IPDEV, A pioneering initiative to promote African SMEs

Lessons of experience from I&P's first impact fund

INVESTISSEURS & PARTENAIRES

About

Investisseurs & Partenaires is an impact investment group dedicated to African Small and Medium Enterprises. Since its creation in 2002, I&P has invested in about 70 companies, located in 15 African countries and operating in various sectors of activity (health, transport, microfinance…). These enterprises create local added value and long-term employment, and generate important social, environmental and governance impact.

I&P provides capital, technical and strategic support to meet the growth needs of its portfolio companies. The team develops long term partnerships with entrepreneurs, sharing management expertise and knowledge that is useful for improving business strategy, structuring, and success. I&P manages three impact funds, IPDEV, IPDEV2 and IPAE, which represent a total of €75 million.

Created by Patrice Hoppenot and headed by Jean-Michel Severino since 2011, the I&P team comprises about thirty collaborators in Paris and in its six African offices in Burkina Faso, Cameroon, Côte d'Ivoire, Ghana, Madagascar, and Senegal.

To read more: www.ietp.com

Acknowledgments

We would like to thank in particular IPDEV's investors who made this project possible and shared their experiences with us, the whole I&P team, its advisors, all the entrepreneurs and stakeholders of IPDEV's investments. They all devoted time to answer our questions and gave this study most of its material.

Cover photo: La Laiterie du Berger © Béchir Malum

Introduction

Investisseur & Partenaire pour le Développement (IPDEV) was founded in 2002 to contribute to the development of Small and Medium Enterprises in Sub-Saharan Africa. This was a pioneering project at a time when investors showed little interest in African entrepreneurship. In the past 15 years, more than 30 investments and 20 exits in 10 different countries have been effected; IPDEV has met with many successes and some setbacks in a rapidly evolving African context, while contributing to an entrepreneurial revolution occurring on the Continent.

In order to be able to share its unique experience, IPDEV has conducted a formal evaluation of its financial and impact performance. The purpose of this document is to present some of the most salient reflections and results of this study.

In the first part, we present the history of IPDEV, from its pioneering debut to the diversification of the investment vehicles required to encompass the growing range of its operations. We lay out the key features of IPDEV's approach which is to bring its skills in management, strategy and finance to support SMEs and help them develop in a sustainable manner and generate high impact.

In the second part, we draw 15 key lessons from of our 15 years of investment experience following 3 aspects:

- The enterprise and its management
- The investor strategy
- The investor's operations

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1 *IPDEV, a pioneering project*

1 IPDEV, A pioneering project

1 History of IPDEV

1) 2002-2006 : A pioneering initiative

Investisseurs & Partenaires pour le Développement (IPDEV) was launched in 2002 by Patrice Hoppenot, a renowned private equity professional, together with a handful of other investors. Its mission was to invest in small and growing African businesses.

Highlights: Patrice Hoppenot wanted to share his own experience and contribute to the development of a sustainable private sector in Sub-Saharan Africa. He aimed to foster entrepreneurship by funding SMEs (Small and Medium Enterprises) and MFIs (Micro Finance Institutions) with a sustainable, humanistic and impact-driven approach. He also wanted to demonstrate that it was possible for the private sector to successfully invest in African SMEs with an entrepreneurial approach.

Consequences:

- IPDEV was initially established as a private, independent and evergreen investment company with EUR 6M in capital (mostly from private individuals). It was incorporated in Mauritius in order to be identified as an African entity and to able to raise funds in Africa. A small team (mostly volunteers) worked on the project in the beginning.
- IPDEV's initial investment strategy was not to invest directly in SMEs but rather to invest in regional investment funds. However this strategy proved unrealistic, given the extreme scarcity of experienced invesment professionals especially in Francophone Africa (with the exception of Adenia[1]). Instead, IPDEV provided direct financial, strategic and managerial support to a host of entrepreneurs with small creative projects for the local markets in West and Central Africa (average investment and lending: EUR 250,000).

[1] IPDEV sponsored I&P Capital (Indian Ocean), renamed ADENIA, a capital investment fund established in 2003 taking majority shares in established medium-sized companies.

Focus: African context in the early 2000's

At the turn of the 21st century--and ironically the very beginning of the new African economic revival, Africa was still dubbed "The Hopeless Continent" (The Economist, 2000) in reference to its economic performance and prospects, which were widely viewed as dire:

- Income per capita in Sub-Saharan Africa was the same as in the mid-1970s, steadily losing ground relative to both industrial and other developing country regions
- The modest recovery in the late 1990s (mostly in oil-producing countries) was deemed too low to make a significant dent in poverty

Impediments to higher growth, which then appeared entrenched, included:

- Weak macroeconomic policies and a heavy debt burden
- A weak institutional framework: a catchall for poor governance, corruption and public sector inefficiencies
- Recurrent political conflicts and natural disasters (draught, HIV epidemic, etc.)
- Vulnerability to commodity price volatility (oil, cotton, etc.)
- Trade barriers in developed countries

Private sector development (in particular SMEs) and formal entrepreneurship were severely hindered (resulting in low investment), owing to:

- A dismal private investment climate: 16 of the 20 countries with the world's most difficult business conditions were in Sub-Saharan Africa
- Lack of SME access to financing (which was de facto limited to multinationals, government providers and micro-enterprises through micro-finance)
- Marginal Foreign Direct Investment flows mainly directed toward the primary sector (high-value mineral and petroleum mining sectors)
- A chronic deficiency of public investment in infrastructure (electricity, roads, etc.)
- A lack of entrepreneurial initiatives in the formal sector, especially in Francophone Africa

In this context, investors and DFIs (Development Finance Institutions) showed little interest in African entrepreneurship and small businesses; they were not equipped to finance these types of enterprises.

2) 2007-2011 : DFIs invest in IPDEV

Experience during the early years had demonstrated that IPDEV's strategy was feasible, even though the enterprises in which IPDEV had invested were smaller than initially expected. To develop the business and make it sustainable, a larger team and more financing was required. DFIs provided this financing, along with their experience in the field.

Highlights: IPDEV had many potential synergies with public development assistance institutions already active in Africa. DFIs were interested in IPDEV's business strategy, as they were generally not able to invest directly in small enterprises on their own. These institutions had a many years of investment experience and expertise in Africa, strong governance and financial means that could all be beneficial to IPDEV. IPDEV's experimental approach and the success of its first investments were acknowledged by some DFIs, while its investment policy had remained unchanged[1].

Consequences:

- Capital progressively grew to EUR 19M (mainly with financing from the French Development Agency/PROPARCO, and the European Investment Bank);
- This enabled the recruitment of new staff, a more active investment strategy and deployment in more countries (in West and Central Africa and the Indian Ocean), as well as the capacity to develop larger deals;
- A more structured framework of governance was implemented in IPDEV, paying closer attention to exits.

CDS, © Joan Bardeletti

[1] The complete story of the first years of IPDEV (from 2002 to 2011) may be found in the short book written by Pierre Daubert, "L'Histoire d'I&P" (2017)

3) 2012-2017 : Review of the economic model / Scaling up

Financing African SMEs (providing decent gross profitability and impact) remained the key objective, but in order to remain sustainable, IPDEV's economic model needed to be adjusted and diversified to encompass a growing range of deals.

Highlights: Throughout the course of the previous years, average size investment increased substantially, indicating that there was a market for larger deals. Hence the decision to cater to this new potential market with a new, better adapted instrument. Meanwhile, IPDEV's original business model to focus on smaller deals was too costly on a per unit basis. Hence the need for a new vehicle better adapted to small deals, through decentralization to African investment teams.

Consequences:
- Launch of I&P Afrique Entrepreneurs (IPAE) for larger deals and IPDEV2 for smaller deals, while IPDEV entered its divestment period.
- The team expanded in Africa through local offices and local investment funds
- Simultaneously, an impact management[1] strategy was improved and formalized.

IPAE
I&P Afrique Entrepreneurs (IPAE) is a EUR 54M investment fund launched in 2012 that targets SMEs for investments ranging from EUR 300K to EUR 1.5M. It has invested in 29 companies showing potential for strong and achievable value creation.

IPDEV2
IPDEV2 is IPDEV's successor investment vehicle, which targets small SMEs for investments ranging from EUR 30K to EUR 300K through the creation of local investment vehicles. IPDEV 2 was launched in 2015 and aims to incubate 10 investment funds in 10 African countries over the next 10 years in order to support more than 500 early-stage entrepreneurs thanks to a total capitalization of EUR 20 M.

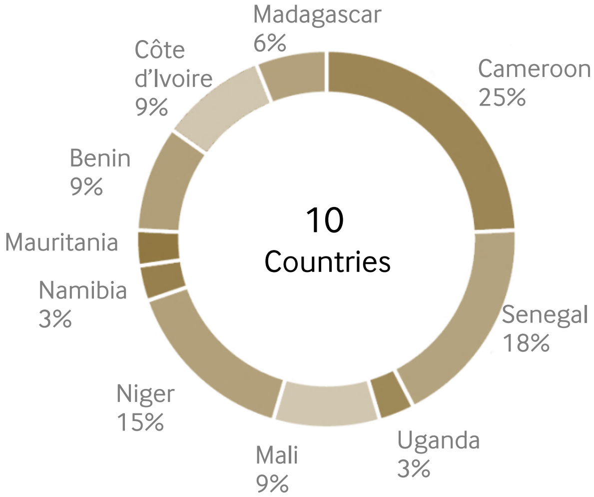
[1] To read more on I&P' Impact Management policy, download the document "Promoting Impact Management in African SMES" on our website: www.ietp.com

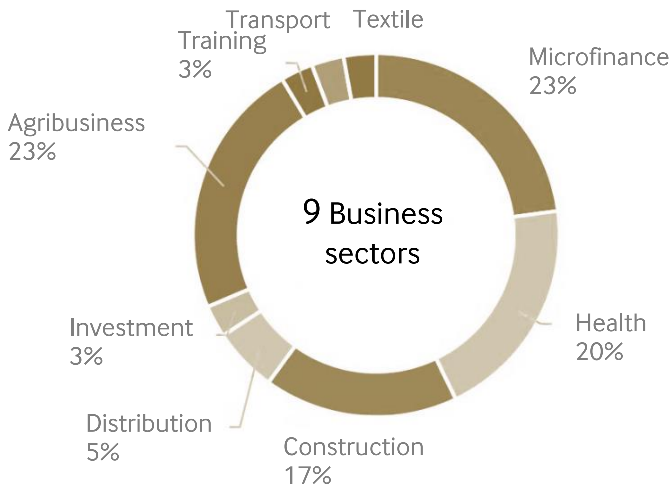
2 Assesment of IPDEV investment strategy

1) Financing African entrepreneurs and SMEs can be done

IPDEV has realized a total of **33 investments as minority stakeholder** through equity or quasi-equity investments: 25 in SMEs and 8 in microfinance institutions.

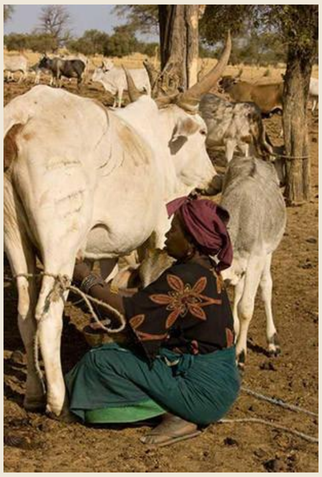
- EUR 13 million disbursed
- 26 African entrepreneurs
- 85% of investments in start-ups and early stage businesses
- Two-thirds of the investments below EUR 500,000
- 66% of investments in fragile countries





Example of SME: La Laiterie du Berger

La Laiterie du Berger is the only Senegalese company to manufacture dairy products from local fresh milk, collected from more than 800 farmers in northern Senegal. The products, distributed in more than 6,000 outlets, face stiff competition with products made from imported milk powder and dairy products from the informal economy.



Main impacts

- Steady revenue granted to 800 rural families guaranteeing economic security and preservation of their traditional activity
- Contribution to the structure of the dairy industry in Senegal
- Offer of healthy affordable dairies sold individually

2) Exiting African SMEs is possible

IPDEV has achieved 20 exits to date, with good gross IRR.

Context: For many years, a narrow secondary market and scarce conventional exit options tended to deter most actors from investing in African SMEs. This has progressively changed: according to the 5th annual survey published by EY and the African Private Equity and Venture Capital Association[1], the number of private equity exits in Africa has progressively increased. While these transactions were mostly effected with large companies, IPDEV has also contributed to this trend with SMEs.

Of the 20 exits realized by IPDEV, we can distinguish two main categories:

1/3	2/3
Selling to the entrepreneur	Selling to a third party (strategic actor or investment fund)

Selling to the entrepreneur

[1] AVCA (2017), "How Private Equity investors create value"

Exiting on the entrepreneur is fully in line with IPDEV's mission to promote a new generation of African entrepreneurs.

Djibrilla HIMA,
Director of Saphar, Niger

Saphar is a wholesale pharmaceutical distributor founded in 2000 and currently the third ranking pharmaceutical distributor in Niger.

"The partnership between Saphar and I&P lasted seven years, practically ten years if the due diligence period is added. From the beginning I&P told us that its mandate was to sell its stake after 5-7 years, and that was included in our shareholders' agreement. Consequently, we were prepared for the investor's exit and it caused no disturbance or disorder in the company. We organized ourselves financially, having gradually established reserves and having mobilized acquaintances and trusted individuals who could buy I&P's shares. We feel that an exit on the entrepreneurs rather than on third parties was the ideal formula, and having this buyback priority included in the shareholders' agreement was reassuring. For us, the partnership with I&P ended with a successful business that we today control with more than 50% of the capital, and that we want to keep developing."

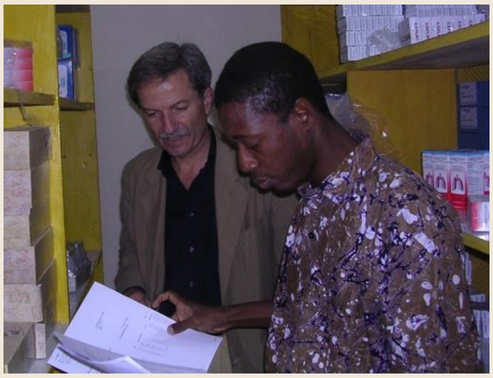
Selling to a third party (strategic actor or investment fund)

In many cases, entrepreneurs appreciate the presence of investment capital in their company and prefer that the investor exits on another investor or corporate player who can **keep supporting the business in a new phase of development** and **bring additional skills to the company**.

Camed, Mali

CAMED is the market leader in the distribution of generic pharmaceutical drugs in Mali. It was created with the financial and management support of IPDEV. CAMED's founder is Malick Sy who holds a Doctor in Pharmacy degree from the University of Bamako.

Exit
IPDEV sold its shares in part to 50 retail pharmacists (customers of CAMED), and in part to a French supplier of pharmaceutical drugs, and realized a multiple of gross IRR of 26% on equity.



3) Financing SMEs generates high impact

African SMEs have a key role to play in the development of the Continent, both directly through the products and services they provide to the local market, and indirectly through the inclusion of social and environmental considerations in the daily management of their businesses.

Impacts of IPDEV-supported businesses observed include:

- The emergence of several **sector leaders and domestic challengers** to multinational firms, encouraging the localization of value added as well as the local reinvestment of profits
- The use of **local rather than imported products**, creating new avenues for the development of exports
- The provision of **essential goods and services** such as electricity, water, credit and savings, improving the quality of life of consumers
- The emergence of **formally-structured and competent companies**, leading to the professionalization of their respective business sectors.

Key impact indicators from IPDEV portfolio

Job creation and wages

1,646 jobs maintained

1,300 new jobs created during IPDEV's investment period

Women represent **40%** of the total workforce

Social Protection

80% of portfolio companies have introduced maternity leave

36% have a private health insurance system for their employees and **86%** have access to state health insurance

Local Suppliers

In 2015, IPDEV investee companies contracted with **7,334 local suppliers,** including 7,100 smallholder farmers

Microfinance

50,800 micro-savers in 2015, including 78% women

35,731 micro-borrowers in 2015, including 66% women and 10% in rural areas

All MFIs are signatories of the Client Protection Principles SMART Campaign

3 Why share our experience?

During its 15 years in business, IPDEV has realized the initial convictions that drove Patrice Hoppenot's vision:

- **There are entrepreneurs eager to partner with equity investors in Africa** to develop their companies. Entrepreneurs wish to participate in the emergence of a sustainable private sector on the Continent, and their number is increasing thanks to the ongoing ripple effect of ever increasing African business successes.
- **SMEs are essential to developing and structuring Africa's economy**. They create stable and decent jobs, pay higher wages than the informal sector, build and structure the local economic fabric and meet a great variety of essential needs
- **There is an unserved "missing middle[1]"** for enterprises due to major obstacles to their growth: extremely limited access to long-term finance, limited access to skilled labor, poor governance and lack of good management practices.

IPDEV has proven that financing African SMEs of the "missing middle" was feasible and now **has a unique track record**: 33 investments and 20 exits in various sectors and countries. A whole investment cycle has been completed.
This track-record has been managed by a team that is now based in Paris and in six local African offices (Burkina Faso, Cameroon, Ghana, Côte d'Ivoire, Madagascar, Senegal). A broad and deep network of SME-related actors in Africa has also been established over the years.

At a time when the concept of impact investing[2] did not even exist, I&P teams developed **a specific active-partner approach** with an entrepreneurial philosophy, sharing their skills in management, strategy and finance with investee companies. This approach now has a proven methodology and investment package well-suited to African SMEs that combines financial tools, strategic/operational support, ESG (Environmental, Social and Governance) and impact action plans and measurement.

However, the IPDEV's size remains insufficient to have a significant impact on development and poverty at the scale of the overall African economy. This is why it is also important for the team to demonstrate the viability of its model and **plead the case of Africa to the world.**

I&P has learned valuable lessons from IPDEV's experience and wants to share them in this document. The objective of the following part is to participate in the collective learning process, based on IPDEV's successes and mistakes. It also aims to communicate its pioneering perspective to potential promoters and encourage people to take interest in impact investing initiatives in Africa.

[1] The term "Missing middle' refers to "the gap in capital which is larger than microfinance, yet smaller than traditional institutional financing in emerging and frontier markets" (World Economic Forum's Missing Middle Initiative, 2010). In other terms, the lack of capital targeted at funding SMEs.

[2] Impact investing refers to "Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return" (GIIN). See also Jean-Michel Severino's article: "Development Partners, one more push for greater impact!" (2015)

2 *15 lessons of 15 years of impact investment*

1 Enterprise Level

1) We do not invest in companies, we invest in entrepreneurs
2) Formalization of companies generates high impact
3) Master your production to serve your market
4) Implementation of ESG and Impact policies also concerns SMEs
5) There is a great need for more collaboration among African entrepreneurs

2 Strategic Level

6) Combining impact and profitability is feasible at SME level
7) Economic model: the size of the investments needs to be in line with the costs of the project
8) The younger, the tougher
9) Geographic and sector diversification spreads the risks
10) Challenges of being a minority investor

3 Operational Level

11) Investment Readiness takes time
12) Close support is needed
13) Do not stay alone!
14) Advantages of an evergreen company: quick disbursements, long reimbursements
15) Exits are possible in Africa

2 *15 lessons of 15 years of impact investment*

2 Enterprise level

1) We do not invest in companies, we invest in entrepreneurs

Possibly the most important lessons learned over the course of IPDEV's experience in Africa is that the relationship of trust, mutual understanding and partnership you are able to build with the investee entrepreneur is key to success.
A long diligence prior to investment is needed in order to ensure total alignment between the investee and the investor, to better evaluate his/her previous experience and temperament, to make sure he/she has the skills and capacity to bring his/her company to the next stage of development. Considering the difficulty of recruiting and setting up qualified middle management in the African context, investors must rely even more than usual on the entrepreneurs, especially when working with small and medium-sized businesses.

Nutri'Zaza, © Zen Design

2) Formalization of companies generates high impact

IPDEV aims to work with companies that operate within the formal economy while adopting a pragmatic approach, the partially informal environment of African SMEs being a reality. Despite its constraints, formalization is part of our investment philosophy and is a much needed process for companies in the long run.

Respect for legal and fiscal rules is indeed a precondition for long-term growth within a formal framework and key to establishing strong confident relationships with banks, authorities and international partners.

An investor's demand for formalization of an investee company can have significant impacts, contributing to the improvement of the company's business environment, broadening its tax base and possibly ensuring better working conditions for its employees. Jobs in the formal sector provide access to training and social security, are more secure and pay significantly higher wages than jobs in the informal sector[1]. In addition, the regularity of formal wages enables employees to gain greater access to credit, to, save money for their children's education and plan for the future.

3) Master your production to serve your market

While some companies face market issues, such as the need to identify potential customers (mainly due to a lack of market data) or to overcome the competition of the informal sector, African markets offer many opportunities for entrepreneurs coming up with innovative ideas and with strong management skills. In most cases problems arise at the production/execution stage. There are different factors that can explain a company failing to successfully structure its supply or production process including: underestimation of the construction process, underfinancing and lack of working capital, lack of control of the processes implying shutdown periods, project management failures, etc.

[1] For a deeper insight on the subject, you may refer to ANDE study (2012), "Small and Growing Businesses: Investing in the missing middle for poverty alleviation"

4) Implementation of ESG and Impact policies also concerns SMEs

Even before the term existed, IPDEV followed an impact investing approach, with the objective of contributing to the emergence of sustainable and responsible businesses in Africa. As a result, we are committed to maximizing the positive impacts and improving the Environmental, Social and Governance-related practices of the companies in our portfolio. This approach makes sense for many entrepreneurs willing to ensure the viability of their companies in the long run. Most entrepreneurs are strongly committed to improving their business practices, such as ensuring better working conditions for their employees or setting up projects that benefit small-scale suppliers or local communities.

The implementation of such policies works better if anticipated before the investment, and as a result we need to integrate ESG and impact factors into all steps of the investment process, from pre-screening to exit. Based on a diagnosis of the risks and opportunities, the investment team and the company agree on a first ESG action plan, to be implemented once the investment is made.

Sidi Khalifou
Director of CDS, Mauritania

CDS mission is to facilitate access to water and electricity for all Mauritanians, especially in the rural areas of the Senegal River Valley.

"Providing information on a business' economic, social and environmental impact requires an additional effort and implies adopting new procedures that take time in the short term. But this effort directly benefits the business in the long term. Producing reliable impact indicators can, for example, convince certain kinds of investors: in 2014, CDS mobilized a 15 000 USD loan from Kiva, a crowdfunding platform. This loan was used to equip a village with a water micro-grid powered with solar pumps"

5) There is a great need for more collaboration among African entrepreneurs

One of the major issues African entrepreneurs face is isolation, in a context where it can be quite difficult to find peers to discuss and share best practices, whether at the national, regional or continental level. I&P encourages networking and synergies among entrepreneurs and organizes an annual training seminar to which all investees are invited. Building on the success of this initiative, in 2015 I&P initiated the creation of the African Club of Entrepreneurs, a pan-African organization managed by the entrepreneurs themselves to promote exchange of experience within the community.

2 Strategic Level

6) Combining profitability and impact is feasible at SME level

Combining profitability and impact is a challenge: impact needs to be assessed, and it requires expertise and knowledge, which bears a cost for both the enterprise and the investment vehicle. IPDEV's experience shows, however, that when impact is included in the company's strategy, profitability reinforces impact. While in mission-based businesses (health, education, and businesses targeting "Bottom of the Pyramid[1]"), development structurally increases impact, in regular businesses, there is a need to set up ESG and impact plans in order to achieve greater impact.

7) Economic model : the size of the investments needs to be in line with the costs of the project

On top of the profitability at the level of the enterprise, the profitability at the level of the impact investment vehicle is key to the sustainability of its economic model. In that respect, IPDEV's experience shows that investment size and business costs are strongly linked. Small deals are costly and require strongly committed investors. Because of their smaller size, they need to generate higher profitability or their follow-up costs must be decreased in order for an investor to remain sustainable. This is why so few investors are willing and able to finance small African businesses (below EUR 3M), which explains the difficulty of tackling the "missing middle." Providing financing to this underserved market, however, remains critical to the economic and social development of Africa, particularly in the countries where IPDEV operates.

8) The younger, the tougher

In the same vein, startups and early stage businesses - a large share of IPDEV's initial dealflow - are also costly for impact investment vehicles and a challenge for their respective economic models. These businesses require long gestation periods, as well as sizeable personalized financing and access to specific expertise and knowledge. Moreover, their risk of failure is higher than that of more mature enterprises, while the likelihood of profitability of the successful ones is usually lower? Nevertheless, startups and early stage businesses remain essential to the African private sector's economic development.

[1] The "Bottom of the Pyramid" refers to the largest but poorest socio-economic group, who live with less than $2.50 a day.

9) Geographic and sector diversification spreads the risks

The African context remains difficult, and entails high economic as well as political risk. Following a protracted period of high growth, Africa has recently experienced a major slowdown of oil-exporting economies and daunting challenges remain for some others. IPDEV companies have faced security crises in several countries that have impaired their performance. In this context, investing in a wide range of enterprises, in diverse countries and regions, as well as economic sectors, helps spread the risk.

10) Challenges of being a minority investor

Being a minority investor has given IPDEV access to a wide range of entrepreneurs, as a large number of them would not have agreed to an external majority shareholder. However, this has implied severe constraints, including the obligation of relying on the entrepreneur, operate complex financial structuration and difficulty exiting without the total cooperation of the entrepreneur.

Legeni, © Béchir Malum

3 Operational Level

11) Investment readiness takes time

The overall dealflow of companies willing to be financed by investment funds is now great but very few companies are fully ready for investment. This implies a lot of time and effort between the first contact with an entrepreneur and the actual investment (6 to 18 months). The long period spent on maturing increases the transaction costs and slows down the investment pace, which are two critical characteristics of any investment company's business model. Part of the due diligence time cannot be reduced, but there are some ways to support companies in their pre-investment phase: incubators, technical assistance, small interest-free and collateral-free loans, etc.

12) Close support is needed

An investment needs the achievement of deep due diligence, which is required for the investor to understand the business and for the entrepreneur to understand the inputs of the investor. Due diligence also ensures strategic and philosophic alignment between investor and investee, which is necessary before signing a deal and embarking on a partnership. Once an investment is realized, the investment officer must build a close relationship with the promoter in order to support him, and remain receptive to his particular challenges and needs. Major decisions need to be shared and should be formalized in the governance of the company. To do so, being in the field is key: it fosters the sourcing of investment opportunities and facilitates contacts and trust, with the entrepreneur.

13) Do not stay alone!

Any entrepreneur has many issues to handle alone, and one of the tasks of an investor like IPDEV is to help him manage them. However, some challenges require external advice that may come from independent board members, advisors, coaches or consultants (technical assistance). External advice maximizes the added value that can be brought on a wide range of subjects (technical, HR, financial, strategic, etc.), and helps the company (and its manager) gain competitive advantage and improve overall performance.

14) Advantages of an evergreen company : quick disbursements, long reimbursements

IPDEV's very specific governance and disbursement processes allowed it to be very responsive when SMEs faced financial needs. A deep understanding by the investor of the investee's financial needs clearly remains important but the ability to disburse funds quickly has proved to be a key success factor for investee companies and in some cases has made the difference.

In addition, some investments need longer maturity than usual investors are accustomed to and patient capital is also a key aspect of IPDEV's model. This should not translate into an incentive to postpone exits but can give some companies the time to reach a targeted stage of development. In the case of IPDEV, this strategy was made possible because of an active commitment of its shareholders to IPDEV's mission.

15) Exits are possible in Africa

IPDEV's track record illustrates that we can exit from companies based in different regions of Africa and operating in different sectors and sell their shares to different profiles of investors. However, exit strategy needs to be included in the legal documentation and be clearly explained during due diligence so that the exit can be anticipated.

When a company is not performing well, one of the main challenges IPDEV has faced is deciding whether to continue supporting the company (and for how long) in order to allow it to regain good performance, or to recognize failure and exit (which, while sometimes the best decision to take, is not an easy one for a closely engaged and committed investor like IPDEV).

Jules Kébé,
Director of Duopharm, Senegal

Duopharm is a Senegalese distributor of pharmaceuticals formed by a group of more than 300 pharmacists shareholders.

An agreement has to be found at the very beginning on the mechanism for valuing the company, both at the entry of the investor and at its exit.
The entrepreneur has to be fully aware of the various methods of valuation, and he must have a strategic vision of his business development to prepare the exit of the investor."

Methodology

This document is a summary report of a large study conducted by I&P to assess the performance of IPDEV's investment portfolio to learn from this innovative and pioneering initiative and share the lessons learned in 15 years of impact investing in Africa. The work was led by Pierre Ewenczyk, I&P's Advisor who worked for more than 30 years at the International Monetary Fund (IMF), and Alexis Thirouin, I&P's Financial officer, in charge of IPDEV's portfolio since 2012.

The study was realized over 18 months in four phases:

- A quantitative and exhaustive analysis of IPDEV's investment portfolio, focusing on the financial performance of the SMEs and their profitability for IPDEV, as well as the impact generated by these companies, and how they fostered the emergence of African entrepreneurs
- A qualitative analysis of a sample of SMEs representing half of the portfolio, facilitated via interviews with the investment team
- An in-depth analysis of 6 companies in Cameroon, including field visits and interviews of the stakeholders (promoters, shareholders, employees, etc.)
- Meeting with IPDEV I shareholders, board members and advisors to better understand the context in which the company begun , and discuss initial study results

This document has benefitted from the help of Clémence Bourrin, I&P's Communication and Public Relations officer.

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