturing (75%), and poultry (75%).



5 Ghana as an agri-business investment location

How do you rate Ghana's competitiveness for agri-business?⁽¹⁾

In general, private equity providers regard Ghana as being neither competitive nor uncompetitive for agri-business across a wide range of indicators.

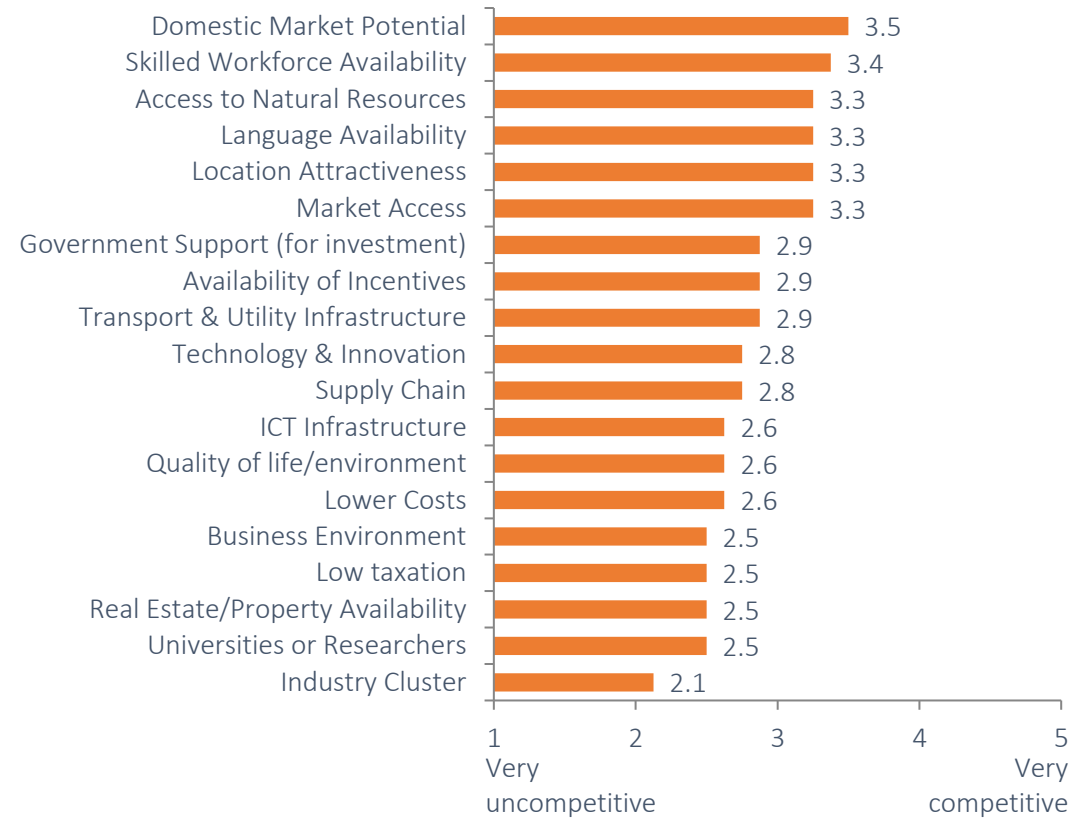
Providers consider Ghana is most competitive in the areas of:

- Domestic market potential (3.5).
- Skilled workforce availability (3.4).

The areas of where providers rated Ghana as being less competitive are:

- Industry clusters (2.1).
- Universities or researchers (2.5).
- Real estate/property availability (2.5).
- Low taxation (2.5).
- Business environment (2.5).

In other areas, Ghana is considered as being neither competitive or uncompetitive.



(1): The pattern of responses shows similarity to those in our survey of agri-businesses (e.g. high ratings for market potential and language availability).

5 Ghana as an agri-business investment location

How do you rate the growth opportunities for investment in Ghana's agri-business?⁽¹⁾

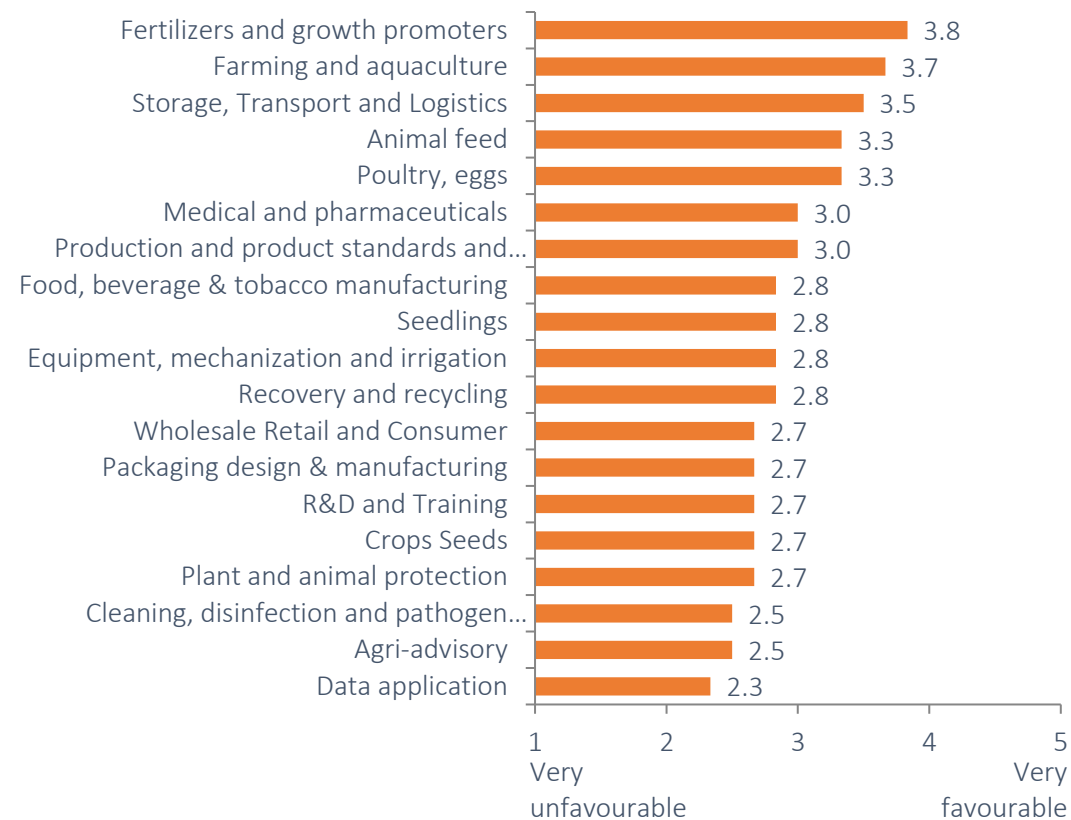
In general, private equity providers regard growth opportunities in agri-business as being neither favourable nor unfavourable.

Providers consider the most favourable growth opportunities for agri-business investment in Ghana are in:

- Fertilizers and growth promoters (3.8).
- Farming and aquaculture (3.7).

Providers report that there least favourable growth opportunities for agri-business investment in Ghana are in:

- Data application (2.3).
- Agri-advisory (2.5).
- Cleaning, disinfection and pathogen control (2.5)

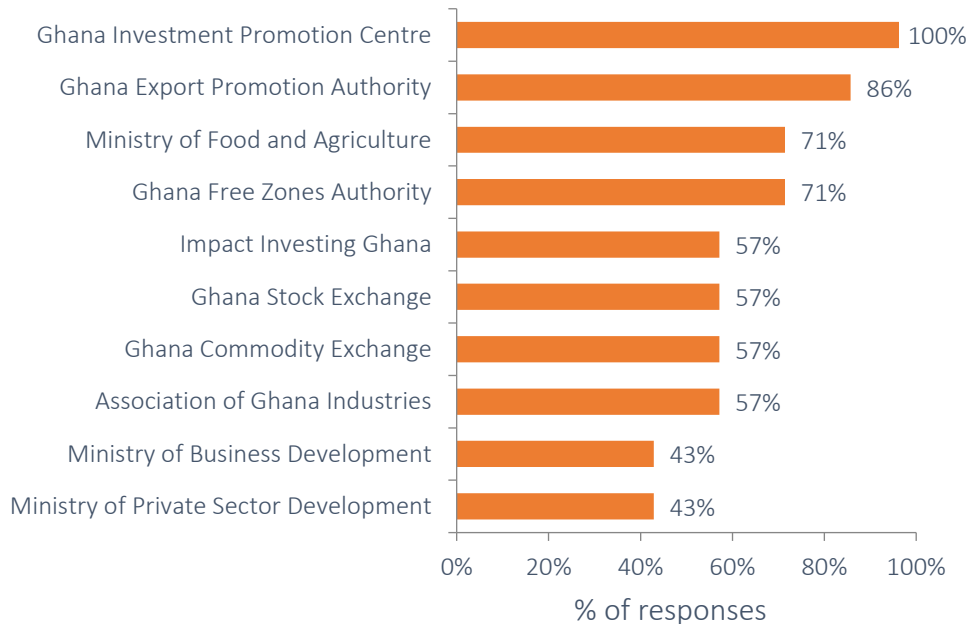


(1): The pattern of responses shows similarity to those in our survey of agri-businesses (e.g. opportunities in fertilizers and growth promoters and in farming and aquaculture are among the most favourably rated).

6 Agri-business investment support in Ghana

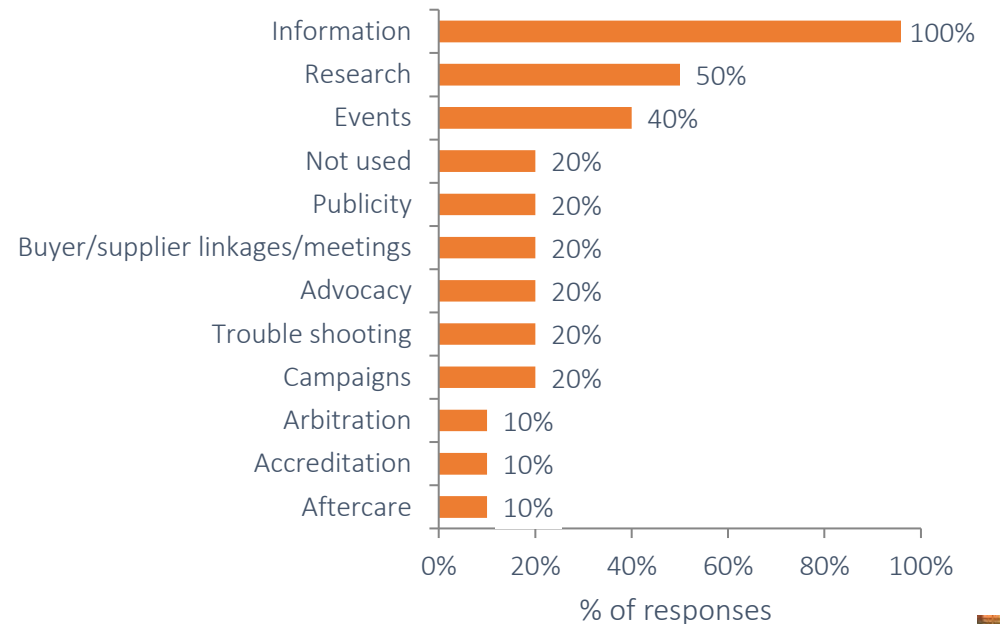
Are you aware of the sources of support for agri-business in Ghana?

Levels of awareness of sources of support vary. Private equity providers' highest level of awareness is of Ghana Investment Promotion Centre (100%) and Ghana Export Promotion Authority (86%).



What support services have you used from the Ghana organisations?

Private equity providers are typically looking for information (100%) when they approach organisations. Other services used include access to research (50%) and support with or participation in events (40%).



6 Agri-business investment support in Ghana

What support services have you used from the Ghana organisations?

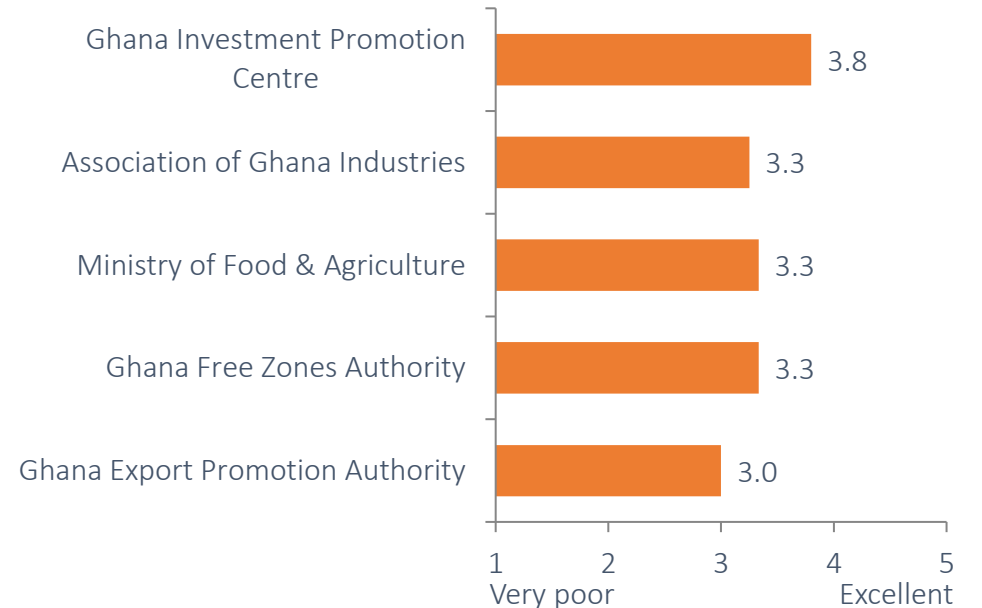
Private equity providers use organisations differently. This reflects a combination of their support requirements, their level of awareness of the support organisation and the support services offered by these organisations.

Support organisation used	Most used service/support	
Ghana Investment Promotion Centre	Advocacy	Aftercare
Ghana Export Promotion Authority	Buyer/supplier linkages/meetings	Events
Ministry of Food and Agriculture	Research	
Ghana Free Zones Authority	Trouble shooting	
Association of Ghana Industries	Accreditation	Arbitration

How do you rate the support your business received from these organisations?

In general, private equity providers regard the support they receive as adequate.

Ghana Investment Promotion Centre is the highest rated support organisation (3.8).



7 The impact of the COVID-19 pandemic

Level of agreement regarding the impact of the COVID-19 pandemic

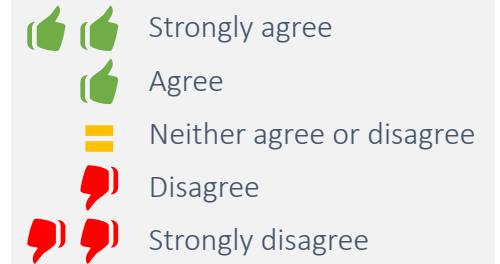
Private equity providers are relatively positive regarding the impact of COVID-19.

There is general agreement among private equity providers that COVID-19 will neither have a positive or negative impact their businesses in terms of:

- Their funds' investment in Africa.
- Investment in Africa more generally.
- Their investment in agri-business.
- Use of support services in Ghana.

Their view on the impact of COVID-19 on Ghana is more positive. They consider that COVID-19 will:

- Increase opportunities for investment across the agri-business value-chain in Ghana.
- Not result in a decrease prospects for growth in agri-business activities in Ghana.



Increase opportunities for investment across the agri-business value-chain in Ghana



Encourage my business to make greater use of support services in Ghana



Increase my funds' investment in Africa



Improve Ghana's competitiveness



Decrease investment in agri-business



Increase investment in Africa



Decrease prospects for growth in agri-business activities in Ghana



Decrease my funds' investment in agri-business

Appendix A Private equity investor survey population

Investors with a geographic focus in West Africa and/or Ghana

8 Miles
Actis
Acumen
Adenia Partners
Adlevo Capital Managers
Advanced Finance and Investment Group
Adventura Investment Partners
Africa Integras
African Capital Alliance (ACA)
African Development Bank (AfDB)
African Infrastructure Investment Managers (AIIM)
AfricInvest
AgDevCo
Amethis Finance
Anterra Capital
Aquasourça

Aruwa Capital Management
Belgian Investment Company for Developing countries (BIO)
Blue Orchard
CardinalStone Capital Advisers
Commonwealth Development Corporation (CDC)
Cordiant Capital
DEG
Development Partners International
Duet Private Equity
Dutch Good Growth Fund (DGGF)
Ear Private Equity
Emerging Capital Partners
Fidelity Capital Partners Limited
Finnfund
Fortiz
Ghana Capital Partners

Appendix A Private equity investor survey population

Ghana Growth Fund Company
Goodwell Investments
Helios Investment Partners
Impact Capital Advisors
Injaro Agricultural Capital Holdings Ltd.
International Finance Corporation (IFC)
Investisseurs et Partenaires
Investment Fund for Developing Countries (IFU)
Jacana Partners
JCS Investments
K & A Private Equity
LeapFrog Investments
Lundin Foundation
Mirepa Capital
Moringa Partnership
Mustard Capital Partners

Norfund
Oasis Capital
Obviam
Orange Digital Ventures Africa
Overseas Private Investment Corporation (OPIC)
Palladium
PCM Capital Partners
Phatisa
PROPARCO
Qalaa Holdings
Sahel Capital
Sanguine Capital Advisors
Serengeti Capital
Silk Invest
Swedfund
Swiss Investment Fund for Emerging Markets (SIFEM)



Appendix A Private equity investor survey population

Synergy Capital Managers

Triple Jump

Uhuru Partners

Vantage Capital Fund Managers

Venture Capital Trust Fund

Verod Capital Management

Vital Capital Investments

Wangara Capital Partners (now Wangara Green Ventures)

Zebu Investment Partners

Zephyr Management



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