

## IPC Company History

### First consulting activities in the 1980s

Founded in 1980, IPC's started out with first projects in the energy sector, with an emphasis on renewable energy sources. In response to the energy crisis and the high oil prices of the 1970s, many countries were looking for new ways to reduce their dependence on oil. IPC developed models to demonstrate the technical and economic feasibility of alternative energy solutions, implementing them in projects in Africa and Latin America together with local service providers.

### Early years of development finance in Latin America

At the end of the 1980s, IPC shifted its focus to development finance when it was commissioned by international development agencies to provide advisory services to Latin American savings banks and NGOs. The impetus for this change was the worldwide lack of formal credit offers for micro and small enterprises at that time. There was a growing appreciation for the contributions of such companies to the overall development of an economy, and their dependence on informal, inefficient lenders had come to be understood as a barrier to economic growth and stability.

Two of the important lessons IPC learned during this phase were that lending to small-scale businesses can be profitable when designed properly, and that it requires strong, well-functioning institutions and systems to make finance available to small businesses on a fair and sustainable basis. Against this background, IPC began "upgrading" non-governmental, largely unregulated microfinance institutions into formal financial institutions, subjecting them to financial sector supervision and higher standards of transparency.

Building upon the success of what subsequently became known as the "IPC Lending Technology", a lending approach for micro and small entrepreneurs that has a development impact while remaining profitable, IPC started to offer this business model to commercial banks ("downscaling"). Such institutions were regulated and therefore potentially more sustainable than NGOs or unregulated microfinance companies. Moreover, banks had better access to loanable funds and local currency due to their deposit business.

### Mid-1990s: Starting large "downscaling" projects with banks in transition economies

One of the key objectives of the "downscaling" approach was to build more efficient and inclusive financial sectors, thereby promoting overall economic development in emerging countries. Among the largest and most impressive mandates requiring such an approach was IPC's consulting service support provided to banks throughout Russia beginning in 1995. Since then, we have been advising commercial banks on downscaling in many other economies in transition, for example in Central Asia, the Caucasus region and also in China. In fact, IPC's current projects continue to benefit from our experience designing and implementing this type of projects and advising banks around the world on strengthening organisational structures and optimising processes for lending to micro, small and medium-sized enterprises.

### **The “greenfield” approach to building the ProCredit group of banks**

At the end of the 1990s, international financial institutions began contracting IPC to establish banks in Eastern Europe that could serve target groups that were economically weak and thus needed support. This “greenfield” approach to creating institutions ultimately led to the development of the ProCredit group of banks. This phase brought new and exciting learning as our experts assumed responsibility for setting up and managing these banks. Aside from managing the banks, IPC was also asked to contribute to the bank’s equity next to large development organisations such as DOEN, KfW and IFC. This ensured that efficiency and entrepreneurship were combined with a long-term development perspective and financial soundness, anchored by the clear shareholder structure of a public-private partnership with strong corporate governance.

The success of these new banks eventually led to the decision to unite them under a common name - ProCredit - and ultimately to consolidate them under the leadership of the majority shareholder, ProCredit Holding (formerly IMI). ProCredit Holding AG & Co. KGaA is now the parent company (and from a regulatory point of view the superordinated company) of a group of banks located in Eastern Europe and Latin America, and since 2012 in Germany. In 2016 ProCredit Holding shares were successfully listed at the Prime Standard of Frankfurt Stock Exchange; in 2017 it became a member of the Social Stock Exchange (SSX). Since 2007, IPC’s relations with the ProCredit group centred around clearly defined roles as both a strategic investor and a consulting partner on selected issues only, primarily in the field of green finance.

### **Understanding the importance of IT**

To support its “upgrading”, “downscaling” and “greenfield” projects and systematise lending to small enterprises, already in the 90ties IPC developed its own software, which was continually expanded and updated. In 2004, the IT department evolved into an independent software company, Quipu GmbH. In 2012, Quipu became part of the ProCredit group, but until today the company remains IPC’s primary partner for implementing IT-related project tasks and developing new digital solutions.

### **Expanding the range of services: “Cracking new nuts”**

Beyond its former work with ProCredit, IPC has considerably broadened its consulting activities, developing new concepts and solutions to address key issues in inclusive finance, SME banking and agricultural finance. Our project assignments in these fields of expertise have primarily supported our partners in China, Eastern Europe, Africa and once again Central Asia. Based on our initial experience gained in the 1980s and on the specialised technical and market knowledge acquired since then, in 2008 we expanded our range of services for financial institutions to include advisory support to reduce environmental impact. In green finance, one of the key objectives is to finance investments in energy efficiency, renewable energies and other environmentally relevant projects. Until end of 2017, we have completed around 90 energy-related projects with banks in more than 30 countries worldwide, gaining significant expertise in environmental and social impact readiness assistance as well.

Furthermore, IPC was able to establish a new area of specialisation “training and skill development” on the basis of its competence in training bank staff and developing educational institutions. Since 2010, we have conducted a large number of studies and launched many projects to institutionalise training and improve education finance, especially in Sub-Saharan Africa but also in Haiti and China.

### **2018 and onwards: A new institutional setup for the future**

As distinct activities, consulting and investment operations require different organisational structures, so in May 2016 IPC divided the two aspects of the company at an institutional level. Since then, the investment operations have been pursued by Zeiting Invest GmbH. Consulting activities continue to be performed by IPC - Internationale Projekt Consult GmbH, and in December 2017 the ownership of IPC changed in the course of a management buyout. The new shareholders have each been with IPC for more than 20 years and remain strongly committed to continuing the company’s successful track record.