
Investisseurs & Partenaires (I&P) publishes a handbook to foster investment in African Small and Growing Businesses

Entitled “Investing in Africa’s Small and Growing Businesses” and designed in partnership with Ernst & Young, the Aspen Network of Development Entrepreneurs and INSEAD business school, this handbook is written for investors, entrepreneurs and anyone interested in the field of SME financing in Africa. Its objective is to foster the development of early-stage SME investment in Africa and encourage the rise of new investors on the continent.

SIX PIONEER INVESTORS DEDICATED TO AFRICAN SGBs SHARE THEIR BEST PRACTICES

The handbook gathers the lessons learned by six investors that have collectively raised and invested several hundred million euros in African Small and Growing Businesses (SGBs), among which I&P, XSML, Injaro Investments and Business Partners.

10 African entrepreneurs contributed to this handbook by sharing concrete feedbacks about their partnerships with investors. (*See annex 1*)

The handbook is divided into three sections: it first demonstrates the importance of SGB financing in Africa and draws an overview of the actors on the ground. It then explains the investment methodology, from due diligence to exit, building on concrete case studies. It finally suggests a roadmap for the launch of an investment vehicle targeting African SGBs and specifies some key success factors.

The document is [available online](http://www.investinginafricansmes.com) (www.investinginafricansmes.com), both in French and English.

AN ADVOCACY TOOL IN LINE WITH THE NEW STRATEGY OF I&P

With this handbook, I&P and its partners hope to foster the emergence of new African investment companies dedicated to Small and Growing Businesses. Indeed, despite their considerable potential in terms of value creation and development impact, these SGBs face the greatest difficulties in accessing long-term financing and skills.

Publishing this handbook is in line with the strategy of I&P, which plans to sponsor 10 investment funds in 10 African countries within the next decade in order to support early-stage SGBs requiring investments below 300 000 EUR (*see Annex 2*). I&P has already sponsored 3 investment companies in Niger, Burkina and Senegal and aims to launch similar initiatives in the coming years, notably in Côte d’Ivoire, Mali, Ghana, Madagascar and Cameroon.

About Investisseurs & Partenaires (I&P)

Investisseurs & Partenaires is an impact investment group created by Patrice Hoppenot in 2002 and headed by Jean-Michel Severino since 2011.

I&P's goal is to support the development of responsible and profitable African SMEs. These enterprises create local “added value” and long-term employment, and generate important social, environmental and governance impact.

To fulfill its mission, I&P manages two financial vehicles (IPDEV and IPAE), and uses diverse financial instruments (minority equity participation, quasi-equity, loans, etc.) to invest in companies in sub-Saharan Africa.

I&P provides capital, technical and strategic support to meet the growth needs of its portfolio companies. The I&P team develops long term partnerships with entrepreneurs, sharing management expertise and knowledge that is useful for improving business strategy, structuring, and success.

The I&P team comprises about twenty collaborators in Paris and in its six African offices in Cameroon, Côte d'Ivoire, Senegal, Ghana, Burkina Faso and Madagascar.

*To learn more about our activities,
please follow us on: www.ietp.com*

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Handbook “Investing in Africa’s Small and Growing Businesses”

An introduction to equity investment in Africa

The handbook was designed by Investisseurs & Partenaires in partnership with Ernst & Young, the Aspen Network of Development Entrepreneurs and INSEAD business school. It shares the best practices of the nascent sector that is SGB investment in Africa, and suggests a roadmap for the launch of new investment vehicles dedicated to African SGBs.

Its objective: Encouraging the creation of new investment companies
dedicated to African Small and Growing Businesses

The handbook presents :

- ✓ **THE EXPERIENCE OF 6 INVESTORS DEDICATED TO AFRICAN SGBs**, among which I&P (pan-African), Injaro Investments (Burkina Faso, Ghana, Ivory Coast, Mali), XSML (RDC, RCA) and Business Partners (East Africa, Southern Africa), that have collectively raised and invested several hundred million euros in African SGBs.
- ✓ **THE FEEDBACKS OF 10 AFRICAN ENTREPRENEURS** who have work with these investors and operate in Cameroon, Gabon, Ivory Coast, Madagascar, Mali, Niger, etc.
- ✓ **AN ADVOCACY SECTION TO ENCOURAGE THE DEVELOPMENT OF SGB INVESTMENT IN AFRICA**, demonstrating the role played by SGBs in the growth and development of the continent and presenting the major obstacles they currently face.
- ✓ **THE METHODOLOGY OF EQUITY INVESTMENT IN AFRICA**: from due diligence to exit, the handbook highlights the approach of the investor as well as their added-value for the SGB sector.
- ✓ **A ROADMAP FOR THE LAUNCH OF AFRICAN INVESTMENT VEHICLES**: the handbook reviews some of the main steps needed to create an investment company dedicated to African SGBs, from team building to fundraising.
- ✓ **A LEGAL AND FISCAL ANALYSIS OF THE ENVIRONMENT FOR PRIVATE EQUITY** with five country-sheets developed by Ernst & Young on Benin, Ivory Coast, Mali, Senegal and Togo.

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I&P Développement (IPDEV) scales up: *a new impact investment strategy for African entrepreneurship*

May 2015

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This offering is being made to a limited number of qualified and sophisticated institutional, corporate, and high net worth individual investors. The shares are suitable investments only for investors for whom an investment in the shares does not constitute a complete investment program and who fully understand and have the financial resources necessary to assume the risks involved in the company's investment program. As such, investment in IPDEV is open only to sophisticated investors and requires the financial ability and willingness to accept the high risks and lack of liquidity inherent in an investment in IPDEV. Investors must be prepared to bear such risks for an extended period of time. No assurance can be given that the investment objective will be achieved or that investors will receive a return of their capital.

This offering does not constitute an offer of shares to the public, and no action has been or will be taken to permit a public offering in any state or jurisdiction where action would be required for that purpose.

In making an investment decision, prospective investors must rely on their own examination of the project and the terms of this offering, including the merits and risks involved. It is the responsibility of prospective investors to satisfy themselves as to full observance of the laws of any relevant territory in connection with any such purchase, including complying with any governmental requirements or other applicable formalities. Prospective investors should not construe the contents of this memorandum as legal, tax, investment, accounting or other advice, and prospective investors are urged to consult with their own advisers with respect to the legal, tax, regulatory, financial, accounting and other consequences of their investments.

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EXECUTIVE SUMMARY

The challenge: to transform the current African growth into an inclusive and sustainable development, through the promotion of responsible entrepreneurs.

Our proposal: incubate **10 African investment funds** in **10 African countries** within the next decade, in order to **support 550 early stage entrepreneurs** and **contribute to create 15 000 jobs**.

Expected outcomes:

- Innovative, additional and long-term **financial capacities in Africa**
- **Transfer of skills and methodologies** towards the Least Developed Countries.
- **Improvement of the managerial standards** as well as **ESG practices**.
- **Major economic, social, environmental and governance impacts** on local African economies

Latest update - September 2014:

- First closing Q4 2014, Second closing Q2 2015
- 2 investment funds now operational in Niger and Burkina Faso. 1 new launched in Senegal Q4 2014



I&P IN A NUTSHELL

FOUNDED IN 2002

- . **By Patrice Hoppenot**, Private Equity expert, co-founder of BC Partners.
- . **Led since 2011 by Jean-Michel Severino**, Former Director of the Agence française de développement (2001-2010).
- . A staff of **20 people** located in Paris and in **6 African offices**.

2 INVESTMENT VEHICLES

IPDEV	IPAE
created in 2002, € 11 million, 33 investees, 8 exits now divesting	a € 54 million investment fund, closed in May 2013, 20 investees now investing

MORE THAN 60 INVESTEES

- . **Located in 15 African countries:** Benin, Burkina Faso, Cameroon, Comoros, Ivory Coast, Gabon, Ghana, Madagascar, Mali, Mauritana, Namibia, Niger, Uganda, Senegal, DRC
- . **Operating in diversified sectors:** agribusiness, health, transport, services, etc.

NEARLY 40 INVESTORS

1/3 Individuals	1/3 Corporate investors	1/3 Institutional investors
Family Offices, high-net-worth individuals...	Crédit Coopératif, BRED, CFAO, Danone...	AfDB, FMO, AFD, EIB



The rationale

AFRICA'S GROWTH RAISES MAJOR CHALLENGES

Africa has experienced over the past decade an unprecedented growth

- Based on **structural grounds, both demographic and geographic**, it is accompanied by an increase in exports, improved terms of trade, an increase in final consumption, a jump in FDI and significant remittances.
- With **good macroeconomic indicators** (*inflation decreasing: from 15% in 2000 to 8.1% in 2011, more controlled foreign debt from 63% of PIB in 2000 to 22.2% in 2012*).

However, this growth is heterogeneous, fragile and insufficient

- The growth remains insufficient, undiversified, environmentally and socially unsustainable and **creates only a limited number of jobs**. **Inequalities are on the rise** and growth patterns remain very different among and within countries. *According to last UNDP report from July 2014, nearly 585 million people, equivalent to 72% of the continent's population, live in multidimensional poverty with overlapping deprivations in education, health and living standards.*
- The continent **remains politically unstable**, while corruption and informality are still large barriers to growth. Political crisis and instability are a strong factor for poverty perpetuation.

AMONG THEM LIES THE CHALLENGE OF JOB CREATION

Africa will count 2 billions inhabitants in 2050, with 15 million new workers every year.

- African job market is booming : with **382 million workers** today and **122 million more by 2020**, the continent is **topping the world's faster HDI progression rates** thanks to its **dynamic private sector**. *
- But only **23%** of these workers are part of the **formal sector** and earn a **regular wage** while **77%** are in a **precarious job**.*

The need for qualified jobs with an access to ongoing training is more relevant than ever to enable job security and decent labor conditions.

- UNPD's 2014 report** on human development puts a **particular stress on full and formal employment** as a mean to fight against **extreme poverty** and insecurity, **spread social services** to the largest, produce **significant tax-revenues** that will **sustain public spending** and **reduce vulnerable livings**.
- It also emphasizes the importance of developing **skilled and high-skilled employment** to enhance **job security** and **economic productivity**.

Furthermore, traditional recruitment sources are now drying up in favor of small and medium sized enterprises

- Public administrations tend to **cut their budgets** while large companies are reaching a phase of **slower growth**.
- **SMEs** stand now as the **best job providers** and driving forces towards **higher value-added activities**. Moreover, small structures are more opportune **for in-service training** and thus offer higher **skilled jobs**.



BUT SMEs AND ENTREPRENEURS ARE THE MOST FORGOTTEN GROWTH AND STABILIZATION FACTOR

Supporting formal and responsible SMEs and start-ups is a core response to those challenges

- It addresses the challenge of growth, job creation, good management, income inequality and access to opportunities
- It improves access to essential services and economic opportunities for many, and helps stabilizing societies while it enhances the environmental quality of growth

Despite frequent lip-service, SMEs and entrepreneurs are at the bottom end of the policy agenda

- Entrepreneurs frequently lack political access
- Large corporations and deals attract most of the overall attention and the media coverage
- SMEs and start-ups suffer the most of poor governance and bad macroeconomic policies
- Environmental and social standards tend to be poorer in SMEs

SMEs face major challenges among which access to long-term financing is the most important one

- SMEs need to struggle even more than all corporations operating in a poor business environment, due to their short human and financial resources.
- They particularly face very limited access to all kinds of financial resources. 32% of surveyed African businesses cite access to finance as major constraint on growth*. The reasons are:
 1. the high cost of monitoring and evaluation compared to the small size of invested amounts
 2. the high cost for formalization
 3. the lack of reliable accounting
 4. the lack of management culture



TO SUM UP

It is necessary

to create A NEW MODEL to address

the growth needs of early-stage entrepreneurs

and help them contribute to the development

of Africa in an efficient and sustainable way.

Our assets

IPDEV 1 TRACK RECORD : 10 YEARS OF SUCCESS WITH AFRICAN SMEs

IPDEV is an evergreen and “impact-first” company with a solid financial track record in Africa

- Since 2002, IPDEV has invested EUR 11 Million in 25 SMEs and in 8 micro-finance institutions (MFIs) in 10 African countries. The portfolio has performed well and is highly diversified: **agribusiness, essential services, manufacturing and more.**
- To date, IPDEV has successfully exited from 8 companies with a **gross IRR of 15.5% on the combined exits.**

IPDEV social outcome has been considerable

Stimulation of Entrepreneurship

IPDEV invested in 33 SMEs and MFIs which could not find other funding sources;

17 of them were start-ups co-founded by IPDEV.

Job creation and poverty reduction

1,400 jobs created and consolidated; indirect jobs created in the value chain especially with local suppliers.

For example: 900 livestock farmers sell their milk to the dairy company Laiterie du Berger in the North of Senegal and 6,000 smallholder farmers supply Phileol, a castor oil producer in the South of Madagascar.

Access to essential services

Provision of financial services to 32,000 individuals, sustainable access to water and electricity for 10,000 individuals, access to affordable generic drugs and health services in Mali, Niger, Cameroon and Senegal.

Access to essential goods:

Nutri'zaza produces and distributes highly nutritious food supplements for infants and mothers in Madagascar.

CDS sells and installs renewable off-grid energy systems and solar kits in rural areas in Mauritania.



A FEW EXAMPLES OF IPDEV 1 INVESTEES



LAITERIE DU BERGER – AGRIBUSINESS – SENEGAL

- Founded by Bagoré-Xavier Bathily
- In portfolio since 2006 (partial exit)
- I&P's share: 12,5%
- Employees: 135

The only Senegalese company to manufacture dairy products from local fresh milk, collected from more than 800 Peul farmers.

I&P's Partnership

- Investment at the inception of the company
- Since the creation, contribution to the strategic thinking
- Contribution to the broadening of the shareholders' basis
- Technical assistance on various topics (operational and financial)

Impacts

- 800 farmers and their families now have an outlet for their milk. The incomes of these farmers have tripled since the inception of the company and become regular
- Contribution to structuring the local dairy industry
- Marketing of healthy products in small doses, accessible to a low-income clientele



CAMED – HEALTHCARE - MALI

- Founded by Malick Sy, doctor in pharmacy
- In portfolio from 2003 to 2011
- I&P's share: 17%
- Employees: 19

3rd pharmaceutical distributor in Mali et national leader on the generics market.

I&P's partnership:

- A €50 K investment in 2003 to increase storage capacities and finance new equipments
- Strategic, financial and commercial mentoring

Impacts :

- 25 permanent jobs created
- Emergence of a local player
- Improved access to medicines to the Malian population

Exit :

- Transfer of I&P's share to a group of 50 local pharmacists and a French generics' laboratory



A PROMISING PILOT IN WEST AFRICA: SINERGI IN NIGER

The investment company SINERGI Niger finances early-stage SMEs since 2006

- **SINERGI is the first equity investment fund in West Africa dedicated to early stage SMEs**
- Co-founded by I&P and 8 Nigerien entrepreneurs with the support of private companies, SINERGI has an equity of EUR 760,000 and is managed by a Nigerien investment team recruited and trained by I&P.



SINERGI's track record:

- Construction of a methodology of early-stage SME investment : **7 SMEs in portfolio with an average investment size of EUR 50,000.**
- Close management support by the investment team and a network of mentors: **SMEs in the portfolio performed well with an average yearly sales growth of 40%.**

Lessons learned by I&P

- Even in the difficult environment of Niger, there is a **strong demand for long-term equity investments in early-stage SMEs** for which I&P's methodology is well-suited.
- Reaching profitability and sustainability requires **the involvement of local investors and close management support.**



A TEAM COMMITTED TO THE IMPLEMENTATION OF IPDEV NEW PROJECT

Senior Management

JEAN-MICHEL SEVERINO

heads Investisseurs & Partenaires (I&P)

He was appointed as adviser to the Minister for Development in 1988 and as Director for the Ministry's Development Programs in 1994. He served the World Bank from 1996 to 2000 as Director for Central Europe and Vice-President for Asia. He was Managing Director of the Agence Française de Développement (AFD) from 2001 to 2010.



OLIVIER LAFOURCADE

chairs IPDEV Board

He joined the World Bank in 1973 and for 30 years held a variety of senior leadership positions, in Latin America and Africa. His last position was Director for Colombia, Mexico and Venezuela. He is now an international consultant specialized in economic development issues.



Investment Team

DAVID MUNNICH

leads IPDEV's new strategy

David has a 10-year long experience in development and investment. He joined I&P in 2009 and is currently in charge of IPDEV's investment operations. He graduated from HEC Business School and worked two years in Mauritania for the Agence Française de Développement (AFD).



HUGUES VINCENT-GENOD

is investment officer for IPDEV 2

He has been working for I&P since 2011. He was based in Ghana for a year and contributed to the launch of I&P's regional office, to the support of I&P's Ghana-Côte d'Ivoire-Niger-Burkina Faso portfolio and to the analysis of new investment opportunities. He graduated from London School of Economics and Sciences Po Paris.

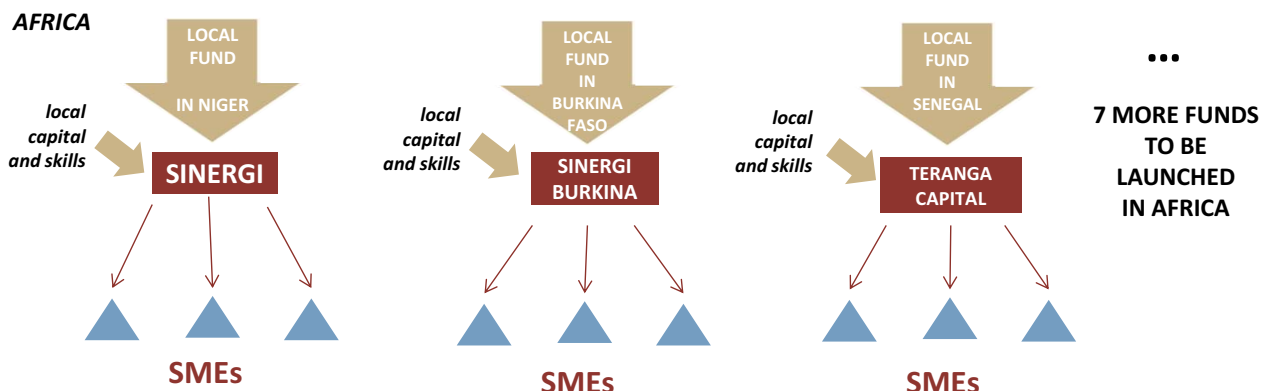
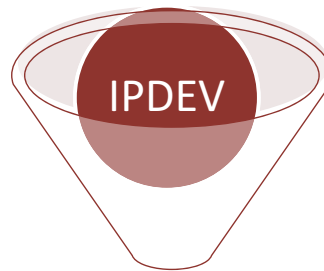


IPDEV new generation: investment strategy

OUR PROPOSAL

**Incubate 10 African investment funds
in 10 African countries
within the next decade,
in order to support 550 early-stage entrepreneurs
and contribute to create 15 000 jobs.**

AN INNOVATIVE INCUBATING MECHANISM OF AFRICAN INVESTMENT FUNDS

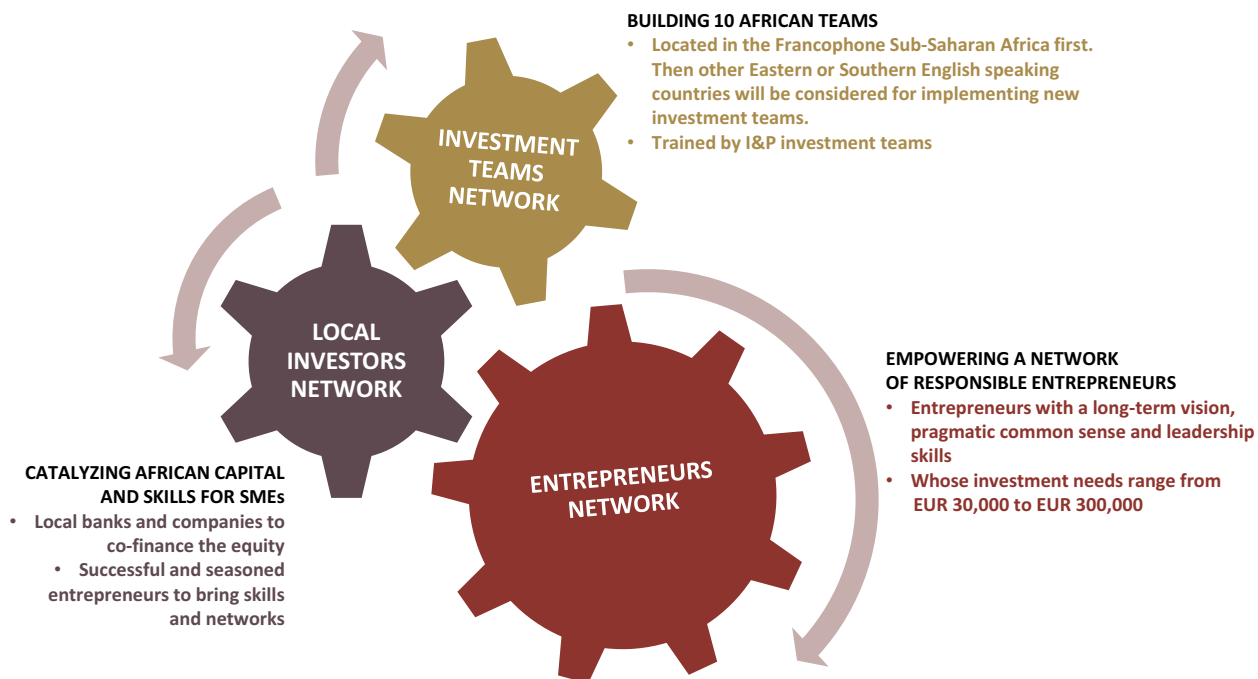


IPDEV, THE FIRST INCUBATOR OF AFRICAN INVESTMENT FUNDS

IPDEV will be the main sponsor of the incubating mechanism, through a 3 dimensional approach:



AN ECOSYSTEM OF 10 AFRICAN INVESTMENT FUNDS CREATING 3 KINDS OF NETWORKS



A NEW FUND LAUNCHED IN 2014 IN BURKINA FASO : SINERGI BURKINA

Sinergi Burkina was created in 2014 by I&P along with 7 African entrepreneurs.

- The first investment company targeting **early-stage SMEs in Burkina Faso**, Sinergi Burkina invests **EUR 30 000 to EUR 300 000 in long-term equity** and thus offers a unique growth solution for entrepreneurs in Burkina.
- The fund raised **EUR 2.5 million in equity** from **international investors** and **Burkinabè companies**.
- I&P recruited and trained the Director of Sinergi Burkina, Mr. Hervé Hien.

Sinergi Burkina is already preparing its first investment with Siatol (Agribusiness)



Siatol is a soybean processing company producing soy oil for household use and high-protein feed for poultry farmers.

Partnership with Sinergi Burkina:

- With the investment, Siatol will grow its soybean farming network from 3000 to 12 000 smallholder producers

Expected impacts:

- Formal jobs created: 30
- Contribution to poverty alleviation in rural areas
- Improvement of working conditions

OUR INVESTMENT BENEFICIARIES



The 10 African funds will be able to reach a large number of early-stage entrepreneurs:

- Managing SMEs in the formal economy, both existing and start-up companies
- From all sectors with a focus on : healthcare, agribusiness, financial services, basic services, small industry.
- With a potential for outstanding value creation as well as strong and achievable economic, environmental, social and governance impacts. Or/and generating impact at the “bottom of the pyramid” (BoP)
- Whose investment needs range from EUR 30,000 to EUR 300,000

A UNIQUE IMPACT POLICY AND METHODOLOGY

This policy will be implemented in 4 main areas:

- 1. Dedicated action plans in each local fund**
 - A rigorous methodology will be followed by local funds to handle Environmental, Social and Governance-related (ESG) risks and opportunities at all stages of the investment process > initial screening / due diligence / monitoring.
 - Annual action plans will be implemented in each local fund covering various aspects:
 - **Environment:** water and waste management, carbon footprint, energy efficiency, biodiversity, etc.
 - **Social:** working conditions & safety, health insurance, training opportunities, etc.
 - **Governance:** business integrity and good corporate governance
- 2. Impact measurement system for all investees**
 - **IMPACT METRICS COLLECTED ANNUALLY FROM THE LOCAL FUND'S INVESTEES**
 - **STAFF :** net creation of jobs, low-skilled and high-skilled, gender, employees' training, level of wages, health insurances etc.
 - **CLIENTS:** number of products or services/clients
 - **SUPPLIERS:** number of local suppliers, purchase amount, etc.
 - **STATE:** contribution to national added value (import substitution, tax generation)
- 3. Specific evaluation programs on SMEs**
 - In depth impact evaluations based on field surveys on 3 SMEs per year.
 - Assessment of economic, social, or environmental performance, including hidden externalities.
- 4. Training and community management programs**
 - To promote the exchange of experience and best practices between entrepreneurs, and to introduce better management tools.
 - To raise awareness around extra-financial challenges.

TO SUM UP : KEY FEATURES OF IPDEV2 IMPACT INVESTMENT STRATEGY

1

ADDITIONALITY

- the project promotes financial **INCLUSION** into local economies of SMEs that are now totally neglected by other financial actors who consider them as too risky. IPDEV brings financial resources where nobody does for now.
- IPDEV will have a strong local **CATALYSING EFFECT** and will leverage local financial resources to set up the funds and finance their SMEs.

2

SUSTAINABILITY

- The replication of the model ensures the **SCALABILITY OF THE PROJECT**. The system is designed to be "open source" : any other fund manager can follow IPDEV and also build financial capacity in Africa.
- The local funds will have a **REVOLVING EFFECT** despite their low profitability : initial capital will be paid back and reinvested into other funds or SMEs.
- IPDEV will apply the **PROFESSIONALISM OF AN INVESTMENT PROCESS** to make sure the SMEs are profitable enough and guarantee the financial sustainability of local funds.

3

RESPONSIBILITY

- An ESG and impact team will support local funds and SMEs into the **ADOPTION OF RESPONSIBLE PRACTICES**. While the implementation of the impact measurement system of regular survey will improve the portfolio social performance.
- IPDEV will provide more than financial resources : it will transfer its investing skills, know how and methodologies. It will promote **DISSEMINATION OF BEST PRACTICES** and integration of extra-financial performance goals.
- Through the development of local economic fabric, IPDEV promotes market based solutions and then **LOCAL OWNERSHIP**. The African funds are also locally owned.

STRONG EXPECTED OUTCOMES

The result: a unique program of financial capacity-building

- Through a network of **10 investment funds** dedicated to African early-stage SMEs
- **Transfer of skills and methodologies** towards the Least Developed Countries.
- **Improvement of the managerial standards as well as ESG practices.**
- **Fostering of the impact investment industry** through the building of a pipeline of investable SMEs for other investors, ie. larger funds.

Strong expected impacts over the entire investment period :

- **550 early-stage SMEs** financed
- **15 000 jobs created and preserved**
- **EUR 100 million spent in local goods and services**, thus creating important knock-on effects on the supply chain (indirect job creation, organization of value chains).
- **EUR 100 Million paid in taxes** to public authorities
- **EUR 240 Million paid in wages**

IPDEV's in-country funds have unlimited lifespans:
IPDEV's measurable impact will grow far beyond the investment period.

The fundraising process

A BLENDING PROJECT

To support this innovative investment strategy, both are needed:

TARGETED CAPITAL : € 20 MILLION

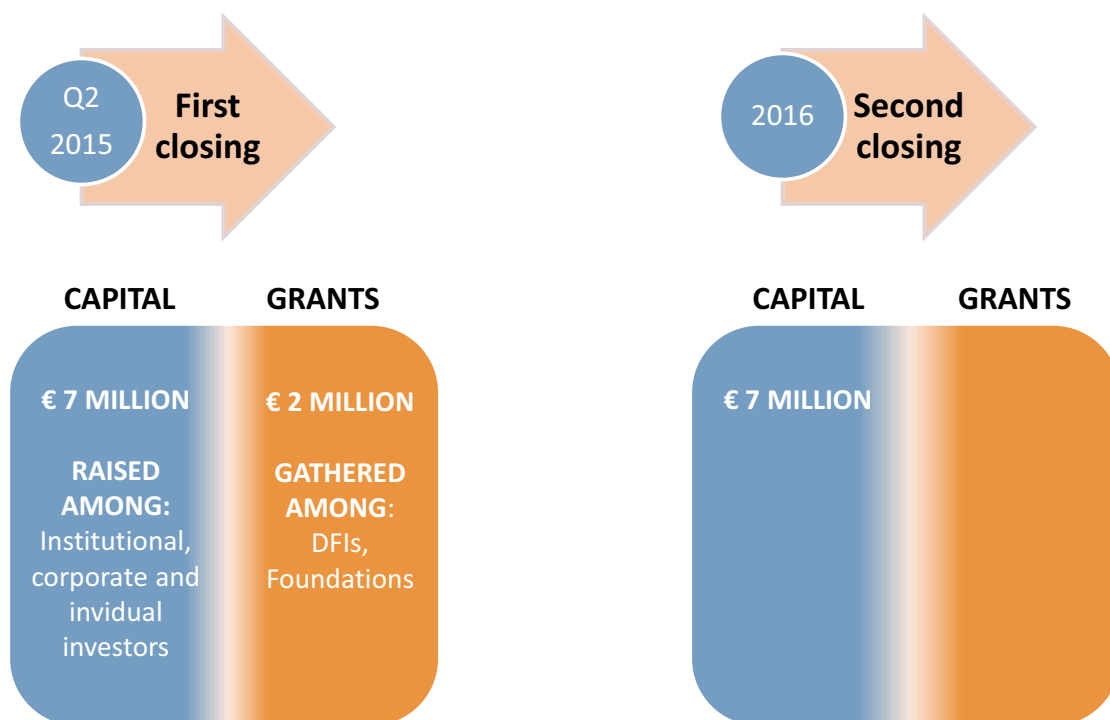
Patient capital with a long-term horizon

- To cover the costs of IPDEV2 and ESG /Impact policy implementation
- To invest in the local funds
- To leverage additional local financing

TARGETED GRANTS : € 7 MILLION

- To cover set-up costs of the African funds: legal, technical, commercial and HR analysis.
- To develop technical assistance programs to the funds' SMEs in management, finance/audit, production, sales, procedures, information system, etc.
- To monitor and measure impacts
- To promote networking between the African fund managers and the entrepreneurs

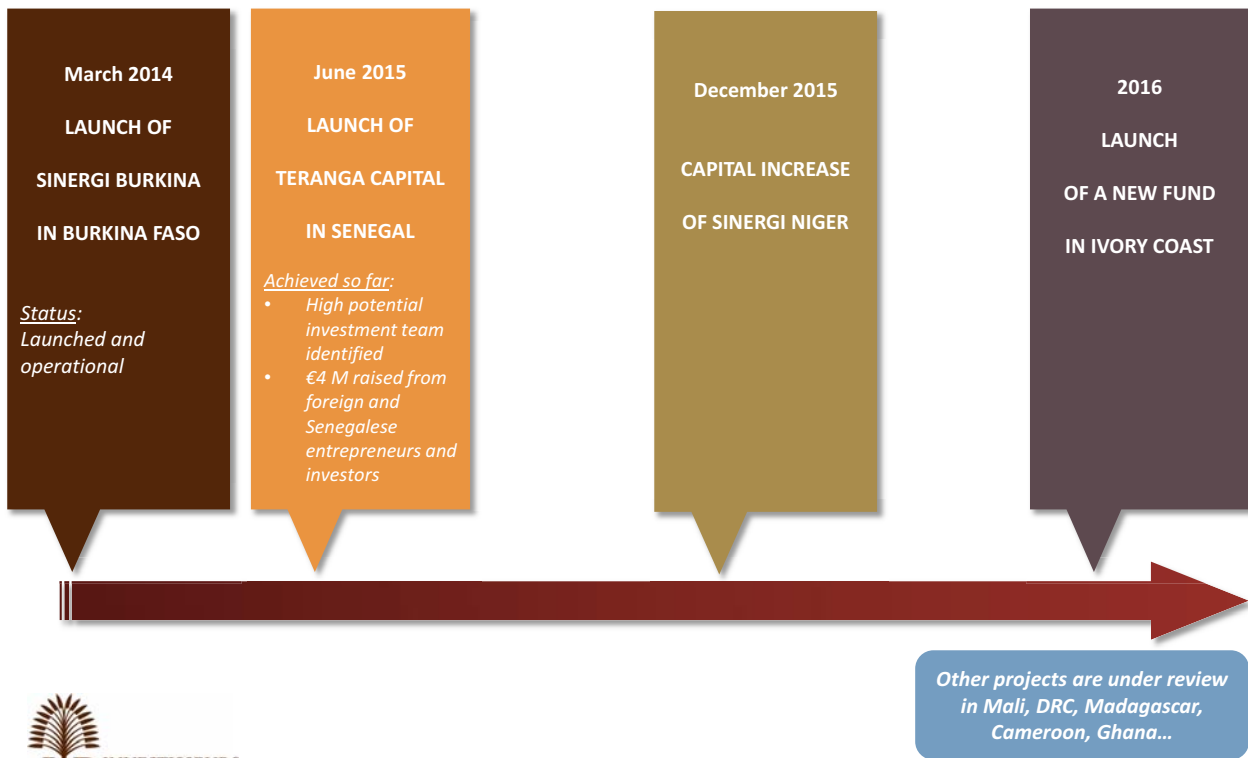
WHERE WE STAND IN THE FUNDRAISING PROCESS



IPDEV 2 TERM SHEET

Vehicle type	Evergreen investment company
Management company	I&P
Target size in capital	EUR 20 Million
Target size in Grants	EUR 7 Million
Minimum investment	100 000 EUR
Term	10 years
Investment approach	Private Equity, as a minority shareholder
Currency	EUR
Geography	Sub-saharan Africa
Targeted IRR at the investor's level	2%, close to capital preservation

IMPLEMENTATION HAS ALREADY STARTED...



**Thank you
for your interest
in African
entrepreneurs
as well as social,
environmental and
governance
progress!**

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