

I&P Afrique Entrepreneurs 2

Annual ESG and Impact Report

June 2023



| Foreword

In 2023, the African continent continues to face a complex and challenging environment. While the COVID crisis is now behind us, African countries have experienced macroeconomic challenges such as inflation, rising interest rates in the US and Europe, and a debt crisis. There are also political challenges, including the impact of the Ukrainian crisis and the ongoing deterioration of the security and political situation in the Sahel region.

In this context, we are more convinced than ever that the private sector, particularly African SMEs, has a crucial role to play in addressing these challenges. IPAE2 is now in the final months of its investment period. Since 2017, the fund has already invested in 20 companies, two-thirds of which are located in the least developed and fragile countries. These companies continue to demonstrate the role that SMEs play in promoting an inclusive growth, thanks in particular to the jobs they create (39% growth in direct employment since investment), the products and services they provide (90% of them address SDG issues), and their impact on gender-related themes (95% of the companies meet the criteria of the 2x Gender Challenge).

Much remains to be done, however. We remain fully committed to the success of the fund and its portfolio companies and hope to be able to impact even more for the next 5 years of the fund. We will therefore be devoted to improving portfolio companies' impact and overall performance.



Sébastien Boyé
Co-CEO



Jérémy Hajdenberg
Co-CEO



Mialy Ranaivoson
Investment Director, Madagascar

A word from the team

When we analyze a new investment, one of the most important exercises we undertake is defining the investment thesis. This involves defining the following three elements: why this investment is of interest to IPAE, how IPAE can achieve financial profitability through this investment, and how IPAE can support the company and the entrepreneur in creating value and maximizing it. The main objective is, of course, to enable investment performance.

Similarly, we also define the impact thesis for each investment: the impacts that make this investment of interest to IPAE, how IPAE can achieve its impact objectives through this investment, and how IPAE can support the company and the entrepreneur in creating impact, seizing opportunities, and maximizing it.

Taking our investment in Heri Madagascar as an example, our interest lies in the company's mission, which is to improve the quality of life for the rural population of Madagascar by providing them with access to clean and affordable energy, essential for their daily activities. This mission is particularly relevant as Madagascar has one of the lowest electrification rates in Africa and the world. IPAE2 will be able to achieve its impact targets related to addressing SDG8, gender issues, improving working conditions, environmental impact, and more. I&P will support the realization of this mission by providing the necessary funding, but also by working on agent network retention and improving working conditions, for example.

Through this methodology, rigor, and consistency, we hope to maximize our impact. The first results can be already seen and are shared in the current report.

Overview

20 SMEs in portfolio, including 3 new ones



A strong **job creation**, linked to the decent work agenda



Providing **essential goods and services**



An important **gender lens investment**



85% of African entrepreneurs ▲ Δ 2021 +3pts

39% direct employment growth since investment ▲ Δ 2021 +24pts

90% of SMEs address the SDGs ▲ Δ 2021 +8pts

95% Satisfy the 2X challenge criteria ▲ Δ 2021 +6pts

Strong additionality:
90% of companies would have had to carry out their investment project at a smaller scale without IPAE2's funding ▲ Δ 2021 +14pts

85% of SMEs provide a complementary health insurance ▲ Δ 2021 +3pts

95% of SMEs address the needs of African population or African companies ▲ Δ 2021 +1pts

85% of women-led enterprises or with more than 30% women among senior leadership positions ▲ Δ 2021 +26pts

55% located in LDCs (66% projected by the end of the fund deployment) ▼ Δ 2021 -6pts

Average minimum wage **2.5** as high than the legal minimum wage ▲ Δ 2021 +0.5

25% of women-owned enterprises ▼ Δ 2021 -5pts

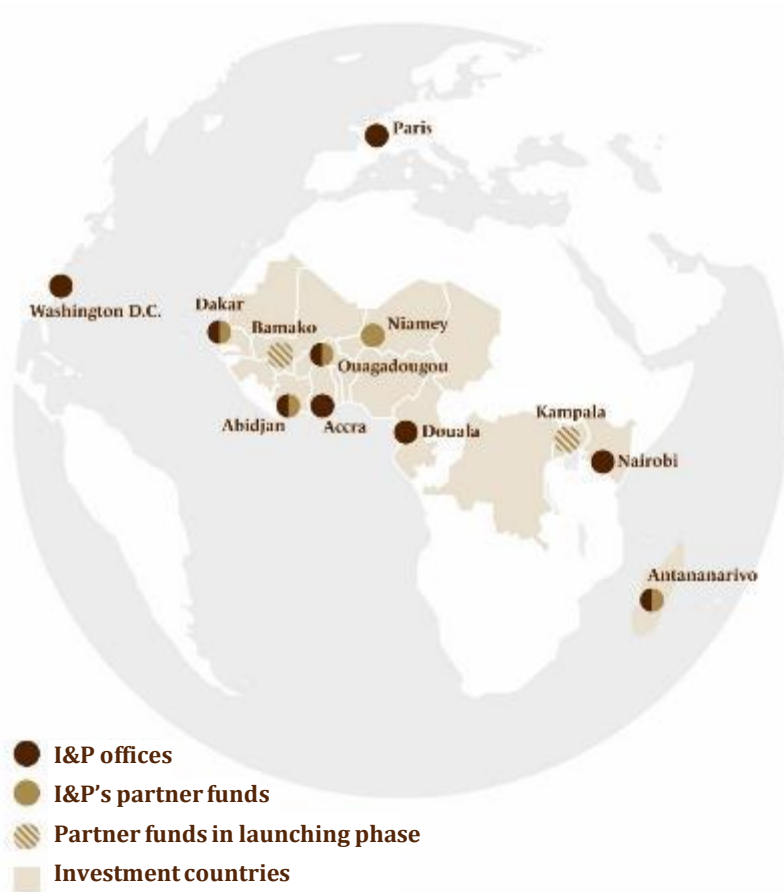
| Summary

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I&P : an overview

Investisseurs & Partenaires (I&P) is a **pioneering impact investing group entirely dedicated to financing and supporting the emergence of African entrepreneurship champions**. For over 20 years, I&P has been developing funds, programs and trainings to support the emergence of entrepreneurs in Africa, to demonstrate their essential role in the development of the continent.



A TEAM OF **160+** PEOPLE

- A committed team located across **10 African countries**: Burkina Faso, Cameroon, Ivory Coast, Ghana, Kenya, Madagascar, Mali, Niger, Uganda and Senegal.
- Team members also located in **France** and the **USA**.



250+ PARTNER COMPANIES

- **50** new companies financed each year
- Financing needs ranging from **€10,000 to €5 million**
- **120** capital-funded companies (I&P Development and I&P Expansion ranges)
- **130** companies benefiting from acceleration programs (I&P Acceleration)
- Based or operating in **some 20 Sub-Saharan African countries**



€400 MILLION RAISED

- More than **€260 million** raised by I&P and its partner funds from African and international investors and funders.
- **€140 million advised funds** by I&P (I&P Ecosystems)



4 PILLARS OF ACTIVITY

- **3 pillars dedicated to SME funding and support**, segmented according to the size and maturity of the companies: I&P Acceleration, I&P Development and I&P Expansion.
- **1 pillar dedicated to the business environment** : I&P Ecosystems, which aims to develop and foster a thriving ecosystem that is beneficial to both SMEs and entrepreneurship business structures.

I&P Afrique Entrepreneurs 2

I&P Afrique Entrepreneurs 2 targets formal **SMEs and startups operating in Sub-Saharan Africa and the Indian Ocean**. This generalist fund provide companies with equity investment and strategic support. Its objective: to **promote the emergence of a new generation of African entrepreneurs** while seeking to **generate both financial profit and social impact**.

○ Calendar	2017-2027
○ Status	Under investment
○ Size	€92.5 million
○ Sectors	Generalist (all sectors)
○ Portfolio	20 companies to date
○ Tickets	€300,000 - €5 million

EXAMPLE OF IPAE2 INVESTEE : PROCREA

Country: Côte d'Ivoire | **Sector:** Health | **Investment:** 2018

PROCREA is a medical-surgical clinic, based in Abidjan and specialized in the field of reproductive health.

It started its activities in 2008 and is the leader in Côte d'Ivoire for Medically Assisted Reproduction (MAP), a technique that enables people who have difficulty having a child to succeed in having a child. PROCREA's offer also covers mother-child health, notably obstetrical gynecology, neonatology, and pediatrics.

I&P's support

- Restructure the project around the medical offer dedicated to reproduction
- Finance and support the construction of a new, larger clinic, better adapted to PROCREA's needs and designed in an environmentally friendly manner (medical waste treatment, rainwater recovery, reduced energy consumption, etc.)
- Support the management team in the management of the clinic

Main impacts

- **6,300+** gynecological consultations in 2022
- **10%** of Procrea patients benefited from a special policy (reduced rate) for people with more limited financial resources.
- Led by a woman entrepreneur and with **56%** of women among employees



Myriam Kadio-Morokro BROU joined the Faculty of Medicine in Abidjan where she obtained her degree in 2001, and did her thesis on reproductive biology. After some time in France where she completed several specializations in infertility therapeutics and molecular cytogenetics, she came back to Côte d'Ivoire to create PROCREA in 2006.

"The meeting with I&P enabled me to restructure my project and to focus on its core business: reproduction.

We also benefited from support on several technical aspects concerning the day-to-day management of the clinic : for me, who is a doctor by training, this was a real trigger!"





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01. Impact thesis and methodology

02. Impact management in 2022

Portfolio overview

Measuring impacts based on our investment objectives: 2022-2023 performance

Strengthening local economic fabric through indirect impacts

Enhancing outreach & impact with advocacy

Mission

Our commitments to the development and growth of African economies

I&P was created to contribute to alleviating poverty in a unique and original way: through **promoting SMEs and start-ups in Africa**. The rationale is that small businesses are one of the key drivers of increased productivity, formal decent employment and access to key goods and services improving people's lives in African societies. African entrepreneurs also transform the culture, the mindset and the structure of African societies. We believe in their ability to generate both a positive financial return and social and environmental impacts.

By 2050, over 450 million young people will be entering the labor market in Africa, making it urgent to create jobs at an extremely rapid pace to absorb this growing labor force. Current forecasts estimate that only 220 million jobs will be created. **Developing a fabric of formal small and medium-sized businesses is key to ensure job creation** and inclusive growth in Sub-Saharan Africa.

As documented in this report, formal **SMEs create formal, stable and decent jobs**. Formal jobs offer higher and regular wages, which allows families to plan for the future, save money, and thus improve their access to credit, housing and education. These jobs provide access to training opportunities and social security benefits. **SMEs improve local access to essential goods and services and structure local economies**. They tend to source locally - more than multinationals, which rely on international networks. SMEs structure local value chains, beyond the ripple effect they may have on their suppliers and distributors. IPAE2 SMEs also help shape the financial sector through their relationships with banks and their shareholders. Through their boards and management, a new form of governance is being introduced into the African economy. The ESG support that IPAE2 provides to our partner companies helps maximize this whole range of impacts, which include benefits such as employer-provided/subsidized health care for employees and their families.

I&P was born from the idea that equity investment, and technical support can efficiently help entrepreneurs to grow their businesses from the earliest stages of their development. Our mission is **to address the "missing middle"**, those SMEs that, given their small size, do not have access to international investors and banks but whose financing needs are also too great to qualify for microfinancing. We help move SMEs into the formal financial economy of their country. We are convinced that this support allows them to improve their financial performance while improving their social and environmental practices.

Additionality and sustainability are key concepts for IPAE2. Not only do we operate in particularly vulnerable countries which are largely underserved by other investors, but within these countries, we target SMEs that are suffering most from a lack of financing. IPAE2 is helping to develop a SME ecosystem that would not have been possible without our funding. However, we are also deeply aware of the negative externalities generated by the economic activity involved. Therefore, as often as possible we support businesses that provide direct environmental and social services. We also help reduce CO2 emissions, limit and manage waste and combat biodiversity loss.



Permitting resilience amid ongoing uncertainty

Macro economic context : a slow recovery

Economic growth in Sub-Saharan Africa (SSA) **slowed to 3.6% in 2022** from 4.1% in 2021, and economic activity in the region is projected to **further slowdown to 3.1% in 2023**.

Growth is estimated to pick up to 3.7% and 3.9% in 2024 and 2025, thus signaling that **the slowdown in growth should be bottoming out this year**.

Growth conditions, however, remains **insufficient to reduce extreme poverty and boost shared prosperity in the medium to long term**.

The GDP growth of Western and Central Africa is estimated to decline to 3.4% in 2023, from 3.7% in 2022, while the growth recovery in Nigeria for 2023 (2.8%) is still fragile as oil production remains subdued.

Moreover, the **war in Ukraine halted the fiscal consolidation process** of many countries in the region that started in the aftermath of the COVID 19 pandemic. As a result, the fiscal deficit of the region widened to 5.2% of GDP in 2022 up from the estimated 4.8% of GDP in 2021.

Weak growth combined with a fast accumulation of public debt has pushed the median public debt to GDP ratio from 32% in 2010 to 57% in 2022.

High inflation as well as weaker currencies and low investment growth continues to constrain African economies, creating **uncertainty for consumers and investors**.

Investment growth in SSA fell from 6.8% in 2010-2013 to 1.6% in 2021, with a sharper slowdown in Eastern and Southern Africa than in Western and Central Africa.

Good resilience of our portfolio companies

→ **Financing missing middle, getting more relevant:** 65% of investees say that access to funding is one of the main obstacles they are facing. 90% of our investee companies would have had to carry out their investment project at a smaller scale without IPAE2's funding. Moreover, €1 invested by IPAE2 permits to rise €1.9 more to fund SMEs.

→ **Supporting SMEs, and permitting them to face inflation and currency depreciation:** Inflation in Sub-Saharan African was strong in 2022 and is still remaining strong. A growing number of countries have double-digit average annual inflation rates. The situation of Ghanaian companies was the most worrying, with an inflation rate of 54% and a currency depreciation of more than 55% in one year. We are continuing to support our 3 Ghanaian companies and we are relieved that they are still continuing, in a good state.

→ **Facing climate change consequences:** Our portfolio companies have suffered drought in Kenya, cyclones in Madagascar, flood in Ivory Coast... From now on, adaptation measures have to be considered, taken, and financed. IPAE2 and our team are bringing awareness on this topic.

→ **Confronting security and political tension and instability,** particularly in Sahel: we continue to deploy IPAE2 in this zone despite this issue, as part of our mission, which is supporting entrepreneurship and African SMEs underserved by financing, particularly in the Least Developed Countries, and Fragile Countries.

FOCUS ON 2 INVESTEES

New Crystal, Ghana



After a delay to the start of the project due to Covid and land documentation issues, Phase 1 is almost complete but has run into cost overruns, driven mainly by Ghana's significantly dramatic and highly inflationary economic crisis. The company financing structure was readjusted for the changing economy.

Agroserv, Burkina Faso



Agroserv's business contributes to food security in Africa, its products are a substitute for imports, and its activity is sector structuring.

Despite security situation in Burkina Faso, I&P invested in Agroserv in 2022 and played a catalytic role as it was bridge on relations with local banks, and other debt providers, and sponsor on \$1.5m grant.

Addressing the 'missing middle' in Africa

Private equity: a proven response to the growth needs of SMEs



Why promoting and growing SMEs matters

SMEs appear as solution to many development challenges in Africa as they :

- **Create decent and stable jobs** that offer higher wages than in the informal sector (50% to 60% higher according to data from Ghana and Tanzania)
- **Offer well above-average growth potential** (36% per year on average for IPAE2 portfolio companies)
- **Build and structure the local economic fabrics.** SMEs tend to obtain their supplies locally, unlike multinationals, which tend to rely on international networks.
- **Improve access to useful goods and services for domestic markets** and the BOP (such as water, healthcare, housing and education). African SMEs tend to be predominantly focused on domestic markets, thus filling these gaps.

SMEs contribute more than 35% of Gross Domestic Product (GDP) in many emerging markets [...] and can be a powerful force for integrating women and youth into the economic mainstream.*

Private equity: a new solution for Africa SMEs

Equity investors such as IPAE2 can effectively meet most of the needs of African SMEs:

- ① **Personalized long-term risk finance:** private equity investors can provide long-term equity and quasi-equity finance, often without asset-based collateral
- ② **Accessing skills:** the investor provides individualized management support to the investees in various areas of expertise (strategy, accounting, financial management...)
- ③ **Improving governance:** the investor structures the governance of the companies and improves management standards
- ④ **Catalyzing effect:** the presence of an investor facilitates bank financing

*The World Bank Group, *What's Happening in the Missing Middle? Lessons from Financing SMEs* (2017)



Impact thesis

IPAE2, a mission-driven fund

The fund's impact thesis:

Promote local entrepreneurship to foster inclusive growth and stability in Africa



I&P's main contribution to the SDGs



Implementing an impact management system

Pursuit of impact objectives supported by robust ESG analysis

What does ESG mean?

Environmental, social and governance (ESG) criteria are a set of standards at the basis of extra-financial analysis, which aim at assessing non-financial issues in order to get the best out of corporate governance.

- **Environmental** criteria take into account a company's environmental impact and its management performance.
- **Social** criteria examine how a company manages relationships with employees, suppliers, customers, and the communities it affects.
- **Governance** deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

From ESG to impact

Risk Management

IFC's ESG Standards comprise the Performance Standards, which define clients' responsibilities for managing their environmental and social risks, and the Corporate Governance Methodology, which sets out an approach to evaluate and improve the corporate governance of clients.

Value creation for the investee company

Identifying extra-financial opportunities and promoting actions creating combined societal and economic value.

Development impact

Enhancing positive impact to achieve broader development outcomes.



Beyond the mission, the measure (1)

IPAE's measurable impact targets

Rationale

We seek to maximize impacts through proactive management of the portfolio, based on **measurable targets**, aggregated at the portfolio level. The fund's final impact performance will be assessed against these key impact targets, which would be fully achieved in a **best-case scenario**.

The **impact performance is reflected in the fund's incentive structure**. This structure is expected to reward the team to the extent to which impact targets are met (or not).

If the financial hurdle rate is achieved (IRR > 5%), the carried interest percentage for the investment manager (within a range of 10% to 17%) will be adapted according to the achievement of the key impact targets presented below.

Key impact targets

● Developing responsible African entrepreneurship, including in Most Fragile Countries

1. **70%** (or more) of companies owned or led by leaders rooted in Africa over the long term
2. **70%** (or more) of companies operating in Least Developed Countries or Fragile Countries

Only **14%** of impact investing in Africa is allocated to LDCs or Fragile Countries (GIIN, 2015, 2016)

● Creating decent jobs & training opportunities

3. **50%** (or more) direct employment growth during the holding period (at the portfolio level), provided that jobs created have decent conditions
4. **50%** (or more) of companies improving health and safety in the workplace or social protection for employees during the holding period

+15% of employment growth in Private Equity- backed companies in Africa over the investment period (AVCA, 2016)



Beyond the mission, the measure (2)

IPAE's measurable impact targets

Key impact targets (continued)

- Promoting women entrepreneurs and managers
 5. **35%** (or more) of companies owned or led by a woman or with more than 30% of women in senior leadership positions
- Meeting unsatisfied demand for goods and services and contributing to the new SDGs
 6. **50%** (or more) of companies providing local goods or services that address essential needs and the new United Nations SDGs
- Fostering environmentally friendly development
 7. **50%** (or more) of companies implementing "green" projects (renewable energy, energy efficiency, CO2 capture or offset, waste or effluent management, sustainable agro-business, etc.)

Only **7%** of African SMEs registered in WBES 2019 were owned or led by women (WBES, 2019).

Calculation of the extra carry

The **final carry will be comprised of between 10% and 17%** for the fund manager, depending on the level of achievement of key impact targets, as presented below. To ensure impact data reliability, impact figures will be audited two or three times in the fund's life.



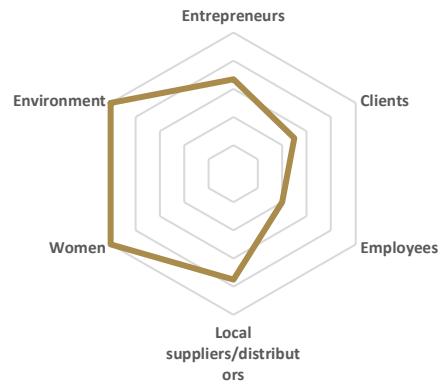
Impact management – Pre-investment

Screening investment projects on ESG & impact

Assessing prospective impacts

For each of its impact funds, the I&P team uses **Impact Screening Scorecards** to screen **investment projects for alignment with the fund's core impact objectives** and to identify ways to improve overall impact:

- on **local entrepreneurship** (entrepreneur nationality and location, additionality of the investment, etc.)
- on **women empowerment**
- on **employees** (creation of decent jobs)
- on **clients** (meeting of local and essential needs)
- on **local suppliers and distributors**
- on the **environment**



Sample Impact Screening Scorecard

Conducting ESG risk due diligence

In-depth analysis of the following ESG risks based on IFC Performance Standards:

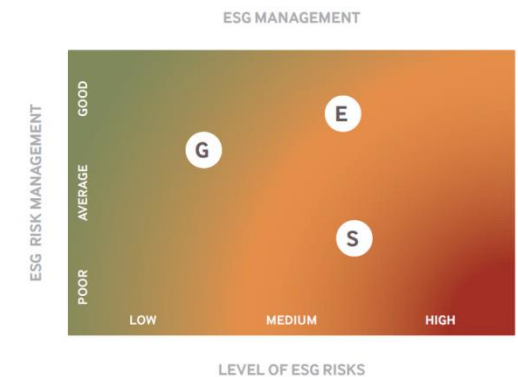
- **Social considerations** including, but not limited to, working conditions and human resources management, occupational health and safety and impact on local communities
- **Environmental considerations**, such as water and waste management, carbon footprint and energy efficiency, impact on biodiversity, etc.
- **Governance-related considerations** such as business integrity and corporate governance framework

Evaluating ESG risk and ESG management

The I&P team rates **ESG risk** (high, medium or low), as well as the **level of ESG management** (good, average or poor) thanks to extra-financial diligence criteria that allow risk identification and management evaluation.

ESG risk rating categories are based on **international standards** (IFC, CDC/BII).

Sample ESG risk categorization matrix →



Impact management – Post-investment

Impact and ESG monitoring during investment and exit

Implementing ESG action plans to generate economic and societal performance

- The investment team works with partner companies on **ESG actions** that generate economic value and are fully integrated into the company's operations.
- Partner companies legally undertake implementing and monitoring of these ESG action plans, and a contact person is appointed to oversee the process.
- **Bi-annual meetings** with the company's management team are set up to assess progress made and to update the action plan.

Ensuring good impact management after exit

- I&P selects buyers who will allow for the **sustainability of the company's impacts and ensure good ESG practices**.
- Impact management issues are **included in exit discussions** with the selected purchaser(s) and in legal documentation

Measuring ESG & impact results annually



Annual Collection & Analysis of Impact Indicators

I&P measures investee company performance with an **in-house IM tool** based on IRIS metrics. Close to **one hundred indicators** are collected on a declarative basis and analyzed every year to assess partner companies' impacts on their local stakeholders:

ENTREPRENEURS

Share of companies led by Africans and by women
Age, level of education, years of experience, etc.

SUBCONTRACTORS

Number and share of local suppliers and distributors
Number of smallholders for agribusiness companies

EMPLOYEES

Job creation
Job patterns (gender, wages, etc.)
Employee training and other benefits

CLIENTS

Quantity of goods/services provided (company-specific metrics)
Number of clients (company-specific)



360° Impact Studies (available on I&P's website under "Resources")

Once a year, I&P conducts in-depth impact studies on one or two partner companies. A 4- to 5-members team conducts a field survey among local stakeholders to evaluate those company's impacts. Practical recommendations are provided, and followed-up on by the investment team. In 2018, two studies were published on the impacts of formal employment in Madagascar and Senegal, respectively.

Impact management – PRI assessment

Best in-class practices according to PRI assessment



The Principles for Responsible Investment (PRI) were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. The process was convened by the United Nations Secretary-General. In signing the Principles, I&P publicly commit to adopt and implement them:

- **Principle 1:** incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** report on our activities and progress towards implementing the Principles.

Module INVESTMENT AND STEWARDSHIP POLICY

I&P scores 64/100, well above the PRI median (53). This module aims to capture the overall approach of the reporting organization to responsible investment. It is focused on how robust ESG incorporation processes are, by measuring how signatories have incorporated ESG considerations into their investment analysis and decision making.

Module PRIVATE EQUITY

I&P scores 78/100, well above the PRI median (62) and is among the top performers of its category . This module is filled by investors who act as direct investors or co-investors in portfolio companies. It assesses the operational implementation of the responsible investment strategy (tools used, company selection process, due diligence and monitoring, etc.).



Extra-financial committee

Independent members who push us to excel in our efforts

The Extra-financial committee is composed of independent members and is consulted at least annually (the last meeting was held on June 9, 2023). Members have helped us greatly to evolve and improve our annual reports with their thoughts and comments.

The committee's roles and responsibilities include:

- Reviewing the extra-financial policy and specific goals
- Reviewing the fund's annual ESG and Impact report
- Discussing the ESG action plans of our partner companies
- Verifying our alignment with IFC Operating Principles for Impact Management



Natou BAMBA COLON
Founder and CEO,
ICG consulting



Michel JACQUIER
Former Deputy CEO of the
French Development Agency



Mariam DJIBO
Executive Director,
Advans (Côte d'Ivoire)



Swaady MARTIN,
Founder and CEO,
Yswara

FOCUS: I&P AMONG THE EARLY ADOPTERS OF IFC'S OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

The **Operating Principles for Impact Management** provide a framework for investors to ensure that **impact considerations are integrated throughout an investment lifecycle**. It is a market standard designed to bring greater transparency, credibility, and discipline to the impact investment market. The Impact Principles were developed by IFC in collaboration with private and public sector asset owners and asset managers.

I&P is among the early adopters of the Principles. Our disclosure statement has been reviewed by the members of the Extra-**Financial** committee to confirm the compliance of the impact management system described in I&P's policies and procedures in regard to the Principles.



**Operating Principles for
Impact Management**

Discover our
disclosure statement



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02. Impact management in 2022

Portfolio overview

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2022 IPAE 2 portfolio overview

20 investments, 8 different sectors

Burkina Faso

ICONA
Agribusiness | 2019

Agroserv*
Agribusiness | 2022

Cameroon

PIGIER
Education | 2021

Ghana

XpressGas
Energy | 2021

New Crystal
Health | 2019

Zeepay
Tech | 2021

Kenya

iProcure
Agribusiness | 2021

Ed Partners
Education/IMF | 2021

Ivory coast

Afrikrea
Tech | 2021

PROCREA
Health | 2018

Go Africa Online
Tech | 2021

Madagascar

Soafiary
Agribusiness | 2020

HERi*
Energy | 2022

Nigeria

Rensource
Energy | 2019

So Fresh*
Restaurant | 2022

Senegal

Delta SA
Water / Sanitation | 2021



Multi-country

Afripon
Agribusiness | 2018

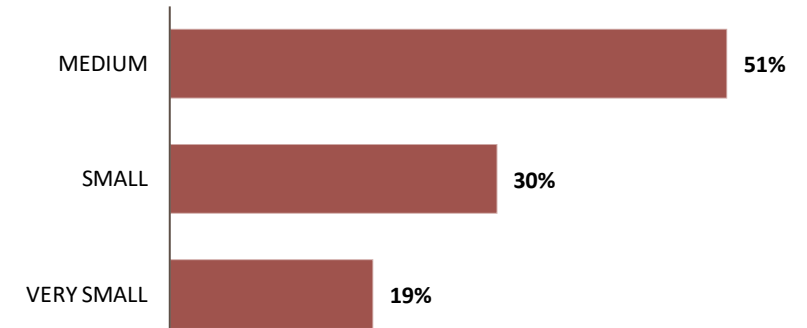
AMI
Education | 2018

Starnews
Media | 2020

Coin Afrique
Tech | 2018

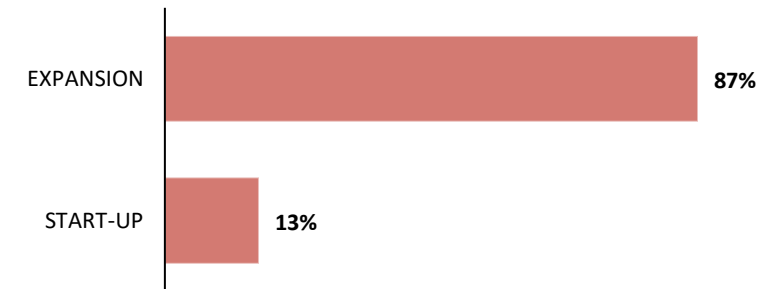
55% of funds committed in Least Developed and/or Fragile Countries¹

Size of portfolio companies



Very Small SME : Turnover < €1M
 Small SME : €1M < Turnover < €3M€
 Medium SME : €3M < Turnover

Maturity



¹As defined by the United Nations and the World Bank

Note: The percentages in each category are calculated according to the level of IPAE 2's financial commitment in each company.

Impact-oriented portfolio management

IPAE2's progress

An **assessment of IPAE2's performance on key impact objectives** was conducted and show that we are very well on track to achieve most of our impact objectives. Noteworthy, some of the objectives are dynamics and will evolve and progress with the implementation of action plans in companies. Employment growth, for example, is still relatively low while projects are being implemented and scaling up takes place but should continue to improve each year. This is particularly true of the objectives 4, 5 and 7 that will be measured by an impact auditor only on the Final Impact Determination Date. Despite this, some information are given below and in the next slides of this report to give an idea of the current performance and trends.

Key impact objectives	Nb	Indicator	Target	2022 progress	Δ 2021
Developing responsible African entrepreneurship	1	Percentage of companies owned or led by leaders rooted-in Africa on the long term	70% or more	85%	↑ +3pts
	2	Percentage of companies operating in Least Developed Countries or Fragile Countries	70% or more	55%	↓ -6pts
Promoting women entrepreneurs and managers	3	Percentage of companies owned or led by a woman or with more than 30% of women among senior leadership positions	35% or more	85%	↑ +26pts
Creating decent jobs	4	Percentage of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions	50% or more	39% See page 27	↑ +24pts
	5	Percentage of companies improving health and safety in the workplace or social protection for employees during the holding period	50% or more	85% See page 31	↑ +3pts
Meeting local demand for essential goods and services	6	Percentage of companies providing local goods or services that address essential needs and the new UN Sustainable Development Goals	50% or more	90%	↑ +8pts
Environmentally friendly development	7	Percentage of companies implementing “green” projects	50% or more	n/a	



Héri Madagascar © Riana Annette

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Supporting responsible entrepreneurship

IPAE 2 pursues two impact objectives regarding the companies in portfolio:

- 70% (or more) of companies should be owned or led by leaders rooted-in Africa on the long term
- 70% (or more) of companies should be operating in Least Developed Countries or Fragile Countries

A great majority of IPAE 2 entrepreneurs and managers with local roots in 2022

85% of entrepreneurs in our portfolio are **rooted in Africa over the long term**

Many operating in the poorest and most fragile countries in 2022

55% of our partner entrepreneurs operating in **Least Developed Countries** or Fragile Countries*

66% By the end of the fund deployment in 2023, IPAE2 is expected to have 66% of its partner entrepreneurs operating in Least Developed Countries or Fragile Countries*

**As per UNDCP list of Least Developed Countries and the WB list of fragile and conflict-affected Nations.*

FOCUS ON AFRIKREA

Since its creation in 2016, the online platform Afrikrea has been promoting African-inspired fashion and crafts (clothing, accessories, decoration, etc.). Afrikrea offers customers the chance to buy African creations online under the best conditions. However the originality and added value of its approach lies above all in the support and the provision of sales management tools to designers.

Afrikrea is led by a team of 4 promoters: Moulaye Tabouré (CEO), Kadry Diallo (CMO), Luc Perussault Diallo (CTO) and Guillaume Darnaudet (CFO), all with complementary profiles in auditing, IT, project management and finance.

Having grown up in Bamako (Mali) before moving to France for their studies, co-founders Moulaye Tabouré and Kadry Diallo realized that African handmade products were as rare as highly prized and valuable.



Fostering good governance

Supporting entrepreneurship through better governance

1- Implementation of a shared governance

Entrepreneur(s) usually hold a majority stake and remain in charge of day-to-day operations. They are provided with strategic guidance, as well as additional skills and networks in a context of difficult access to talent and financing. This also improves the credibility of the business vis-à-vis external partners.

One or two independent directors are included when appropriate and possible, to bring additional expertise with an independent view. In situations of conflict, they can play a useful mediatory role.

60% of Boards include at least one independent director



3 board meetings held in 2022 on average in each partner company

One or two IPAE members on the investment or strategic advisors' teams, as part of I&P's commitment to providing close support to the entrepreneurs. With respect to ESG, they ensure that extra-financial considerations are regularly raised and discussed.

Other minority shareholders might be represented in some cases.

2- Upgrading of accounting and reporting practices

Our context: IPAE2 invests in fast growing companies, which have an urgent need to strengthen their internal capacities to achieve sustainable growth.

Our actions:

- **Audited accounts:** we require that annual accounts be audited by statutory auditors to ensure reliable accounting practices.
- **Training seminars:** in 2018 and 2019, entrepreneur training seminars focused on financial management and change management in SMEs.
- **Technical assistance:** customized assistance is provided to several partner companies.

3- Anti-bribery and anti-corruption policy

Good governance involves impeccable integrity at all levels of the company. I&P assists its portfolio companies to improve their KYC practices, to elaborate ethical codes and to fight against corruption.

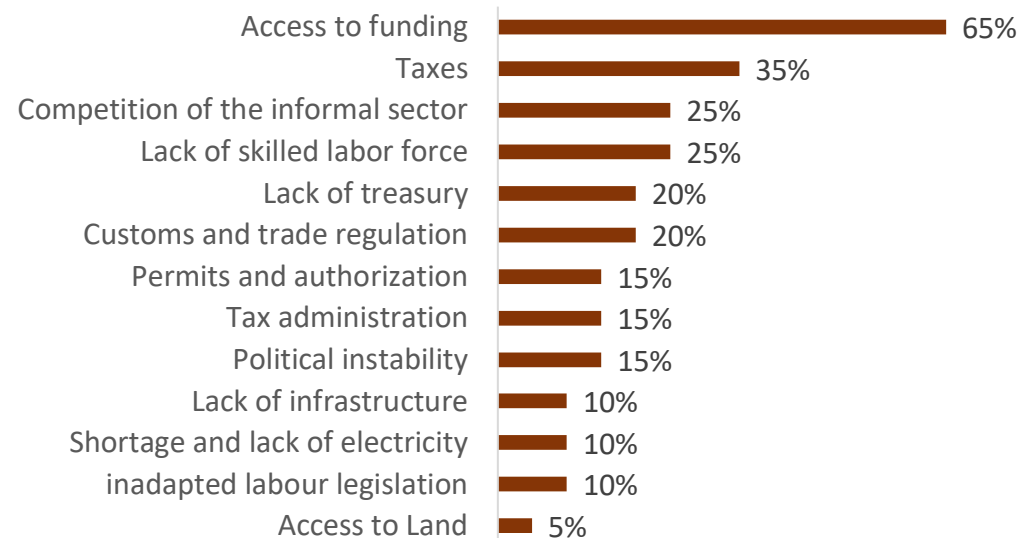
Supporting entrepreneurship underserved by traditional financing

Strong additionality of IPAE 2's investment

90% of companies would have had to carry out their investment project at a smaller scale without IPAE2's funding.

Among them, 67% would not have been able to carry out their investment without IPAE2, and 24% would have been but at a smaller scale or a slower pace. According to the World Bank Enterprise Surveys, access to finance is one of the 5 main obstacles faced by companies. In fact, it ranked first among our partner companies.

Main obstacles faced by our investee companies during their development process



Leverage effect of IPAE2's investment

SMEs face **significant difficulty securing external financing** from local commercial banks and other traditional financiers.

We assist our entrepreneurs in their **negotiations with other local or international financial institutions** or by participating in the search for new shareholders, using our networks



(*) This figure is computed by dividing the amount invested (equity, debt, and subsidies) by investors other than IPAE2, by the amount of IPAE2's investment (equity and debt).



SDG 17.3

Mobilize additional financial resources

Support from the technical assistance program

IPAE 2 builds strong partnerships with its investee companies by providing them with both financing and managerial support. **Given the lack of human and financial resources in Africa, IPAE2's technical assistance (TA) program is critical to fostering capacity building, skills transfer and training in partner companies.** This assistance is complementary to IPAE 2's general strategic and management mentoring.

The TA program is based on grants from IFC (€655k), EIB (€1.05M), FISEA (€250k) and DGGF (€700k). It co-finances a great variety of support missions carried out by independent specialists.



45 missions have been conducted and **14** are still in progress.



1 261 days of consultancy have been dedicated to completed TA missions.

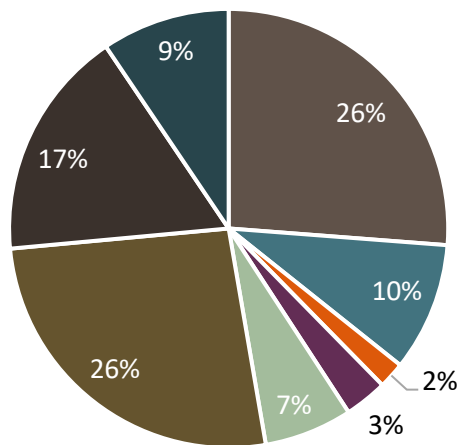


A total budget of **€846K** financed by IFC (€164k), EIB (€200k), FISEA (€106k), DGGF (€179k), and investee companies (€196k).



42 different experts, **55%** of them African, have been committed to TA missions.

FIELDS OF ACTION



- Technical management of operations
- Strategy
- Other
- MIS
- Marketing & sales
- HR & organization
- Financial management
- ESG

EXAMPLE OF A MISSION: PROCREA

PROCREA is a clinic based in Abidjan specialized in the field of reproductive health. Aside from being the leading provider of medical assistance in procreation (MPA) in Côte d'Ivoire, the clinic also provides maternal and child health services, with specialties in pediatrics, gynecology, and laboratory.

Type of TA: Post-investment: Diagnosis and strengthening of HR management.

Objective: to verify the adequacy of the positions and skills in place, and to build a solid HR management policy to ensure an effective management of the activity, while making it possible to manage, develop and retain talent

Assessment and results:

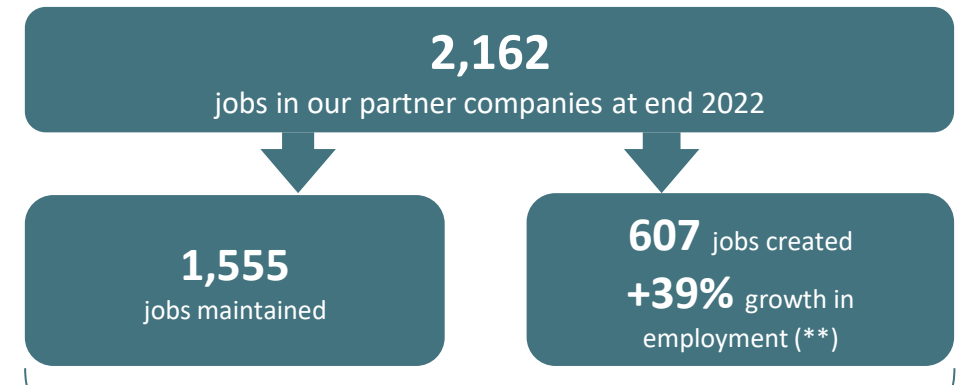
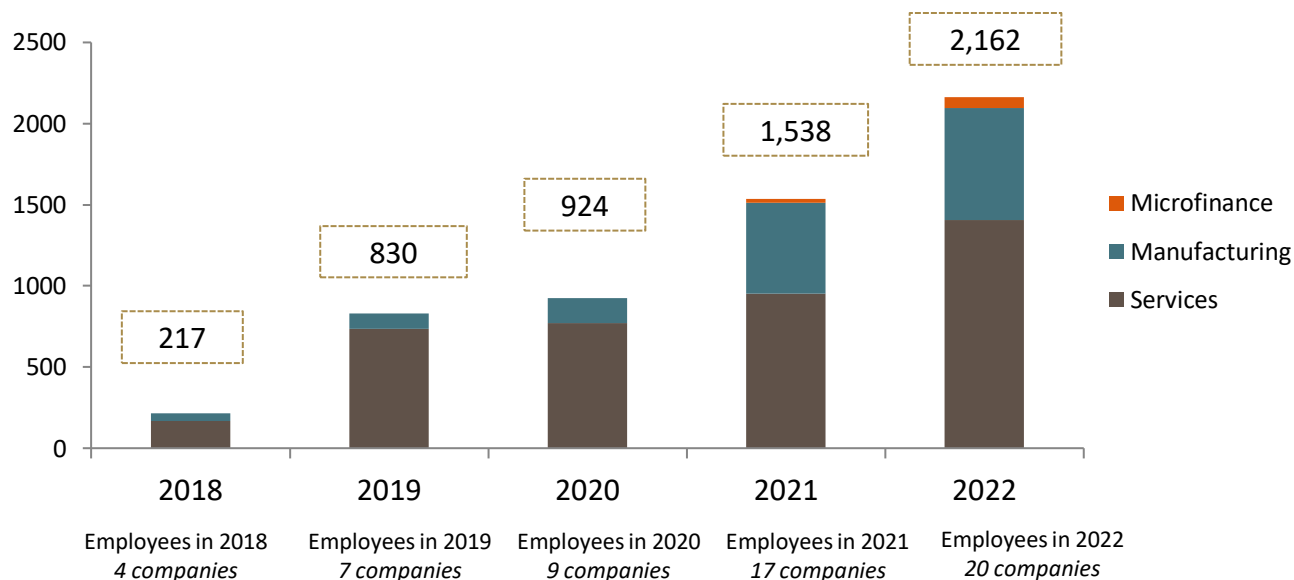
- The mission helped to **build a clear HR policy and various management tools,**
- **A simplified 3-year recruitment plan, 2019/2020 training plan, along with a few templates were created** to steer the company towards a more strategic approach of workforce planning,
- **Advice and methods that can be used to revitalize HR management** was communicated to the CEO and the HR officer.

Creating decent jobs

IPAE 2 pursues 2 impact objectives regarding job creation:

- 50% (or more) of direct employment growth during the holding period and aggregated at the portfolio level, provided that jobs created have decent conditions.
- 50% (or more) of companies improving health and safety in the workplace (beyond compliance with IFC standards) or social protections for employees during the holding period.

To date, our portfolio has achieved 39% growth in employment. After a year 2021 where the Covid crisis did significantly slow down the dynamics of job creation, 2022 clearly marks a recovery in growth. Zepay (Multi-country) and EdPartners (Kenya) showed the most significant leaps with growth of 321% and 150% respectively.

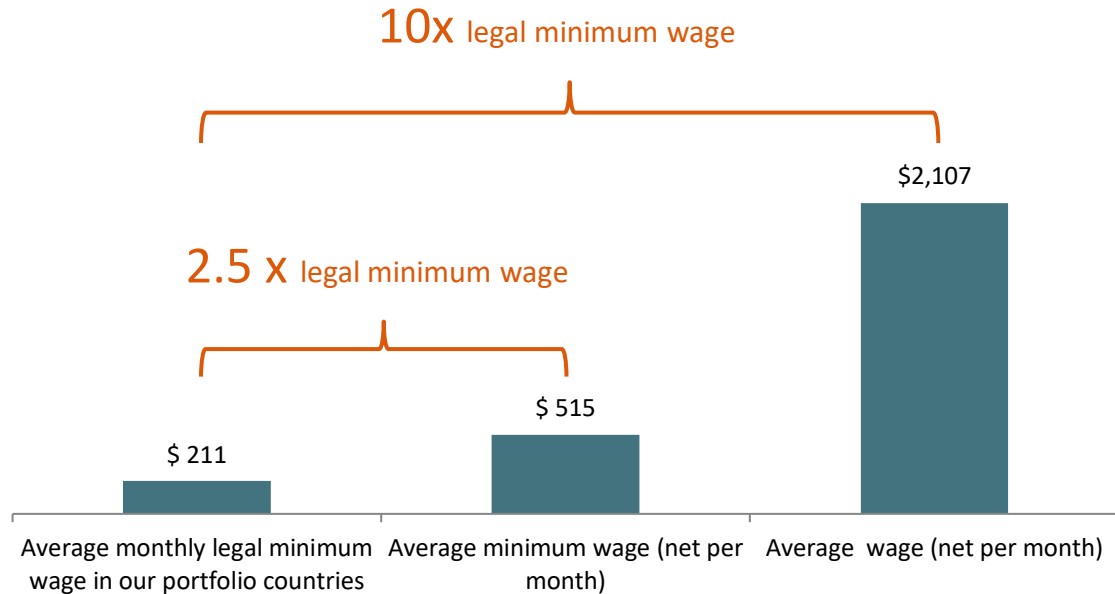


(*) This figure is computed by multiplying the number of employees by the average household size in each country, based on GDL data available online: <https://globaldatalab.org/areadata/hhsize/>

(**) Above benchmarks founded on investment sector (Norfund, IFC, PE in Europe)

Wages level

Average minimum wage more than twice higher than the legal minimum wage



66% companies have a minimum wage 50% higher than the monthly legal minimum wage in their country

We use the Purchasing Power Parity (PPP) conversion rate to control for the variable cost of living in various countries. CEO wages are not taken into account in order to more accurately reflect the reality of salary levels.

ABOUT A DECENT WAGE IN AFRICA

A decent wage is the remuneration allowing a worker to afford a decent standard of living for the worker and its family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

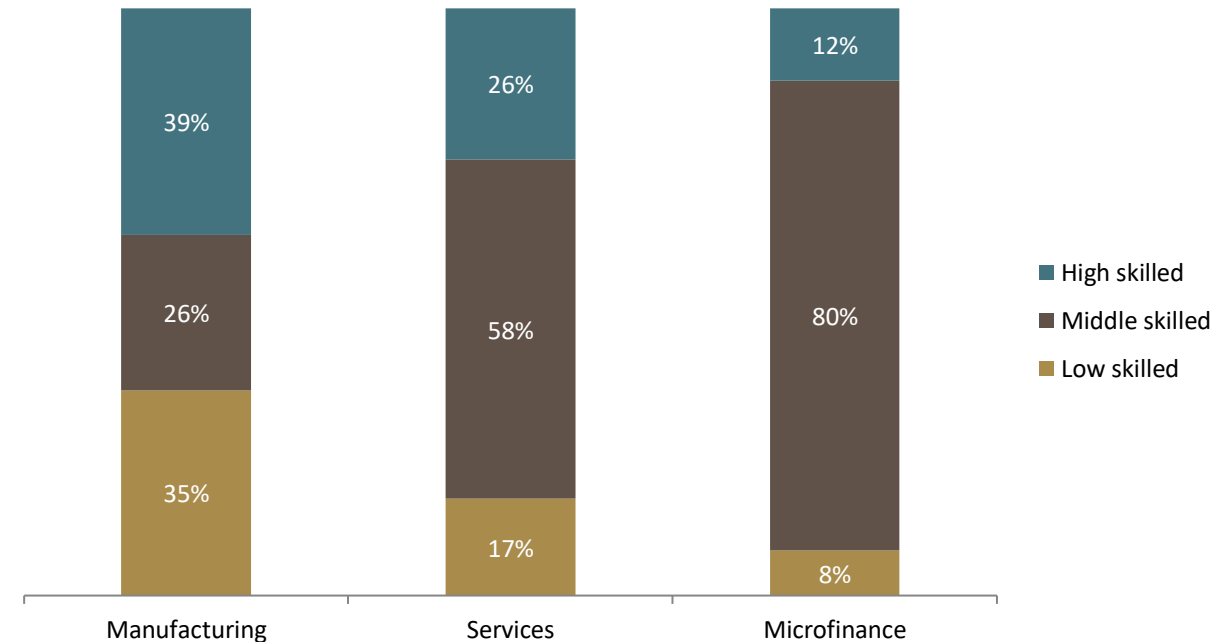
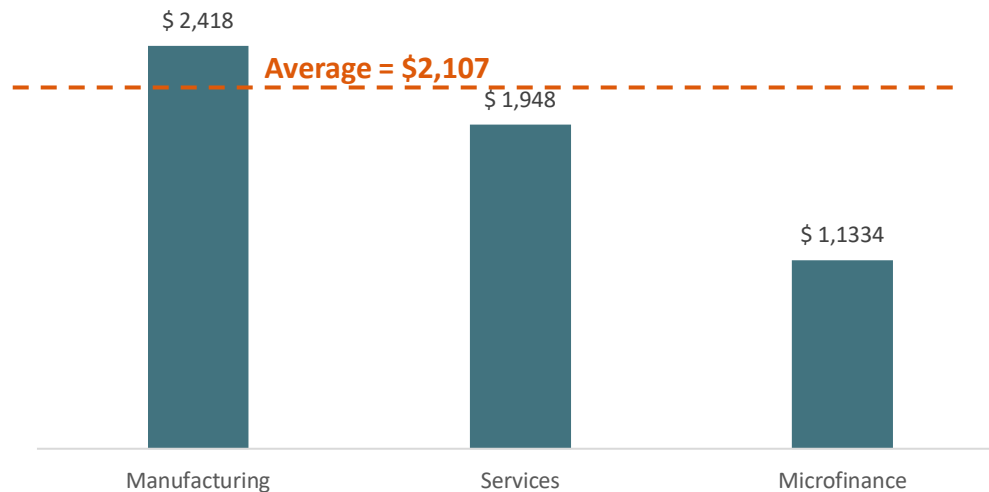
While the general idea is accepted, its measurement is more difficult and several methodologies are in conflict. The Global Living Wage Coalition provides living wage estimates for different African countries, based on Anker's methodology which starts from food prices and housing costs to establish a living wage. Through these different estimates, we can quickly see that **minimum wages are often far from living wage levels in Africa.**

In Burkina Faso and Madagascar, **the living wage in rural areas is more than twice the legal minimum wage in force** in the country (Global Living Wage Coalition, 2020).

Aware of the limits and weaknesses of minimum wages in African countries, I&P is initiating reflections to move forward on the calculation of this living wage within our different countries of intervention in order to progress in the decent work agenda.

Qualifications and wages level

Average monthly wage in our investee companies by sector (US\$, PPP)



The average level of remuneration mentioned in the previous slide may appear relatively high, but must be assessed taking into account the level of qualification of employees. **76% of employees are middle or highly-skilled.** The high-proportion of middle and highly-skilled employees can be explained by the fact that IPAE2 companies are mostly service companies such as AMI (Trainings) and New Crystal (Health).

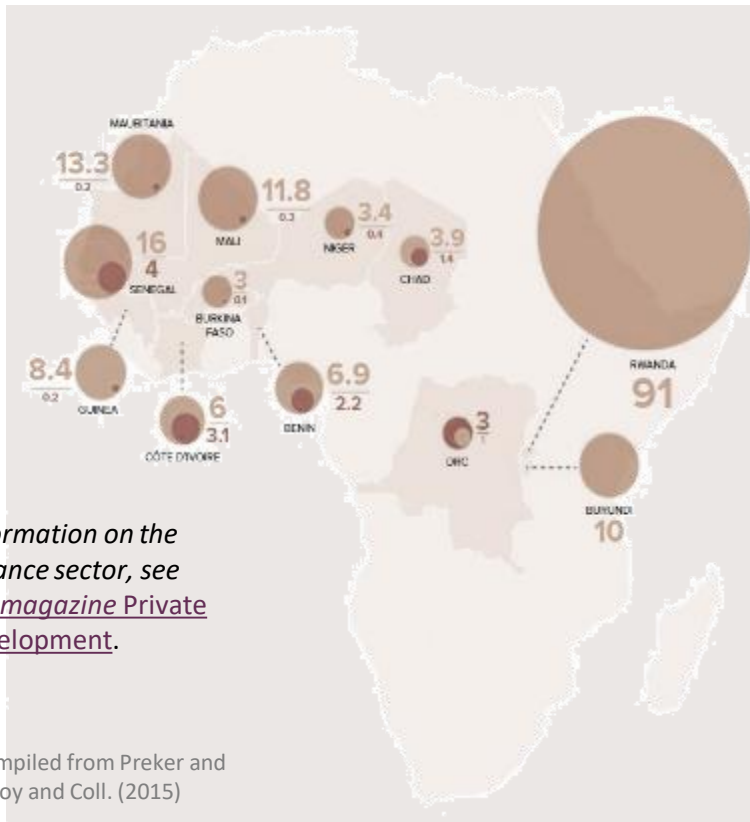


SDG 8.5
Decent work for all

Health insurance & social protection

Current performance of partner companies

Context: As shown below, the number of people covered by health insurance in Africa remains extremely low, ranging from 3% to 20% in West Africa.



For more information on the African insurance sector, see [PROPARCO's magazine Private Sector & Development](#).

Source: Data compiled from Preker and Coll (2010), Barroy and Coll. (2015)

■ Mandatory Insurance

■ Voluntary Insurance

Current situation in IPAE 2 companies



1,049 employees are covered by health insurance



1,484 people (employees and family members) are covered by health insurance

MAIN ACTIONS TO DATE

Projects include:

- Implementation of a portfolio-wide study to **identify best practices & lessons learned** (25 respondents among portfolio companies). This study was shared with the entrepreneurs and presented during the 2018 entrepreneurs' annual seminar.
- **ICONA** (Agribusiness company in Burkina Faso) : with the creation of the new legal company, all employees have been formalized, therefore, 14 employees now have access to public social protections.

FOCUS ON AMI

To select a new health insurance company for their employees, AMI (African Management Institute) asked the team to choose five insurance companies to consider and invited the companies to present their programs to the team. Thereafter, the team came together and chose one finalist, Minet AON. AMI invited the company back for a final presentation and to answer any questions the staff had, after which a contract for health insurance coverage was signed with Minet AON.

Health & safety at work

Reaching SDGs and promoting good practices inside our firms



3 GOOD HEALTH AND WELL-BEING

SDG 3.8

Achieve universal health coverage

85% of our companies provide **complementary health insurance** beyond public health programs



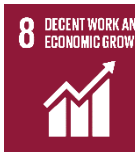
4 QUALITY EDUCATION

SDG 4.4

Promote lifelong learning opportunities

70% of companies held at least one training in 2022

1,358 employees trained in 2022



8 DECENT WORK AND ECONOMIC GROWTH

SDG 8.8

Promote safe and secure working environments

85% of our companies have implemented measures to enhance safety at work (formalized processes, employee training, etc.)

Monitoring safety at work

- During the due diligence phase, impact assessments or technical audits are conducted for all projects involving significant risks.
- Any serious incident is directly reported to our investors.
- **In 2022, like in 2021, no major incident occurred.**
- In 2020, a major incident occurred in one of our investee company where a heavy and defective door fell on the guardian. A detailed report was sent to all investors and corrective actions have been implemented.



Environmentally friendly development

IPAE 2 pursues one main impact objective regarding the environment: 50% (or more) companies implementing green projects

I&P's climate policy

I&P wish to establish a “climate policy” to formalize our objectives and approaches to climate-resilient economic growth in Africa through private finance and local entrepreneurship. This policy will be carried out at two levels:

At I&P: in line with our B-Corp certification, we have implemented several actions to **reduce our carbon footprint** at our headquarters (green electricity supplier, offsetting of carbon emissions, implementation of more extensive waste sorting, reduction of plastic packaging for lunch, etc.)

In our partner companies: **environmental risks** are systematically analyzed. As explained in our impact monitoring methodology, an environmental impact objective has been set in our Extra Carry, etc.



Reducing the portfolio's carbon footprint

OUR APPROACH:

- Our partner companies can play an active role in experiencing and sharing **new and replicable energy efficiency and renewable energy solutions**.
- Ultimately, we aim at separating investees' economic growth from their carbon growth.

OUR ACTIONS:

- We assess the portfolio's carbon emissions on a yearly basis to identify the main sources of reduction or offset.
- We try to implement specific actions to promote energy efficiency and renewable energy.



Managing waste and effluent issues

Environmental impact assessments conducted by external experts include specifications about waste and effluent management that are routinely added to ESG action plans. During the due diligence phase, we assess whether the prospective company generates dangerous waste that requires specific treatment.

FOCUS ON AGROSERV

The food processing activities which mainly concern particulate matter and odors contribute to air pollution. To address this issue, Agroserv has installed a particle collector on processing line 2 and recovery fabric socks on all other machines that generate particles.

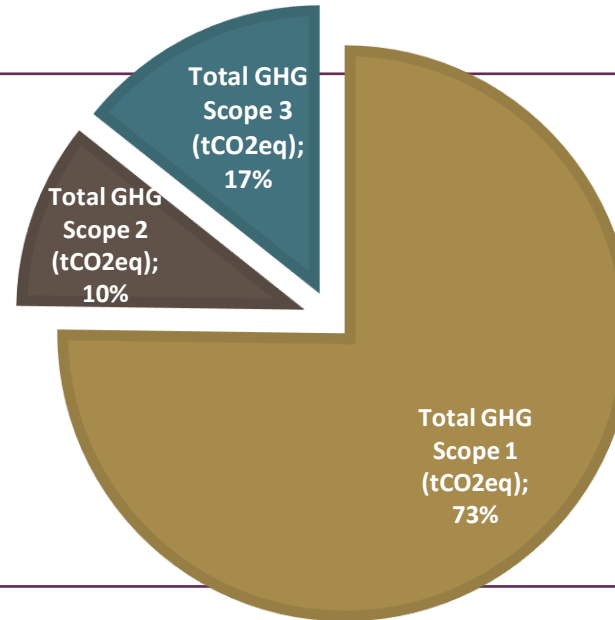
Carbon footprint (1)

Portfolio carbon emissions by scope and category

2022 GHG emissions, by scope

TOTAL: 8,649 tCO²eq

A **carbon footprint** is measured in **tons of carbon dioxide equivalent (tCO²eq)**, which allows the different greenhouse gases (GHG) to be compared on a like-to-like basis relative to one unit of CO². We use the methodology proposed by ADEME.

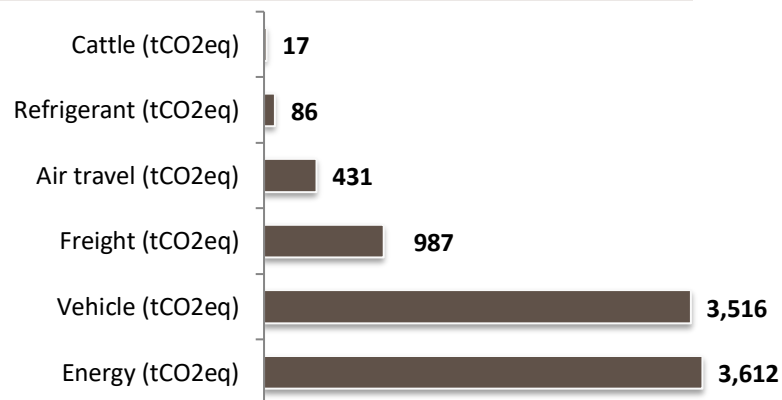


Scope 1: Emissions due to the company’s direct business activities

Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam

Scope 3: Other indirect emissions (production of purchased materials and fuels, transport-related activities in vehicles not owned by the company, outsourced activities, etc.)

2022 GHG emissions by category



Largest sources of emissions



11% from freight: A large majority from Rensource and Soafiary.



42% from energy: A large majority coming from Procrea and Agroserv.

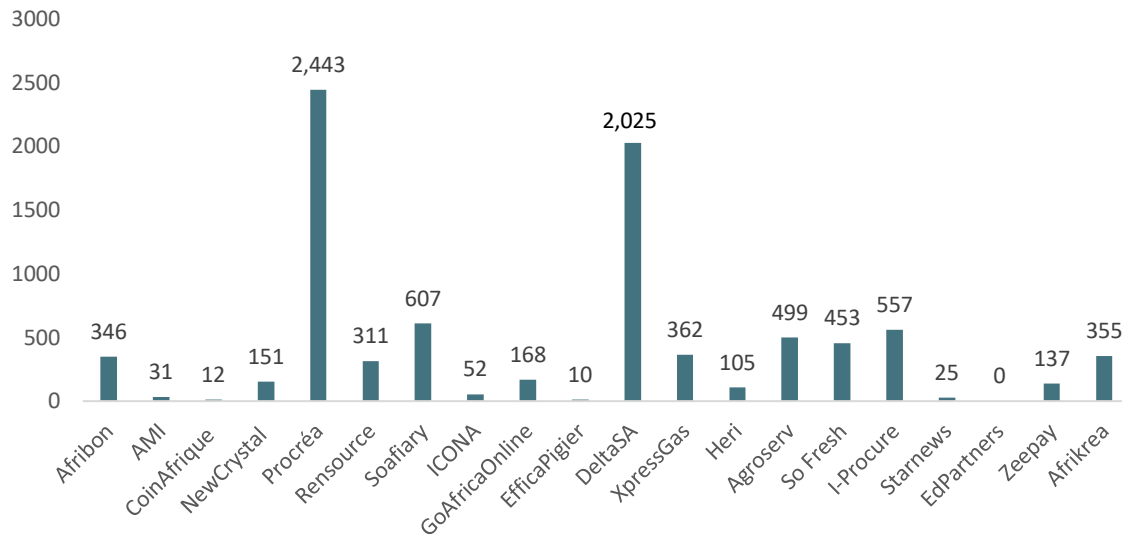


41% from vehicles: A large majority coming from Delta SA and I-procure whose activities rely on frequent truck movements to carry out sanitation work or make deliveries.

Carbon footprint (2)

Portfolio carbon emissions

2022 GHG emissions, by company (tCO²)



It should be noted that Delta SA, whose emissions are mainly linked to the consumption of petrol by the trucks, contributes positively to the environment thanks to the treatment of sludge and wastewater. The sanitation activity has a significant positive environmental impact that is difficult to quantify and is not reflected in these data. In addition, Delta SA is involved in an initiative to recycle this waste into electricity and fertilizer for farmers.

Procrea's emissions are related to use of generator during the new hospital finishing stage. Since Decembre 2022, Procrea significantly reduce its generator usage.

(1) <https://chemistry.stackexchange.com/questions/155547/how-much-co2-is-produced-when-burning-1g-of-natural-gas>

(2) <https://picbleu.fr/les-articles/equivalence-energetique-pcs-combustibles-energies-de-chauffage#calcul-pcs-pci-du-gaz-naturel>

(3) https://prosilva.fr/files/brochures/brochure_Boisenergie_Leturcq2018_Digest.pdf?PHPSESSID=dd40d997cb2a8bed32a16f10711e04a2 et https://prosilva.fr/files/brochures/brochure_Boisenergie_Leturcq2018_Digest.pdf?PHPSESSID=dd40d997cb2a8bed32a16f10711e04a2

(4) & (5) <https://energies2050.org/ethicarbon/des-foyers-ameliores-ghana/>

FOCUS ON XPRESSGAS

18,007 MT

Volume of LPG sold by XpressGas in 2022¹

133,380 t

Estimated volume of dry wood saved²

190,203tCO²

Estimated CO² emissions saved in 2022³

XpressGas is a Ghanaian company pioneering distributor of Liquefied Petroleum Gas. Also known as LPG, this fuel offers an efficient and environmentally friendly alternative⁴.

The main focus of the business is on the peri-urban and rural areas of the country, and this is in line with the Government of Ghana's stated objective to increase access to LPG by 50% in 2030.

Firewood represents 75% of combustible used in Ghana⁵.

The impact potential of switching consumers from harmful traditional fuels such as firewood to LPG is significant.



Promoting women empowerment

39% of women employees

IPAE 2 pursues one main impact objective regarding gender equality: 50% (or more) companies owned or led by a woman or with more than 30% of women among senior leadership positions

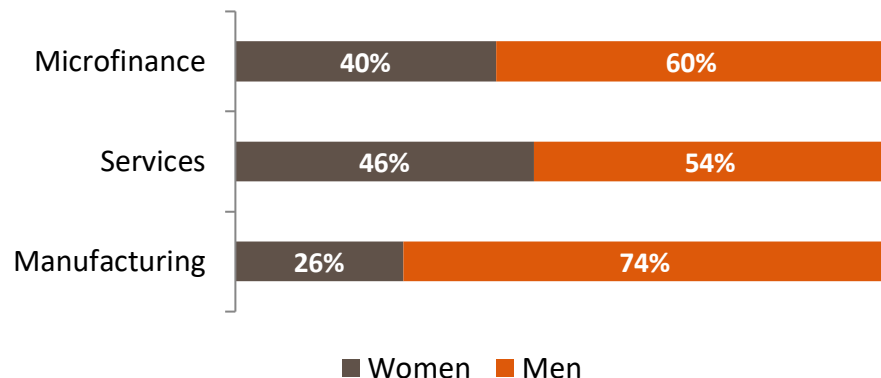
85% of IPAE2's portfolio companies are led by a woman or with more than 30% women among senior leadership positions, above our target.



SDG 5.5
Ensure women's full participation in leadership

Women among employees

2022 IPAE2 Portfolio - Gender Performance



Women in management

ENTREPRENEURS

7%
of CEOs in Africa*

25%
women-owned
or led companies (IPAE2)

TOP MANAGEMENT

22%
of executive committee
members in Africa

36%
of senior leadership
positions (IPAE2)

(*) World Bank Enterprise Survey, 2019

Women among our companies' clients

I&P's gender policy also implies that its portfolio includes firms that are directly responding to gender issues in Africa by:

Offering **services or goods completely dedicated to women** (Procréa)

6,351
gynecological consultations

Setting up **products especially dedicated to women** (AMI)

2,778
women trained in 2022

Our advocacy for gender equality

Main areas of action

On International Women's Day (March 8th), I&P took a step back to assess the progress made one year after the launch of our **gender strategy**, "**Opportunities to bridge the gender gap in African SMEs**". Beyond our achievements with entrepreneurs, clients and employees, I&P has been an active advocate for the promotion of women:

- On Women's Day 2022 I&P published [a report in order to review I&P's performance in terms of gender equality](#), in particular by comparing our performance against France Invest benchmarks.
- In 2019 I&P published an article entitled "[How can general impact investors tackle gender-related issues?](#)" in the Proparco magazine : *Private Sector & Development*.
- Through our advocacy activities, portraits of women entrepreneurs are realized and shared widely across our networks. We believe that highlighting these examples can create role models that inspire other women to follow this path.
- Raising awareness on the topic of women entrepreneurship is a key objective of our advocacy objectives and strategy.

I&P 2022
Gender Performance

59% of women
employees at I&P

FOCUS: 2X CHALLENGE



In June 2018, the G7 member DFIs launched the 2X Challenge to invest \$3 billion by 2020 to provide women in developing countries with opportunities [Read more about the 2x Challenge by clicking here.](#)

95% of IPAE2's portfolio companies satisfy at least one of the 2X Challenge criteria.

35% of those companies satisfy at least two criteria.

Addressing basic needs in Africa

IPAE 2 pursues one main impact objectives regarding clients and local communities: 50% (or more) companies improving local access to goods or services addressing essential needs and the new UN Sustainable Development Goals

95% of our current partner companies **address the needs of the African population or African companies** (i.e., these companies focus mainly on the local market and not on exports)

90% of our current partner companies improve local access to goods or services that **address essential needs and the UN Sustainable Development Goals***

() Investment companies can improve local access to essential goods or services, as direct providers or as part of the value chain. Essential goods and services include: food, water, sanitation, energy, land, health, lifelong education and learning, housing, clothes, media and information, new technologies, financial services for underserved populations, and passenger transport.*

The role of I&P in achieving the SDGs goal in Africa

Responding to the main development challenges in Sub-Saharan Africa is at the heart of I&P's mission.

Inside our impact strategy, the pillar “access to essential goods and services” is taken into account in our impact scorecard. We refer to the framework established by the United Nations to select our investments. Companies that meet criteria get a higher impact rating in our pre-investment analysis.

Through these commitments, our partner companies are largely contributing to the achievement of the Sustainable Development Goals.



FOCUS: What are the UN Sustainable Development goals ?

The Sustainable Development Goals (SDGs), also known as the Global Goals, are a **global call to action to eradicate poverty, protect the planet, and ensure that all people live in peace and prosperity**. The UNDP is in charge of helping countries to reach the 17 SDGs and of assessing improvement around the world.

Africa is still the continent the farthest behind in achieving the SDGs :

- Of all regions, sub-Saharan Africa has the **highest rates of education exclusion**. Almost 60% of youth between the ages of about 15 and 17 are not in school.
- Sub-Saharan Africa's share of the global population without access to electricity rose to **77%** from 74% before the pandemic. (International Energy Agency)
- In 2019, more than **38%** of people living in extreme poverty were located in Africa
- Only 29.8% of managerial positions in Africa in 2022, excluding North Africa, were held by women, a modest increase from 29.3% in 2015.



Addressing basic needs in Africa

2



GOAL 2: Achieve food security and improved nutrition

ICONA: Feeding the Burkina's livestock

iProcure: a technology enabled logistics and a distributor of agri-inputs in Kenya

Agroserv: an industrial unit processing maize into gritz and flour

Soafiary: Feeding the Madagascar's livestock

So Fresh: a Nigeria's pioneer and market leader in the healthy food Quick Service Restaurant space



1,904 tons
of a flour sold
by Agroserv



1,234,000
smallholders farmers
indirectly reached in
2022 by iProcure

4



GOAL 4: Ensure inclusive and quality education

AMI: provides formalized training to empower managers and entrepreneurs

Pigier Cameroun: private business school for higher education

EdPartners: provides adapted financial solutions to the education sector in East Africa



6,918 people
trained in 2022

272 educational
institutions received a loan
from EdPartners in 2022

6



GOAL 6: Clean Water and Sanitation

Delta S.A.: sanitation and public works services in Senegal

78,966 m³ of waste material processed in 2022

17



GOAL 17.3: Mobilize additional financial resources for developing countries from multiple sources

Zeepay: Fintech providing Digital Termination of Remittances



24,171,095 transactions in 2022

7



GOAL 7: Affordable and clean energy

Rensource: Providing affordable and reliable electricity to SMEs in Nigeria

HERi Madagascar: distribution and financing of solar energy solutions in rural areas of Madagascar



1,424 merchants
registered on the
Rensource's Platform

28,016 solar lamps
leased by HERi
Madagascar in 2022

8



GOAL 8: Support productive activities and entrepreneurship

Coin Afrique: A digital peer-to-peer marketplace

Go Africa Online: Professional networking and online directory

Afrikrea: online marketplace, specializing in African-inspired fashion and crafts.



5,700,000
visits on the Go
Africa Online
Website in 2022

19,320
vendors subscribed in
2022 on Afrikrea
platform

3



GOAL 3: Ensure healthy lives and promote well-being for all at all ages

Procréa: Quality healthcare for women and children

New Crystal: Quality healthcare with a focus on the urban poor



190,348
patients in 2022



386 medical staff in
New Crystal in 2022

Focus on HERi Madagascar

Providing access to energy in Madagascar

Founded in 2012, HERi Madagascar is a socially committed company that distributes and finances life changing products to people who are not connected to a reliable source of energy throughout a multichannel distribution network in Madagascar

HERi's activity consist of:

- A network of kiosks and distribution points managed by franchised women entrepreneurs who develop the activity of renting solar lamps to populations without electricity in rural areas;
- A network of Microfinance Institutions that offer a credit purchase of HERi products to their clients;
- A PAY-As-You-Go (PAYGo) financing model for people living in peri-urban and rural areas.

According to the World Bank, in 2020, only 34% of Madagascar's population has access to energy. This rate declines to 11% in rural areas.

Families have no choice but to rely on poor alternatives such as candles, kerosene lamps or batteries.

One kerosene lamp emits 370kg of carbon dioxide emissions into the atmosphere every single year. This is over one tone in three years.



60,739

Solar home systems and lamps sold or rented in 2022

485,000

Persons impacted

278

people working for HERi Madagascar :

69

full time employees, of which 26% are women

76

franchised women entrepreneurs who develop the activity of renting solar lamps via a network of kiosks,

133

freelance sales agents for solar home system sold on Pay-As-You-Go

75%

of women among top management



SDG 7

Ensure access to affordable, reliable, sustainable and modern energy for all



© Clinique Procrée

01. Impact thesis and methodology

02. Impact management in 2022

Portfolio overview

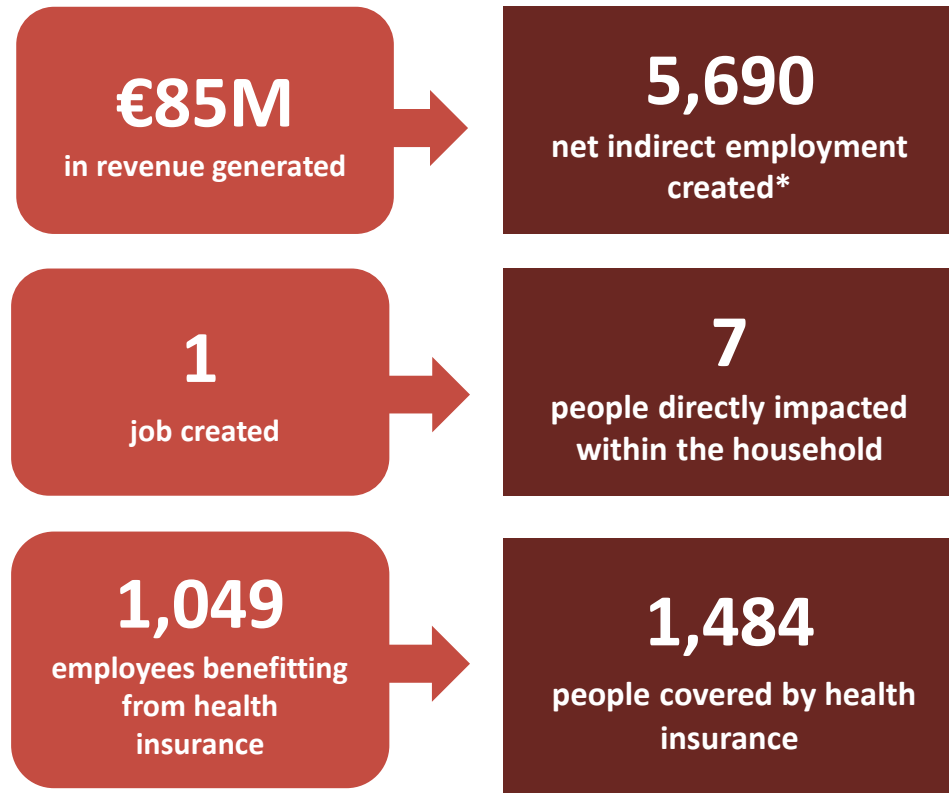
Measuring impacts based on our investment objectives: 2022-2023 performance

Strengthening local economic fabric through indirect impacts

Enhancing outreach & impact with advocacy

Indirect impacts on local stakeholders

I&P's impact mission: I&P impact goes beyond the scope of its partner companies; through investments in African SMEs, I&P also aims at contributing to the economic development of the continent from a larger perspective. Our partner SMEs are indeed taking part in an ongoing dynamic of building and strengthening the fabric of African economies by working mostly with local suppliers and contributing to political stabilization and social redistribution.



How to generate indirect impacts

Impact on local suppliers

I&P impact measures take into account the impact of our portfolio on local supply chains by promoting firms that are deeply rooted in the local economic fabric.

The effects of SME formalization

SME formalization contributes to the growth and strengthening of local firms by enhancing best governance practices and formalizing employees' status and rights.

Contributing to African countries' resource mobilization

Six companies in our portfolio directly contribute to the mobilization of national resources through the payment of taxes.

** Based on the "input-output" methodology developed by Nobel Laureate economist Wassily Leontief, compiled from Purdue University's GTAP international trade analysis data.*

Building resilience and self-reliance in African countries

The COVID crisis has shown the fragility of global value chains and the importance for each continent to have the necessary production capacity to meet the needs of its people. Strengthening exports within African sub-regions and substituting imports with domestic production are at the heart of our mission. We also want African companies to be able to move up the value chain by processing higher value-added goods locally before exporting them.

Exportations

45% of our partner companies **export at the pan-African or international markets.**

- Regional integration and increased trade between African countries are important for the development of the continent and its autonomy.
- International exports also play a positive role in enabling local processing and value addition in order to export higher value-added goods.

Import Substitution

45% of our partner companies have contributed to import **substitution**. Producing locally what people need makes economies more resilient to external shocks



Market shares and indirect impacts on competitors

A powerful indirect impact is that of market share gains. Where does the growth of our companies come from? These gains can come from several sources, which we have grouped into three categories: import substitution, informal sector substitution and a fast-growing local market.

45% of our partner companies **capture part of their market share from import substitution to importing firms**. In addition to having a positive effect on the balance of payments by reducing the outflow of foreign currency needed to acquire foreign imports, this import substitution also makes it possible to strengthen the autonomy and sovereignty of African countries.

80% of IPAE 2 companies **benefit from local market opportunities**. As the needs of local populations are far from being met, our companies are positioning themselves in markets where the needs are immense and have not been satisfied until now.

50% of IPAE 2 SMEs **partly supplant the informal sector in their market segment**. In this case, the creation of jobs and value added generated by our partner companies could be translated into a decrease in informal businesses. The net impact is then difficult to identify from a quantitative point of view. However, this substitution of the informal sector generally allows for important qualitative progress by promoting more stable and better paid jobs with access to social protections.



Ripple effect on local suppliers

SMEs build local networks

20

IPAE2 SMEs
currently in
portfolio

733

suppliers have
contracted with IPAE2's
companies in 2022

€6.8M

in intermediate
consumption in
2022

55%

are local
suppliers

Spotlight: AGROSERV

Created in 2008, AGROSERV INDUSTRIE is an industrial unit processing maize into gritz and flour. Based in the industrial zone of Kossodo in Burkina Faso, the unit is equipped with two automatic production lines with a production capacity of 50 tons per day each.

In order to optimize the supply chain, AGROSERV INDUSTRIE decided to **organize and support a network of small producers**.



1,714 small producers
reached

Contribution to SME formalization

Ensuring full social and fiscal compliance

Focus on main actions

IPAE2's investment **requires investees' full compliance with labor laws and formalization of their employees**. Our partner companies therefore receive support on these matters when they need it.

63% of the African SMEs registered in WBES 2019 **compete against** the informal sector. They are much more exposed to risk than large African companies.

In August 2018, a study was conducted in Senegal and Madagascar on a group of IPDEV 2 and IPAE partner companies in order to capitalize on partner companies' experience **and better understand the issues at stake, with two areas of focus:**

- **Key barriers to formalization for companies**
- **Socio-economic impacts of a job contract for employees** (higher wages, better job security, access to bank accounts and access to social benefits, such as a pension plans, health insurance)

[Read the full study on Senegal](#)
[Read the full study on Madagascar](#)

€5,979,500+

paid in taxes to the local authorities in 2022

In IPAE's countries of intervention, the **low level of mobilization of fiscal resources** is a key barrier to developing the most needed public services (infrastructure, water, education...). Tax revenues represent less than 16.5% of GDP in Africa in 2022. Most companies remain informal to avoid paying taxes and salary charges. In West Africa, **informal employment accounts for 92.4% of total employment** in all sectors (ILO, 2018).

17 PARTNERSHIPS FOR THE GOALS



SDG 17.3

Mobilize additional financial resources

Promoting traceability and best E&S standards/practices

Access to new certifications, skills and technologies

On average, SMEs in IPAE 2's portfolio have a larger share of certification than African SMEs surveyed in the World Bank Enterprise Survey (WBES).

60%

Of IPAE2 companies developing environmental, social or quality certifications in 2022



10%

Of African SMEs surveyed in the World Bank Enterprise Survey (WBES)

Implementation of internal or regional standards to ensure traceability and good practices

RENSOURCE

This distributed energy services provider to SME clusters, residential and commercial users in Nigeria is planning to obtain the ISO 45001 - Occupational Health and Safety certification.

NCHS and XpressGas

EPA Permit certifies that the business operates in a responsible manner

PROCREA

This clinic dedicated to women and children's health and specialized in fertility treatments is being in preparation for ISO 9001 certification, and has the GIERAF quality label

DELTA SA, AMI, I-PROCURE, EDPARTNERS, AGROSERV and SO FRESH

These companies are certified ISO 9001:2015 for their quality management system

SOAFIARY

This company specialized in dry grains trading is preparing to obtain HACCP certification

AFRIBON

Afribon was certified to ISO 22000 on food safety in Uganda and Kenya





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01. Impact thesis and methodology

02. Impact management in 2022

Portfolio overview

Measuring impacts based on our investment objectives: 2022-2023 performance

Strengthening local economic fabric through indirect impacts

Enhancing outreach & impact with advocacy

Advocating for African entrepreneurship

I&P is committed to a policy of proactive advocacy for the recognition of SMEs as vectors of change and the promotion of appropriate financing solutions in Africa. We aim to go beyond I&P's impact alone - which is necessarily limited compared to the scale of the challenges facing the African continent - and have a multiplier effect to increase our contribution to the African development agenda.

Our advocacy resources

Publications



I&P regularly publishes studies that concretely address its areas of expertise: impact investment, support for SMEs, private equity, etc.

[Find out more about our reports and publications here](#)

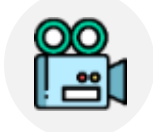
Articles & Blog



I&P and FERDI manage the "Entreprenante Afrique" blog, a space for expression, experience sharing and economic knowledge on entrepreneurship in Africa.

[Visit the blog](#)

Videos



I&P highlights partner companies and team members through short videos and interviews.

[Discover our videos](#)

Focus on I&P's manifesto

In 2022, I&P published its "Manifesto for the financing and support of entrepreneurship in Africa".

Based on 20 years of learning, entrepreneurial adventures, successes but also failures and challenges, this manifesto **shares five battles that we believe are essential** to accomplish our mission to serve the men and women entrepreneurs of Africa.

[Read more](#)

Manifesto for the financing and support of entrepreneurship in Africa

October 2022



Our networks and commitments

I&P helps **grow the emerging ecosystem of impact investors** and exemplifies its mission through multiple networks. Our commitment is reflected in **external evaluations and certifications such as the B-Corp™ certification and the Operating Principles for Impact Management.**

Impact investing networks and certifications



Networks dedicated to the promotion of entrepreneurship and private equity



Promote entrepreneurial voices in Africa

Focus on the Club Africain des Entrepreneurs



In 2016, I&P sparked the creation of the **African Club of Entrepreneurs**, a pan-African NGO (based in Abidjan) that serves a threefold purpose:

- **Promote entrepreneurship in Africa** by shedding light on the activities of the members and promoting this initiative amongst different stakeholders, including youth and women.
- **Foster opportunities** by sparking new types of interactions between members on the local, national, regional and pan-African scales, to share best practices and foster business opportunities.
- **Enhance skills** for both the entrepreneurs and their employees, to develop local human resources.



Advocacy projects and main activities in 2022

ADVOCACY	The Club is one of the founding partners, a regular contributor to the editorial committee with I&P and FERDI of the blog "Entreprenante Afrique" .
TRAINING	Launch of the e-learning platform, a tool designed for the club's member entrepreneurs, but also for their employees. This platform allows to reinforce the capacities of the companies in order to improve the skills of the users on various topics treated. (May 2022)
COMMUNICATIONS	NEWSLETTER: The Club's newsletter is published at least once a quarter and presents the activities and information about the member entrepreneurs and their companies. FOCUS ENTREPRENEURIAL is a section on our social networks where we promote our member companies by highlighting their strengths and services. CLUB SOCIAL NETWORKS : Relaunch the club's Facebook page ; opened a LinkedIn page; opened a YouTube channel
MEETING OF ENTREPRENEURS IN COUNTRY CLUSTERS	<ul style="list-style-type: none">▪ Mali: April 29th, 2022 in Bamako Official launch of the Club's activities in Mali.▪ Niger: November 8th, 2022 in Niamey Theme: "Recruiting and retaining its Human Resources".▪ Senegal: November 17th, 2022 in Dakar Second edition of the Club's entrepreneurs' meeting in Senegal.
ANNUAL ENTREPRENEUR SEMINAR	After a few years of downtime due to the Covid-19 crisis, the 9th edition of the annual entrepreneurs' seminar was held in Paris from <i>June 14th to 17th, 2023</i> . The theme for this year was "Digital as a tool for corporate performance" .

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